



Ferretti S.p.A.

(a joint-stock company (società per azioni) governed by the laws of Italy with its registered office at Via Irma Bandiera no. 62, 47841 – Cattolica (RN), Italy)

Admission to listing and trading of the ordinary shares of Ferretti S.p.A. on Euronext Milan

This prospectus (the “**Prospectus**”) has been prepared exclusively in connection with the admission to listing and trading of the shares in the capital of Ferretti S.p.A. (the “**Company**”), each without nominal value (the “**Shares**”) on Euronext Milan (“**Euronext Milan**”), a regulated market organized and managed by Borsa Italiana S.p.A. (“**Borsa Italiana**” and such admission, the “**Admission**”).

Concurrently with the Admission, Ferretti International Holding S.p.A. (“**FIH**” or the “**Selling Shareholder**”) is offering for sale up to 88,454,818 Shares (the “**Offer Shares**”), subject to an over-allotment option for an additional 8,845,482 Offer Shares.

The Shares mentioned herein have not been, and will not be, registered under the United States Securities Act of 1933 (the “**U.S. Securities Act**”). The Shares may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. There will be no public offer of securities in the United States or in any other jurisdiction.

Prior to the commencement of trading on Euronext Milan, the Shares have been traded on the Main Board of the Stock Exchange of Hong Kong Limited (“**HK Stock Exchange**”) since March 31, 2022, when 83,580,000 Shares were issued at HK\$22.88 (equal to approximately €2.63) per Share in connection with the listing (the “**2022 Offer**”). On June 20, 2023 with order no. 8957 Borsa Italiana approved the Shares for listing on Euronext Milan. On June 20, 2023 application has also been made to admit all of the Shares to trading on Euronext Milan under the symbol “YACHT”. The first trading date in the Shares on Euronext Milan will be determined by Borsa Italiana through the publication of a notice pursuant to Article 2.4.3., paragraph 6 of Borsa Italiana Market Rules and is expected to be on or around June 27, 2023 (the “**First Trading Date**”). Starting from the First Trading Date, the Shares will be simultaneously traded on the HK Stock Exchange and on Euronext Milan. No assurance can be given that the application to admit all of the Shares to trading on Euronext Milan will be approved. In the event the Offer is suspended or withdrawn, the listing will not occur.

Investing in the Shares involves risks. See “Risk Factors” for a description of the risk factors that should be carefully considered before investing in the Shares.

This Prospectus constitutes a prospectus for the purposes of, and has been prepared in accordance with, Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14, 2017 (including any relevant delegated regulations), as amended (the “**Prospectus Regulation**”), and in compliance with Regulation implementing Italian Legislative Decree no. 58 of February 24, 1998, concerning the discipline of issuers, adopted by CONSOB under resolution no. 11971 of 14 May 1999 and subsequently amended. This Prospectus has been approved as a prospectus for the purposes of Article 3(3) of the Prospectus Regulation by, and filed with, Consob as competent authority under the Prospectus Regulation. Consob only approves this Prospectus as meeting the standard of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Company or the quality of the Shares. Investors should make their own assessment as to the suitability of investing in the Shares.

The validity of this Prospectus will expire on the earlier of (i) the First Trading Date and (ii) twelve months from the Prospectus Date provided that it is completed by any supplement if required pursuant to Article 23 of the Prospectus Regulation. The obligation to supplement a prospectus in the event of significant new factors, material mistakes or material inaccuracies shall cease to apply when this Prospectus is no longer valid (see “*Important Information—Supplements*”).

Listing Agent

UniCredit

This Prospectus has been published on June 21, 2023, following the notice of approval issued by Consob on June 21, 2023, no. 0058543/23, and is available at the Company’s registered office, Via Irma Bandiera no. 62, 47841 – Cattolica (RN), Italy, as well as on the Company’s website (www.ferrettigroup.com).

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SUMMARY

Introduction and warnings

Introduction

This summary should be read as an introduction to the prospectus (the “**Prospectus**”) prepared in connection with the admission to listing and trading of the ordinary shares in the capital of Ferretti S.p.A., a joint stock company (*società per azioni*) incorporated and organized under the laws of Italy (the “**Company**”), each without nominal value (the “**Shares**”) on Euronext Milan (“**Euronext Milan**”), a regulated market organized and managed by Borsa Italiana S.p.A. (“**Borsa Italiana**”) and such admission the “**Admission**”). The offering (the “**Offer**”) by Ferretti International Holding S.p.A., a joint stock company (*società per azioni*) incorporated and organized under the laws of Italy (“**FIH**” or the “**Selling Shareholder**”) of up to 88,454,818 Shares (the “**Offer Shares**”), subject to an over-allotment option for an additional 8,845,482 Shares, is also described in the Prospectus. There will be no public offering in any jurisdiction, including Italy.

The Company’s registered office is Via Irma Bandiera 62, Cattolica (RN), Italy. The Company is registered with the Italian trade register under number 04485970968. The Company’s telephone number is (+39) 0543-787511. The Company’s Legal Entity Identifier (LEI) is 815600F40754716D2D91.

FIH’s registered office is Via Alessandro Manzoni 41, Milan, Italy. FIH is registered with the Register of Companies of Milano Monza Brianza Lodi under number 07739200967. FIH Legal Entity Identifier (LEI) is 213800DZJFL11ZR7F235.

The Shares’ International Security Identification Number (ISIN) is IT0005383291. The Prospectus was approved as a prospectus for the purposes of Article 3(3) of Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14, 2017 (including any relevant delegated regulations), as amended (the “**Prospectus Regulation**”) by, and filed with, Italian Authority for the Financial Markets (*Commissione Nazionale per le Società e la Borsa*, “**CONSOB**”) as a competent authority under the Prospectus Regulation, on June 21, 2023.

As the Offer consists only of private placements in Italy and elsewhere in the European Economic Area to institutional investors that qualify as qualified investors as defined in Article (2)(e) of the Prospectus Regulation and to institutional investors elsewhere, pursuant to the Prospectus Regulation, the Offer is exempted from the requirement to publish an approved prospectus pursuant to Article 3(1) of the Prospectus Regulation. Therefore, this Prospectus has been approved by and filed with CONSOB only in relation to the Admission.

CONSOB’s registered office is Via Giovanni Battista Martini 3, Rome, Italy. CONSOB’s telephone number is +39 0684771 and its website is www.consob.it.

Notices to investors

This summary should be read as an introduction to the Prospectus prepared in connection with the Admission. Any decision to invest in any Shares should be based on a consideration of the Prospectus as a whole by the investor and not just the summary. An investor could lose all or part of the invested capital. Where a claim relating to the information contained in, or incorporated by reference into, the Prospectus is brought before a court, the plaintiff investor might, under the national law of the member states of the European Economic Area, have to bear the costs of translating the Prospectus and any documents incorporated by reference therein before the legal proceedings can be initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus, or where it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the Shares.

Key information on the Company

Who is the Issuer of the Shares?

Domicile, legal form, LEI, legislation and country of incorporation.

The Company’s legal and commercial name is Ferretti S.p.A. The Company was incorporated as a limited liability company (*società a responsabilità limitata*) on July 16, 2004 under the name “Loppi S.r.l.” with authorized share capital of €10,000, and then converted into a joint stock company (*società per azioni*) on July 11, 2006.

The Company is domiciled in and operates under the laws of Italy, is tax resident in Italy and its place of effective management is in Italy. As a result of the Company’s market capitalization, based on trading in the Company’s Shares on the HK Stock Exchange as of the Prospectus Date, the Company does not qualify as a “SME” within the meaning of Article 1, paragraph 1, W-quater-1) of the Consolidated Financial Act. In addition, on the basis of the expected Offer Price, the Company reasonably expects that it will not qualify as a “SME” within the meaning of Article 1, paragraph 1, W-quater-1) of the Consolidated Financial Act on the date the Offer Price is determined.

The Company’s registered office is Via Irma Bandiera 62, Cattolica (RN), Italy. The Company is registered with the Italian trade register under number 04485970968. The Company’s Legal Entity Identifier (LEI) is 815600F40754716D2D91.

The Shares’ International Security Identification Number (ISIN) is IT0005383291. The Company’s website is www.ferrettigroup.com.

Principal activities

The Company and its subsidiaries’ (together, the “**Group**”) is an established player in the global luxury yacht market, leader in the global luxury inboard yacht market above 9 meters (approximately 30 feet) with a market share of 15% as of June 30, 2022 (*source*: Group calculation based on data from the New Build Estimate database as of June 2022, issued in August 2022 by Phil Draper & Associates) and among the top players in the super yachts segment (*source*: Group calculation based on data from the SYT iQ, issued in December 2022 by SuperYacht Times). The Group designs, produces and sells luxury composite, made-to-measure, and super yachts from 8 to 95 meters (approximately 27 and 312 feet) covering a broad and diversified range of types, catering for the personal tastes and specific requirements of its clientele. In addition to the sale of new luxury yachts, the Group has a comprehensive offering to satisfy the needs of its customers beyond yacht purchase, including: (a) yacht brokerage, chartering and management services; (b) after-sales and refitting services; (c) brand extension activities, such as branded lounges, lifestyle merchandise, and boat restoration services; (d) manufacturing and installation of

nautical components such as wooden furnishings and kinetic systems and components; (e) trading of pre-owned yachts, offering trade-in opportunities to its customers as a lever to facilitate the sales of new yachts; and (f) the sale of coastal patrol vessels by the Ferretti Security Division (“FSD” or “**Ferretti Security Division**”).

Share capital

As of the date of the Prospectus (the “**Prospectus Date**”), the total issued share capital of the Company is €338,482,654.00, represented by 338,482,654 Shares without nominal value. All of the issued and outstanding Shares have been validly issued and are fully paid up. The Shares’ International Security Identification Number (ISIN) is IT0005383291.

Major shareholders

The following table sets out the Shares held by each shareholder or beneficial owner of at least 3% of the voting rights of the Company as of the Prospectus Date, to the Company’s knowledge:

Shareholder	No. of Shares held prior to the Offer	% of Share Capital
FIH ⁽¹⁾	215,769,229	63.746%
Kheope S.A. ⁽²⁾	15,441,768	4.562%
Sino-Leader Power Limited ⁽³⁾	10,914,088	3.224%
Market	96,357,569	28.468%
Total	338,482,654	100%

(1) FIH directly holds 215,769,229 Shares. FIH is wholly owned by Weichai Holding Group Hongkong Investment Co. Limited (“**Weichai Holding (HK)**”). Weichai Holding (HK) is wholly owned by Weichai Group Co. Ltd., which is a wholly-owned subsidiary of Shandong Heavy Industry Group Co., Ltd. (“**SHIG**”). SHIG is owned by State-owned Assets Supervision & Administration Commission of Shandong Province (“**Shandong SASAC**”) (70%), Shandong Guohui Investment Co., Ltd. (20%, a company wholly owned by Shandong SASAC) and Shandong Caixin Asset Operation Co., Ltd (10%).

(2) Kheope S.A. is the beneficial owner of 15,441,768 Shares. Kheope S.A. is wholly owned by Mr. Piero Ferrari, Non-Executive Director.

(3) Sino-Leader Power Limited is the beneficial owner of 10,914,088 Shares, is a limited liability company registered in Hong Kong and is wholly owned by Ms. Renjie Wang.

The rights pertaining to the Shares traded on the HK Stock Exchange (including voting rights) are ultimately exercised by the beneficial holders, as the legal owner, HKSCCN/HKSCC is required to exercise such rights as instructed by the beneficial holders.

As of the Prospectus Date, the Company is indirectly controlled by Shandong SASAC.

As of the first day of trading of the Shares on Euronext Milan (the “**First Trading Date**”), assuming all of the Offer Shares are sold in the Offer, and the over-allotment option (the “**Over-Allotment Option**”) is exercised in full, Shandong SASAC will hold less than 50% of the Company’s share capital, and, consequently, will cease to exercise legal control pursuant to Article 2359(1)(1) of the Italian Civil Code. However, given Shandong SASAC’s expected shareholding following the Offer and assuming the absence of other shareholders who, alone or jointly, could influence the decisions by the Company’s ordinary or extraordinary Shareholders’ Meeting after the First Trading Date, Shandong SASAC is likely to continue to indirectly exercise control over the Company through the exercise of a dominant influence over the Company’s ordinary and extraordinary Shareholders’ Meetings pursuant to Article 2359 (1)(2) of the Italian Civil Code.

Executive directors

Mr. Alberto Galassi is the Chief Executive Officer of the Company and Mr Xu Xinyu is an Executive Director.

Independent auditor

EY S.p.A. (“**EY**”), with registered office at Via Meravigli, 12 20123 Milan (MI) Italy, is the Company’s independent auditor (*revisore legale*).

What is the key financial information regarding the Company?

Selected financial information

Unless otherwise indicated, the financial information contained in this Prospectus is, extracted or derived from

- the English translation of the audited consolidated financial statements of the Group as of and for the years ended December 31, 2022, 2021, and 2020 (the “**Three-Year Period**”) prepared in accordance with IFRS (the “**Annual Financial Statements**”);
- the unaudited consolidated interim financial statements as of and for the three months ended March 31, 2023 (the “**Interim Period**”) and, together with the Three-Year Period, the “**Track-Record Period**”) prepared in accordance with IFRS applicable to the interim financial information, *i.e.*, IAS 34 (the “**Interim Financial Statements**” and together with the Annual Financial Statements, the “**Financial Statements**”).

The Annual Financial Statements as of and for the Three-Year Period have been audited by EY, as stated in the English translation of their reports appearing herein. The Interim Financial Statements have been reviewed by EY, as stated in their report appearing therein.

Consolidated income statement

	Three-month period ended March 31, (unaudited)		For the year ended December 31,		
	2023	2022	2022	2021	2020
	(€ thousand)				
Revenue	290,811	262,969	1,072,449	927,477	638,194
Commissions and other costs related to revenue	(10,503)	(6,542)	(42,350)	(29,056)	(26,839)
Net revenue	280,308	256,427	1,030,099	898,421	611,355
Profit before tax	25,942	11,757	69,385	40,674	3,527
Income tax	(7,386)	1,360	(8,839)	(3,291)	18,455
Profit for the year/period	18,557	13,117	60,546	37,383	21,982
Year on year Net revenue growth	23,881	n.d.	131,678	287,066	(37,896)
Year on year Net revenue growth (%)	9.3%	n.d.	14.7%	47.0%	-5.8%
Earnings per share	0.05	0.05	0.19	0.15	0.09
Net profit margin (Profit for the year/period/net revenue without pre-owned margin)	6.6%	5.4%	6.1%	4.4%	3.8%

Consolidated statement of the financial position

	As of March 31, 2023 (unaudited)	As of December 31,		
		2022	2021	2020
	(€ thousand)			
Total current assets	806,768	818,663	505,199	443,075
Total non-current assets	628,507	588,893	540,887	515,368
Total assets	1,435,275	1,407,556	1,046,076	958,443
Total current liabilities	592,555	583,408	473,440	394,427
Total non-current liabilities	47,695	45,757	74,570	100,691
Total liabilities	640,250	629,165	548,010	495,118
Total equity	795,025	778,391	498,066	463,325
Total liabilities and equity	1,435,275	1,407,556	1,046,076	958,443

Consolidated statement of cash flows

	Three-month period ended March 31, (unaudited)		For the year ended December 31,		
	2023	2022	2022	2021	2020
	(€ thousand)				
Operating profit before changes in working capital	51,058	27,780	130,041	91,002	50,885
Operating profit after changes in working capital	(1,980)	53,792	150,243	271,627	57,341
Income tax paid	-	-	(4,546)	-	-
Net cash generated from operating activities	(1,980)	53,792	145,697	271,627	57,341
Net cash used in investing activities	(44,699)	(15,418)	(162,632)	(74,144)	(69,934)
Net cash generated from/(used in) financing activities	(7,574)	210,386	158,044	(58,050)	7,723
Net (decrease)/increase in cash and cash equivalents	(54,254)	248,759	141,109	139,433	(4,870)
Cash and cash equivalents at the beginning of the period	317,759	173,010	173,010	32,830	39,164
Effect of foreign exchange rate changes, net	(2,070)	1,454	3,641	747	(1,464)
Cash and cash equivalents at the end of the period ...	261,435	423,223	317,759	173,010	32,380

Non-IFRS financial information

This Prospectus contains alternative performance measures as defined by the “ESMA Guidelines on Alternative Performance Measures” issued by ESMA on October 5, 2015 (“**APMs**”) which are non-IFRS measures (“**Non-IFRS Measures**”) and have not been subject to audit or review. Non-IFRS Measures are not liquidity or performance measures under IFRS and are not prepared in accordance with IFRS. These Non-IFRS Measures and other metrics are presented because they are used by management to monitor the performance of the business and operations. These measures also provide additional information to investors to enhance their understanding of Group’s results.

	As of / for the three-month period ended March 31 (unaudited)		As of / For the year ended December 31,		
	2023	2022	2022	2021	2020
	(€ thousand, except percentages)				
EBITDA	40,071	26,087	113,204	94,909	52,784
Adjusted EBITDA	40,013	31,563	139,989	102,569	59,066
Adjusted EBITDA/net revenue without pre-owned margin	14.3%	13.0%	14.1%	12.0%	10.3%
Net Working Capital	(62,795)	(*)	(110,790)	(87,769)	128,398
Net Financial Indebtedness	(300,559)	(*)	(364,935)	(93,258)	127,448
Net Capital Employed	494,467	(*)	413,456	404,808	590,773
Return on Equity (ROE)	(**)	(**)	9.5%	7.8%	4.8%
Return on Total Assets (ROTA)	(**)	(**)	4.9%	3.7%	2.3%
Cash Conversion Ratio	86.0%	81.8%	70.2%	74.8%	64.3%

(*) Data as of March 31, 2022 are not represented.

(**) Data for the interim periods are not meaningful and therefore are not represented.

Pro forma financial information

This Prospectus does not include pro-forma financial information.

What are the key risks that are specific to the Company?

Any investment in the Shares is associated with risks. Prior to any investment decision, it is important to carefully analyze the risk factors considered material to the future development of the Group and the Shares. The following is a summary of key risks that, alone or in combination with other events or circumstances, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. In making the selection, the Group has considered circumstances such as the probability of the risk materializing on the basis of the current state of affairs, the potential impact that the materialization of the risk could have on the Group's business, results of operations, financial condition and prospects, and the attention that management would, on the basis of current expectations, have to devote to these risks if they were to materialize:

- risks related to changes in macroeconomic, geopolitical and social conditions may have a material adverse effect on end-customers' demand;
- risks related to supply chain and contractors;
- risks related to changes in customer preferences and market trends;
- the risk that the Group's success is highly dependent on its ability to retain the services of its key executives and recruit and retain technical and other skilled personnel;
- risk related to the inclusion in the Prospectus of certain medium to long term financial objectives, which should not be read as forecasts, projections or expected results;
- risk related to significant intangible assets, which may expose the Group to write-downs and other risks associated with periodic impairment tests carried out pursuant to IAS 36;
- the risk that the Group faces strong competition in its industry and may not be able to maintain or enhance its market position;
- risks related to the Group's growth and development strategy;
- the risk that the Group faces potential warranty and product liability claims; and
- risk related to potential substantial interruptions to the Group's production activities.

Key information on the Shares

What are the main features of the Shares?

Type, class and ISIN

The Shares are ordinary shares in the capital of the Company, without nominal value. The Shares are denominated in and will be traded in Euro on Euronext Milan. The Shares' ISIN is IT0005383291.

Currency, par value and duration

The Shares are denominated in "Euro", without nominal value and are subject to the dematerialization regime under the Legislative Decree no. 58/1998 (the "**Consolidated Financial Act**").

Rights attached to the Shares

The Offer Shares will, upon admission to trading, rank *pari passu* in all respects with each other and with all the existing Shares of the Company, including the right to cast one vote at the Company's ordinary and extraordinary shareholders' meeting (except for those

situations in which voting rights are suspended pursuant to applicable law) and to receive dividends or other distributions declared, made, or paid after Admission.

Dissolution and liquidation

In the event of dissolution and liquidation, under Italian law, and subject to satisfaction of the claims of all other creditors, shareholders are entitled to a distribution of the remaining liquidated assets in proportion to the nominal value of the Shares they hold in the capital stock upon the winding up. Shareholders of savings or preferred shares, if any such shares were to be issued by the Company would take priority in such distribution up to the nominal value of such Shares. Thereafter, if there are surplus assets, shareholders of ordinary shares are entitled to receive distribution of such surplus assets. The rehabilitation and resolution procedures under Directive 2014/59/EU of the European Parliament and the Council are not applicable to the Company.

Restrictions on free transferability of the Shares

There are no restrictions on free transferability of the Shares under the Company's by-laws. The transfer of Shares to persons who are located or resident in, or who have a registered address in jurisdictions other than Italy may, however, be subject to specific regulations and/or restrictions according to the securities laws applicable in such jurisdictions.

Dividend policy

The Company has adopted a general annual dividend policy of declaring and paying dividends on an annual basis of not less than 30% of the profit attributable to Shareholders of the Company for the relevant year, after deduction of mandatory legal reserves (5%), if required. The dividends will be distributed to Shareholders based on a payment proposal by the Board of Directors, after taking into consideration of compliance with any applicable financial covenants and, if any, with further financial needs of the Company.

In addition, the credit agreement signed on August 2, 2019, as amended from time to time, by and between the Company and CRN S.p.A., as borrowers, and a pool of banks as lenders, restricts the Company's ability to pay dividends in certain circumstances.

Where will the Shares be traded?

Application

The Shares have been traded on the Main Board of the Stock Exchange of Hong Kong Limited ("**HK Stock Exchange**") since March 31, 2022, when 83,580,000 Shares were issued at HK\$22.88 (equal to approximately €2.63) per Share in connection with the listing (the "**2022 Offer**").

Starting from the First Trading Date, the Shares will be simultaneously traded on the HK Stock Exchange and on Euronext Milan.

Is there a guarantee attached to the Shares?

There is no guarantee attached to the Shares.

What are the key risks that are specific to the Shares?

The key risks relating to the Offer and the Shares include:

- the risk that a liquid trading market may not develop or be sustained which may cause the Shares to trade at a discount from the Offer Price and make it difficult to sell any Shares, in particular since the Shares will be dual listed on Euronext Milan and on the Main Board of the HK Stock Exchange;
- the risk that as a consequence of the Offer, Shandong SASAC will cease to indirectly exercise legal control but could be indirectly exercise effective control of the Company under Italian law;
- the risk that the Company may not pay dividends in the future;
- the risk that the price of the Shares may be adversely affected by the expiration or waiver of the lock-up; and
- the risk that the price of the Shares may be higher than the market price due to stabilization activities.

Key information on the Offer and the Admission

Under which conditions and timetable can I invest in the Shares?

Admission

By order no. 8957 of June 20, 2023, Borsa Italiana admitted the Shares to listing on Euronext Milan. On June 20, 2023 application has also been made to Borsa Italiana to admit the Shares to trading on Euronext Milan. The First Trading Date will be determined by Borsa Italiana and published by way of a notice pursuant to Article 2.4.3., paragraph 6, of the rules for the markets organized and managed by Borsa Italiana ("**Borsa Italiana Market Rules**"). The Shares will trade in Euro on Euronext Milan.

Offer

There will be no public offering of the Offer Shares in any jurisdiction. The Selling Shareholder is offering for sale up to 88,454,818 Offer Shares and up to 8,845,482 additional Shares (the "**Over-Allotment Shares**") through a private placement of the Offer Shares to certain institutional investors in the European Economic Area and other jurisdictions. Assuming the sale of all Offer Shares and no exercise of the Over-Allotment Option, the Offer Shares will constitute approximately 26.136% of the issued and outstanding share capital of the Company. Assuming the sale of all the Offer Shares and exercise in full of the Over-Allotment Option, the Offer Shares will constitute approximately 28.746% of the issued and outstanding share capital of the Company. The Offer is not subject to any condition of a minimum amount of Offer Shares sold and Borsa Italiana will take into account the Company's Shares already trading on the HK Stock Exchange when assessing whether the minimum free float requirement for admission to trading has been met. In addition, should any investor acquire a certain number of Offer Shares in the Offer, it cannot be excluded that such Offer Shares may not contribute to the determination of the free float at the First Trading Date. Consequently, as of the First Trading Date, the percentage of the Company's

share capital held by the market exclusively on Euronext Milan may be extremely low or nil. Admission to trading by Borsa Italiana is subject to Borsa Italiana's assessment that conditions and requirements are met, including that the free float is sufficient. Further, liquidity of the Shares on Euronext Milan will also depend on whether any investors currently holding the Company's ordinary shares on the Hong Kong Stock Exchange transfer their positions to Euronext Milan and vice-versa, which is outside the Company's control. In particular, if shareholders currently holding shares in the Company admitted to CCASS and traded on the HK Stock Exchange wish to trade on Euronext Milan, such Shares must be repositioned in their stock accounts maintained with an Italian intermediary. Conversely, Shares traded on Euronext Milan must be repositioned in CCASS in order to trade on the HK Stock Exchange. Such transfers may trigger additional administrative requirements and in certain circumstances may be taxable. To the Company's knowledge, the Ordinary Shares transferred from the Hong Kong Stock Exchange would be available to a Monte Titoli participant within two business days from receipt by the system of the repositioning request. As of the First Trading Date, the Offer Shares will be subject to the dematerialization regime under the Consolidated Financial Act.

Over-Allotment Option

The Selling Shareholder has granted UniCredit Bank AG, Milan Branch (in its capacity as Stabilization Manager) on behalf of the Underwriters, the Over-Allotment Option, exercisable in whole or in part within a period of 30 calendar days after the First Trading Date, pursuant to which the Stabilization Manager, on behalf of the Underwriters, may require the Selling Shareholder to sell at the Offer Price up to 8,845,482 Over-Allotment Shares, corresponding to up to 10% of the total number of Offer Shares sold in the Offer, solely for the purposes of covering short positions resulting from any over-allotments made in connection with the Offer or stabilization transactions, if any. Assuming the sale of all Offer Shares and no exercise of the Over-Allotment Option, the Offer Shares will constitute approximately 26.136% of the issued and outstanding share capital of the Company. Assuming the sale of all the Offer Shares and exercise in full of the Over-Allotment Option, the Offer Shares will constitute approximately 28.746% of the issued and outstanding share capital of the Company.

Jurisdictions

The Offer Shares are being offered and sold (i) within the United States only to persons reasonably believed to be QIBs as defined in Rule 144A under the U.S. Securities Act, pursuant to Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act, and (ii) outside the United States, including in Italy, to institutional investors in offshore transactions in reliance upon Regulation S. The Offer is made only in those jurisdictions in which, and only to those persons to whom, the Offer may be lawfully made. There will be no public offering in any jurisdiction, including Italy.

Offer Price and number of Offer Shares

The price per Offer Share (the “**Offer Price**”) will be determined by way of a bookbuilding exercise involving institutional investors.

The Offer Price and the exact number of Offer Shares offered in the Offer will be determined by the Selling Shareholder, in agreement with the Joint Global Coordinators on behalf of the Underwriters, after the offer period has ended, taking into account economic and market conditions, a qualitative and quantitative assessment of demand for the Offer Shares, and other factors deemed appropriate. The Offer Price (in Euro), the exact number of Offer Shares to be sold in the Offer and the maximum number of Over-Allotment Shares will be set out in a pricing statement that will be filed with CONSOB, published in a press release and posted on the Company's website.

Timetable

The First Trading Date will be determined by Borsa Italiana through the publication of a notice pursuant to Article 2.4.3., paragraph 6, of Borsa Italiana Market Rules.

Joint Global Coordinators and Joint Bookrunners

Goldman Sachs International (“**Goldman Sachs**”), J.P. Morgan SE (“**J.P. Morgan**”) and UniCredit Bank AG, Milan Branch (“**UniCredit**”) are acting as joint global coordinators and joint bookrunners (the “**Joint Global Coordinators**”) and Equita SIM S.p.A. (“**Equita SIM**”) and Joh. Berenberg, Gossler & Co. KG (“**Berenberg**”) are acting as joint bookrunners (the “**Joint Bookrunners**”) and together with the Joint Global Coordinators, the “**Underwriters**”).

Listing Agent

UniCredit Bank AG, Milan Branch is the Listing Agent with respect to the Admission.

Specialist

Kepler Cheuvreux is acting as specialist with respect to the Admission.

Stabilization Manager

UniCredit Bank AG, Milan Branch is the stabilization manager with respect to the Offer (the “**Stabilization Manager**”).

Dilution

The Offer by the Selling Shareholder will not result in the issuance of new Shares of the Company and therefore will not result in any dilutive effect to the Company's existing shareholders. As of the First Trading Date, assuming all of the Offer Shares are sold in the Offer and the Over-Allotment Option is exercised in full, the Selling Shareholder's shareholding in the Company will decrease from 63.746% to 35%.

Estimated expenses

The maximum underwriting commissions (including the maximum discretionary commission) due to the Underwriters will not exceed 4% of the gross proceeds of the Offer and will be borne by the Selling Shareholder. The expenses related to the Offer and Admission (net of the underwriting commissions) are estimated to be approximately €4.6 million and will be borne by the Selling Shareholder according to market practice.

Who is the offeror and/or the person asking for Admission?

In connection with the Admission, the Selling Shareholder is offering for sale up to 88,454,818 Offer Shares, subject to an over-allotment option for an additional 8,845,482 Offer Shares. The Company is asking for Admission.

Why is the Prospectus being produced?

Reasons for the Offer and Admission

The Offer is aimed at enabling the Company to list its Shares on a European stock exchange, in addition to its existing listing on the HK Stock Exchange, in order to increase its investor base. The Offer is specifically aimed at ensuring the Admission.

Net proceeds

The Company will not receive any proceeds from the Offer, all of which will be paid to the Selling Shareholder. The final net proceeds cannot be calculated as of the Prospectus Date as the Offer Price has not yet been determined. Based on the closing price of the Shares on the HK Stock Exchange on June 16, 2023 of HKD 25.20, equal to EUR 2.98, based on the HKD/EUR exchange rate on the same date, the Selling Shareholder would receive, assuming all of the Offer Shares are sold in the Offer and the Over-Allotment Option is exercised in full, net proceeds of approximately Euro 289,488,496. The closing price of the Shares on the HK Stock Exchange on June 16, 2023 is a reference price for the purposes of disclosure in this Prospectus but it is not necessarily indicative of the expected Offer Price nor does it purport to provide any Offer Price recommendation or guidance.

Underwriting agreement

Assuming the Offer is successfully completed, the Company, the Selling Shareholder and the Underwriters will enter into an underwriting agreement (the “**Underwriting Agreement**”) with respect to the Offer Shares.

Material conflicts of interest pertaining to the Offer and the Admission

The Underwriters have an interest in the Offer as it is expected that, if the Offer is successfully completed, they will enter into the Underwriting Agreement, pursuant to which they will agree, subject to the satisfaction of certain conditions set forth therein, severally and not jointly to procure purchasers, failing which, purchase themselves the agreed number of Offer Shares, in exchange for which they will receive commissions. UniCredit, as Listing Agent, will receive commissions for its services in that capacity. In addition, in the ordinary course of their business, the Underwriters and the companies that control them, that they control or that are under common control with them (collectively, “affiliates”) provide and may continue to provide, a variety of services to the Company, the Selling Shareholder and their respective groups, including lending, investment banking, financial advisory, risk management, hedging and other services, for which they receive customary fees, and they and their respective affiliates may provide such services for the Company and the Selling Shareholder and their respective affiliates in the future. Moreover, in the ordinary course of their business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments, including corporate debt facilities, of the Company and the Selling Shareholder and their respective affiliates. Finally, in connection with the Offer, the Underwriters and their respective affiliates, acting as an investor for its own account, may take up Offer Shares in the Offer and in that capacity may retain, purchase or sell for its own account such securities and any Offer Shares or related investments and may offer or sell such Offer Shares or other investments otherwise than in connection with the Offer. Accordingly, references in this Prospectus to Offer Shares being offered or placed should be read as including any offering or placement of Offer Shares to any of the Underwriters or any of their respective affiliates acting in such capacity. None of the Underwriters intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

NOTA DI SINTESI
(ITALIAN TRANSLATION OF THE SUMMARY OF THE PROSPECTUS)

Introduzione ed avvertenze

Introduzione

La presente nota di sintesi deve essere letta come introduzione al prospetto informativo (il “**Prospetto**”) redatto in relazione all’ammissione a quotazione e negoziazione delle azioni ordinarie di Ferretti S.p.A., società per azioni costituita e organizzata secondo il diritto italiano (la “**Società**”), ciascuna priva di valore nominale (le “**Azioni**”) su Euronext Milan (“**Euronext Milan**”), mercato regolamentato organizzato e gestito da Borsa Italiana S.p.A. (“**Borsa Italiana**”) e tale ammissione, la “**Ammissione**”). L’offerta (l’“**Offerta**”) da parte di Ferretti International Holding S.p.A., società per azioni costituita e organizzata secondo il diritto italiano (“**FIH**” o l’“**Azionista Venditore**”) di massime 88.454.818 Azioni (le “**Azioni in Offerta**”) e fino a 8.845.482 ulteriori Azioni (le “**Azioni di Over-Allotment**”) è descritta anche nel Prospetto. Non è prevista alcuna offerta pubblica in nessuna giurisdizione, compresa l’Italia.

La sede legale della Società è Via Irma Bandiera 62, Cattolica (RN), Italia. La Società è iscritta al Registro delle Imprese italiano con il numero 04485970968. Il numero di telefono della Società è (+39) 0543-787511. Il *Legal Entity Identifier* (LEI) della Società è 815600F40754716D2D91.

La sede legale di FIH è in Via Alessandro Manzoni 41, Milano, Italia. FIH è iscritta al Registro delle Imprese di Milano Monza Brianza Lodi con il numero 07739200967. Il *Legal Entity Identifier* (LEI) di FIH è 213800DZJFL11ZR7F235.

L’*International Security Identification Number* (ISIN) delle Azioni è IT0005383291. Il Prospetto è stato approvato come prospetto ai fini dell’articolo 3, paragrafo 3 del Regolamento (UE) 2017/1129 del Parlamento Europeo e del Consiglio del 14 giugno 2017 (inclusi i relativi regolamenti delegati), come modificato (il “**Regolamento Prospetto**”) da, e depositato presso, la Commissione Nazionale per le Società e la Borsa (“**CONSOB**”) in qualità di autorità competente ai sensi del Regolamento Prospetto, in data 21 giugno 2023.

Poiché l’Offerta consiste esclusivamente in collocamenti privati in Italia e altrove nello Spazio Economico Europeo a investitori istituzionali identificati come “investitori qualificati” ai sensi dell’articolo 2, lett. e) del Regolamento Prospetto e, altrove, a investitori istituzionali, ai sensi del Regolamento Prospetto l’Offerta è esente dall’obbligo di pubblicazione di un prospetto approvato ai sensi dell’articolo 3, paragrafo 1 del Regolamento Prospetto. Pertanto, il presente Prospetto è stato approvato dalla CONSOB e depositato presso la stessa unicamente in relazione all’Ammissione.

La sede legale della CONSOB è in Via Giovanni Battista Martini 3, Roma, Italia. Il numero di telefono della CONSOB è +39 0684771 e il sito web è www.consob.it.

Avviso agli investitori

La presente nota di sintesi deve essere letta come un’introduzione al Prospetto predisposto in relazione all’Ammissione. Qualsiasi decisione di investire in azioni deve basarsi sull’esame del Prospetto completo da parte dell’investitore e non solo sulla nota di sintesi. Un investitore potrebbe perdere tutto o parte del capitale investito. Qualora sia proposto un ricorso dinanzi all’organo giurisdizionale in merito alle informazioni contenute nel Prospetto, l’investitore ricorrente potrebbe essere tenuto, a norma del diritto nazionale degli Stati membri dello Spazio Economico Europeo, a sostenere le spese di traduzione del Prospetto e di qualsiasi documento incorporato per riferimento in esso prima dell’inizio del procedimento. La responsabilità civile incombe solo sulle persone che hanno presentato la nota di sintesi, comprese le relative traduzioni, ma soltanto se tale nota di sintesi risulti fuorviante, imprecisa o incoerente se letta insieme alle altre parti del Prospetto, o non offre, se letta insieme alle altre parti del Prospetto, le informazioni fondamentali per aiutare gli investitori al momento di valutare se investire nelle Azioni.

Informazioni fondamentali concernenti la Società

Chi è l’emittente delle Azioni?

Domicilio e forma giuridica, codice LEI, ordinamento in base alla quale opera e Paese in cui ha sede.

La denominazione legale e commerciale della Società è Ferretti S.p.A. La Società è stata costituita come società a responsabilità limitata il 16 luglio 2004 con la denominazione “Loppi S.r.l.” con un capitale sociale autorizzato di 10.000 euro e successivamente trasformata in società per azioni l’11 luglio 2006.

La Società è domiciliata in e opera in base alla legislazione italiana, è fiscalmente residente in Italia e ha la propria sede operativa in Italia. Sulla base del valore di capitalizzazione registrato dalle azioni della Società presso l’HK Stock Exchange alla Data del Prospetto, la Società non è identificata come “PMI” ai sensi dell’articolo 1, comma 1, W-quater-1) del TUF. In aggiunta, sulla base del previsto Prezzo di Offerta, la Società ritiene ragionevolmente di non essere qualificabile come “PMI” ai sensi dell’articolo 1, comma 1, W-quater-1) del TUF alla data in cui il Prezzo di Offerta è determinato.

La sede legale della Società è Via Irma Bandiera 62, Cattolica (RN), Italia. La Società è iscritta al registro delle imprese italiano con il numero 04485970968. Il *Legal Entity Identifier* (LEI) della Società è 815600F40754716D2D91.

L’*International Security Identification number* (ISIN) è IT0005383291. Il sito web della Società è www.ferrettigroup.com.

Attività principali

La Società e le sue controllate (congiuntamente, il “**Gruppo**”) è un operatore affermato nel mercato globale degli *yacht* di lusso, *leader* nel mercato globale degli *yacht* di lusso entrobordo di lunghezza superiore a 9 metri (circa 30 piedi) con una quota di mercato del 15% al 30 giugno 2022 (fonte: calcolo di Gruppo basato sui dati del *database* New Build Estimate al giugno 2022, pubblicato nell’agosto 2022 da Phil Draper & Associates) e tra i primi operatori nel segmento dei super *yacht* (fonte: calcolo di Gruppo basato sui dati del SYT iQ, pubblicato nel novembre 2022 da SuperYacht Times). Il Gruppo progetta, produce e vende *yacht* di lusso in materiali compositi, su misura e super *yacht* da 8 a 95 metri (circa 27 e 312 piedi), coprendo un’ampia e diversificata gamma di tipologie, in grado di soddisfare i gusti personali e le esigenze specifiche della propria clientela. Oltre alla vendita di nuovi *yacht* di lusso, il Gruppo dispone di un’offerta completa

per soddisfare le esigenze dei suoi clienti al di là dell'acquisto di *yacht*, tra cui: (a) servizi di intermediazione, noleggio e gestione di *yacht*; (b) servizi post-vendita e di *refitting*; (c) attività di *brand extension*, come saloni di marca, *lifestyle merchandise* e servizi di restauro di imbarcazioni; (d) produzione e installazione di componenti nautici come arredi in legno e sistemi e componenti cinetici; (e) commercio di *yacht* usati, offrendo opportunità di *trade-in* ai propri clienti come leva per facilitare le vendite di nuovi *yacht*; e (f) la vendita di navi da pattugliamento costiero da parte della Ferretti Security Division ("FSD" o "**Ferretti Security Division**").

Capitale sociale

Alla data del Prospetto (la "**Data del Prospetto**"), il capitale sociale totale emesso della Società è di Euro 338.482.654,00, rappresentato da 338.482.654 Azioni prive di indicazione del valore nominale. Tutte le Azioni emesse e in circolazione sono state validamente emesse e sono interamente liberate. L'*International Security Identification number* (ISIN) delle azioni è IT0005383291.

Maggiori Azionisti

La seguente tabella riporta le Azioni detenute da ciascun azionista, ovvero titolare effettivo (c.d. *beneficial owner*), che detiene almeno il 3% dei diritti di voto della Società alla Data del Prospetto, per quanto a conoscenza della Società:

Azionista	N. di azioni detenute prima dell'Offerta	% di Capitale Sociale
FIH ⁽¹⁾	215.769.229	63,746%
Kheope S.A. ⁽²⁾	15.441.768	4,562%
Sino-Leader Power Limited ⁽³⁾	10.914.088	3,224%
Mercato	96.357.569	28,468%
Total	338.482.654	100%

(1) FIH detiene direttamente 215.769.229 Azioni. FIH è interamente controllata da Weichai Holding Group Hongkong Investment Co. Limited ("**Weichai Holding (HK)**"). Weichai Holding (HK) è interamente posseduta da Weichai Holding Group Co., Ltd., che è una società interamente controllata da Shandong Heavy Industry Group Co., Ltd. ("**SHIG**"). SHIG è di proprietà della State-owned Assets Supervision & Administration Commission of Shandong Province ("**Shandong SASAC**") (70%), Shandong Guohui Investment Co., Ltd., (20%, una società interamente controllata da Shandong SASAC) e Shandong Caixin Asset Operation Co. Ltd. (10%).

(2) Kheope S.A. è il titolare effettivo di 15.441.768 Azioni. Kheope S.A. è interamente posseduta da Piero Ferrari, Amministratore non esecutivo.

(3) Sino-Leader Power Limited è il titolare effettivo di 10.914.088 Azioni, è una società a responsabilità limitata registrata ad Hong Kong ed è interamente posseduta dalla Sig.ra Renjie Wang.

Per quanto concerne le Azioni della Società negoziate presso l'HK Stock Exchange, i diritti sociali connessi alle Azioni (inclusi i diritti di voto) sono esercitati da ultimo dai beneficiari effettivi dal momento che HKSCCN/HKSCC (proprietario) è tenuto ad esercitare tali diritti dietro istruzioni dei titolari effettivi. Alla Data del Prospetto, la Società è indirettamente controllata da Shandong SASAC.

Alla data di inizio delle negoziazioni delle Azioni su Euronext Milan (la "**Data di Inizio delle Negoziazioni**"), assumendo che tutte le Azioni in Offerta siano vendute nell'ambito dell'Offerta e che l'opzione di *over-allotment* (l' "**Opzione di Over-Allotment**") sia interamente esercitata, Shandong SASAC deterrà meno del 50% del capitale sociale della Società e, di conseguenza, cesserà di esercitare il controllo di diritto ai sensi dell'articolo 2359, comma 1, n. 1, del Codice Civile. Tuttavia, data la partecipazione prevista di Shandong SASAC a seguito dell'Offerta e assumendo l'assenza di altri azionisti che, da soli o congiuntamente, possano influenzare le decisioni dell'assemblea ordinaria o straordinaria della Società dopo la Data di Inizio delle Negoziazioni, è probabile che Shandong SASAC continui a esercitare indirettamente il controllo sulla Società attraverso l'esercizio di un'influenza dominante sulle assemblee ordinarie e straordinarie della Società ai sensi dell'articolo 2359, comma 1, n. 1 del Codice Civile.

Amministratori esecutivi

Alberto Galassi è l'Amministratore Delegato della Società e Xu Xinyu è un Amministratore Esecutivo.

Revisore Legale

EY S.p.A. ("**EY**"), con sede legale in Via Meravigli, 12 20123 Milano, Italia, è il revisore legale della Società.

Quali sono le informazioni fondamentali relative alla Società?

Informazioni finanziarie selezionate

Se non diversamente indicato, le informazioni finanziarie contenute nel presente Prospetto sono estratte o derivate dal:

- la traduzione in inglese dei bilanci consolidati sottoposti a revisione del Gruppo per gli esercizi chiusi al 31 dicembre 2022, 2021 e 2020 (il "**Triennio di Riferimento**"), redatti in conformità agli IFRS (i "**Bilanci Annuali**");
- il bilancio consolidato intermedio abbreviato al 31 marzo 2023 (il "**Periodo Intermedio**") ed insieme al Triennio di Riferimento, il "**Periodo di Riferimento**") redatto in conformità agli IFRS applicabili all'informativa infrannuale (IAS34) (il "**Bilancio Infrannuale**"), ed insieme ai Bilanci Annuali, i "**Bilanci**").

I Bilanci Annuali sono stati sottoposti a revisione contabile da parte di EY, come indicato nella traduzione in inglese delle loro relazioni riportate nel presente documento. Il Bilancio Infrannuale è stato sottoposto a revisione contabile limitata da parte di EY, come riportato nella loro relazione riportata nel presente documento.

Conto economico consolidato

	Per i trimestri chiusi al 31 marzo		Per gli esercizi chiusi al 31 dicembre		
	2023	2022	2022	2021	2020
	(€ migliaia)				
Ricavi.....	290.811	262.969	1.072.449	927.477	638.194
Provvigioni e altri costi inerenti ai ricavi	(10.503)	(6.542)	(42.350)	(29.056)	(26.839)
Ricavi netti	280.308	256.427	1.030.099	898.421	611.355
Utile prima delle imposte	25.942	11.757	69.385	40.674	3.527
Imposte	(7.386)	1.360	(8.839)	(3.291)	18.455
Utile dell'esercizio/ periodo	18.557	13.117	60.546	37.383	21.982
Crescita dei ricavi netti	23.881	n.d.	131.678	287.066	(37.896)
Crescita dei ricavi netti %	9,3%	n.d.	14,7%	47,0%	-5,8%
Utile per azione	0,05	0,05	0,19	0,15	0,09
Margine netto (Utile dell'esercizio/periodo/ricavi netti senza imbarcazioni usate)	6,6%	5,4%	6,1%	4,4%	3,8%

Situazione patrimoniale-finanziaria consolidata

	Al 31 marzo 2023	2022	Al 31 dicembre 2021	2020
	(€ migliaia)			
Totale attività correnti	806.768	818.663	505.199	443.075
Totale attività non correnti	628.507	588.893	540.887	515.368
Totale attività	1.435.275	1.407.556	1.046.076	958.443
Totale passività correnti	592.555	583.408	473.440	394.427
Totale passività non correnti	47.695	45.757	74.570	100.691
Totale passività	640.250	629.165	548.010	495.118
Totale patrimonio netto	795.025	778.391	498.066	463.325
Totale passività e patrimonio netto	1.435.275	1.407.556	1.046.076	958.443

Rendiconto finanziario consolidato

	Per i trimestri chiusi al 31 marzo		Per gli esercizi chiusi al 31 dicembre		
	2023	2022	2023	2022	2023
	(€ migliaia)				
Risultato operativo prima delle variazioni del capitale circolante	51.058	27.780	130.041	91.002	50.885
Risultato operativo dopo le variazioni del capitale circolante	(1.980)	53.792	150.243	271.627	57.341
Imposte pagate	-	-	(4.546)	—	—
Flussi di cassa netto originati dalle attività operative	(1.980)	53.792	145.697	271.627	57.341
Flussi di cassa assorbiti dall'attività di investimento	(44.699)	(15.418)	(162.632)	(74.144)	(69.934)
Flussi di cassa originate/(assorbiti) dalle attività di finanziamento	(7.574)	210.386	158.044	(58.050)	7.723
Flussi di cassa originate/(assorbiti) nel periodo	(54.254)	248.759	141.109	139.433	(4.870)
Cassa e mezzi equivalenti all'inizio del periodo	317.759	173.010	173.010	32.830	39.164
Effetto cambi sulle disponibilità liquide nette	(2.070)	1.454	3.641	747	(1.464)
Cassa e mezzi equivalenti alla fine del periodo	261.435	423.223	317.759	173.010	32.380

Informazioni finanziarie non-IFRS

Il presente Prospetto contiene indicatori alternativi di performance, come definiti dalle "Linee guida ESMA sugli indicatori alternativi di performance" pubblicate dall'ESMA il 5 ottobre 2015 ("IAP"), che sono misure non IFRS ("Non-IFRS Measures") e non sono state sottoposte a verifica o revisione. I Non-IFRS Measures non sono misure di liquidità o di performance ai sensi degli IFRS e non sono preparati in conformità agli IFRS. Questi Non-IFRS Measures e altre misure sono presentati perché sono utilizzate dal *management* per monitorare le prestazioni del *business* e delle attività economiche. Tali misure forniscono inoltre informazioni aggiuntive agli investitori per migliorare la comprensione dei risultati del Gruppo.

	Al / Per i trimestri chiusi al 31 marzo		Al / Per gli esercizi chiusi al 31 dicembre		
	2023	2022	2023	2022	2023
	(€ migliaia)				
EBITDA	40.071	26.087	113.204	94.909	52.784
Adjusted EBITDA	40.013	31.563	139.989	102.569	59.066
Adjusted EBITDA/Ricavi netti senza imbarcazioni usate	14,3%	13,0%	14,1%	12,0%	10,3%
Capitale circolante netto	(62.795)	(*)	(110.790)	(87.769)	128.398
Indebitamento finanziario netto ...	(300.559)	(*)	(364.935)	(93.258)	127.448
Capitale investito netto	494.467	(*)	413.456	404.808	590.773
Return on Equity (ROE)	(**)	(**)	9,5%	7,8%	4,8%
Return on Total Assets (ROTA) ..	(**)	(**)	4,9%	3,7%	2,3%
Cash Conversion Ratio	86,0%	81,8%	70,2%	74,8%	64,3%

(*) Valori al 31 marzo 2022 non rappresentati.

(**) Valori per i periodi intermedi non significativi e pertanto non rappresentati.

Informazioni finanziarie proforma

Il presente Prospetto non contiene informazioni finanziarie proforma.

Quali sono i principali rischi specifici della Società?

Qualsiasi investimento nelle Azioni è associato a rischi. Prima di qualsiasi decisione di investimento, è importante analizzare attentamente i fattori di rischio considerati rilevanti per lo sviluppo futuro del Gruppo e delle Azioni. Di seguito è riportata una sintesi dei principali rischi che, da soli o in combinazione con altri eventi o circostanze, potrebbero avere un effetto negativo rilevante sull'attività, sulla condizione finanziaria, sui risultati delle operazioni e sulle prospettive del Gruppo. Nell'effettuare la selezione, il Gruppo ha preso in considerazione circostanze quali la probabilità che il rischio si concretizzi sulla base dello stato attuale degli affari, l'impatto potenziale che il concretizzarsi del rischio potrebbe avere sull'attività, sui risultati operativi, sulle condizioni finanziarie e sulle prospettive del Gruppo e l'attenzione che il *management*, sulla base delle attuali aspettative, dovrebbe dedicare a tali rischi qualora si concretizzassero:

- i rischi legati ai cambiamenti delle condizioni macroeconomiche, geopolitiche e sociali possono avere un effetto negativo rilevante sulla domanda dei clienti finali;
- il rischio legato alla catena di fornitura e agli appaltatori
- i rischi legati ai cambiamenti delle preferenze dei clienti e delle tendenze di mercato;
- il rischio che il successo del Gruppo dipenda in larga misura dalla sua capacità di mantenere in servizio i suoi dirigenti chiave e di reclutare e mantenere personale tecnico e altro personale specializzato;
- il rischio legato all'inserimento nel Prospetto di taluni obiettivi finanziari di medio a lungo termine, che non dovrebbero essere letti come previsioni, proiezioni o risultati attesi;
- il rischio che le attività immateriali rilevanti possano esporre il Gruppo a svalutazioni e altri rischi connessi ai periodici *impairment test* condotti ai sensi dello IAS 36;
- il rischio che il Gruppo si trovi ad affrontare una forte concorrenza nel proprio settore e che non sia in grado di mantenere o migliorare la propria posizione di mercato;
- i rischi legati alla strategia di crescita e sviluppo del Gruppo;
- il rischio che il Gruppo debba far fronte a potenziali richieste di garanzia e di responsabilità sui prodotti; e
- il rischio legato a potenziali interruzioni sostanziali delle attività produttive del Gruppo.

Informazioni fondamentali sulle Azioni

Quali sono le caratteristiche principali delle Azioni?

Tipologia, classe e codice ISIN

Le Azioni sono azioni ordinarie del capitale della Società, prive di indicazione del valore nominale. Le Azioni sono denominate e saranno negoziate in Euro su Euronext Milan. L'ISIN delle Azioni è IT0005383291.

Valuta, valore nominale e durata

Le Azioni sono denominate in "Euro", prive di valore nominale e sono soggette al regime di dematerializzazione previsto dal Decreto Legislativo n. 58/1998 (il "Testo Unico della Finanza").

Diritti connessi alle azioni

Le Azioni in Offerta, al momento dell'ammissione alle negoziazioni, avranno le medesime caratteristiche a tutti gli effetti tra loro e con tutte le Azioni esistenti della Società, compreso il diritto di esprimere un voto nelle assemblee ordinarie e straordinarie della Società (ad eccezione delle situazioni in cui il diritto di voto è sospeso ai sensi della legge applicabile) e di ricevere dividendi o altre distribuzioni dichiarate, effettuate o pagate dopo l'Ammissione.

Scioglimento e liquidazione

In caso di scioglimento e liquidazione, ai sensi della legge italiana, e subordinatamente al soddisfacimento delle pretese di tutti gli altri creditori, gli azionisti hanno diritto alla distribuzione dell'attivo residuo di liquidazione in proporzione al valore nominale delle Azioni che detengono nel capitale sociale al momento della liquidazione. Gli azionisti di azioni di risparmio o privilegiate, se tali azioni dovessero essere emesse dalla Società, avrebbero la priorità in tale distribuzione fino al valore nominale di tali Azioni. Successivamente, in caso di eccedenza di attività, gli azionisti di azioni ordinarie hanno diritto a ricevere la distribuzione di tale eccedenza. Le procedure di risanamento e risoluzione previste dalla Direttiva 2014/59/UE del Parlamento europeo e del Consiglio non sono applicabili alla Società.

Limitazioni alla libera negoziazione delle Azioni

Lo statuto della Società non prevede restrizioni alla libera trasferibilità delle Azioni. Il trasferimento di Azioni a persone che si trovano o sono residenti o hanno un indirizzo registrato in giurisdizioni diverse dall'Italia può, tuttavia, essere soggetto a regolamenti e/o restrizioni specifici in base alle leggi sui titoli applicabili in tali giurisdizioni.

Politica in materia di dividendi

La Società ha adottato una politica generale di dividendi annuali che prevede la dichiarazione e il pagamento di dividendi su base annua non inferiori al 30% dell'utile attribuibile agli azionisti della Società per l'anno in questione, previa deduzione delle riserve legali obbligatorie (5%), se necessario. I dividendi saranno distribuiti agli azionisti sulla base di una proposta di pagamento del Consiglio di Amministrazione, dopo aver preso in considerazione il rispetto di eventuali *covenant* finanziari applicabili e di eventuali ulteriori esigenze finanziarie della Società.

Inoltre, il contratto di finanziamento sottoscritto in data 2 agosto 2019, come modificato, dalla Società e CRN S.p.A., in qualità di prenditori, ed un gruppo di banche in qualità di finanziatori, in talune circostanze limita la facoltà della Società di distribuire dividendi.

Dove saranno negoziate le Azioni?

Domanda di ammissione

Le Azioni sono negoziate sul Main Board del The Stock Exchange of Hong Kong Limited ("**HK Stock Exchange**") dal 31 marzo 2022, quando sono state emesse 83.580.000 Azioni a HK\$ 22,88 per Azione (pari approssimativamente a Euro 2,63) in relazione alla quotazione ("**Offerta 2022**").

A partire dalla Data di Inizio delle Negoziazioni, le Azioni saranno negoziate simultaneamente sul HK Stock Exchange e su Euronext Milan.

Alle Azioni è connessa una garanzia?

Nessuna garanzia è connessa alle Azioni.

Quali sono i principali rischi specifici delle Azioni?

I rischi principali relativi all'Offerta e alle Azioni includono:

- il rischio che non si sviluppi o si mantenga un mercato di negoziazione liquido, il che potrebbe far sì che le Azioni vengano scambiate a sconto rispetto al Prezzo di Offerta e rendere difficile la vendita delle Azioni acquistate, anche in considerazione del fatto che le Azioni saranno quotate sia su Euronext Milan che sul Main Board del HK Stock Exchange;
- il rischio che, a seguito dell'Offerta, Shandong SASAC cessi di esercitare indirettamente un controllo di diritto ma possa trovarsi nella posizione di esercitare indirettamente un controllo di fatto della Società ai sensi della legge italiana;
- il rischio che la Società possa non pagare dividendi in futuro;
- il rischio che il prezzo delle Azioni possa essere influenzato negativamente dalla scadenza o dalla rinuncia ai *lock-up*; e
- il rischio che il Prezzo delle Azioni possa essere superiore a quello di mercato a causa delle attività di stabilizzazione.

Informazioni fondamentali sull'Offerta e sull'Ammissione

A quali condizioni posso investire nelle Azioni e quale è il calendario previsto?

Ammissione

Con provvedimento n. 8957 del 20 giugno 2023, Borsa Italiana ha ammesso le Azioni alla quotazione su Euronext Milan. In data 20 giugno 2023 è stata inoltre presentata domanda di ammissione a Borsa Italiana delle Azioni alle negoziazioni su Euronext Milan. La Data di Inizio delle Negoziazioni sarà determinata da Borsa Italiana e pubblicata mediante avviso ai sensi dell'articolo 2.4.3., comma 6, del regolamento dei mercati organizzati e gestiti da Borsa Italiana (il "**Regolamento Borsa Italiana**"). Le Azioni saranno negoziate in euro su Euronext Milan.

Offerta

Le Azioni in Offerta non saranno offerte al pubblico in nessuna giurisdizione. L'Azionista Venditore sta offrendo in vendita fino a 88.454.818 Azioni in Offerta e fino a 8.845.482 ulteriori Azioni (le "**Azioni di Over-Allotment**") attraverso un collocamento privato delle Azioni in Offerta a determinati investitori istituzionali nello Spazio Economico Europeo e in altre giurisdizioni. Nell'ipotesi di vendita di tutte le Azioni in Offerta e di mancato esercizio dell'Opzione di Over-Allotment, le Azioni in Offerta costituiranno circa il 26,136% del capitale sociale emesso e in circolazione della Società. Nell'ipotesi di vendita di tutte le Azioni in Offerta e di integrale esercizio dell'Opzione di Over-Allotment, le Azioni in Offerta costituiranno circa il 28,746% del capitale sociale emesso e in circolazione della Società. L'Offerta non è soggetta ad alcuna condizione di un quantitativo minimo di Azioni in Offerta vendute e Borsa Italiana terrà conto delle Azioni della Società già negoziate presso l'HK Stock Exchange nel valutare se il requisito minimo di flottante per l'ammissione alle negoziazioni sia stato soddisfatto. Inoltre, non è escluso che se un investitore acquistasse in sede di Offerta un certo numero di Azioni in Offerta, tali Azioni in Offerta potrebbero non contribuire alla determinazione del flottante alla Data di Inizio delle Negoziazioni. Di conseguenza, alla Data di Inizio delle Negoziazioni, la percentuale del capitale sociale della Società detenuta dal mercato esclusivamente

su Euronext Milan potrebbe essere estremamente bassa o nulla. L'Ammissione alle negoziazioni da parte di Borsa Italiana è subordinata alla valutazione da parte di quest'ultima della sussistenza di condizioni e requisiti, tra cui la sufficienza del flottante. Inoltre, la liquidità delle Azioni su Euronext Milan dipenderà anche dal fatto che gli investitori che attualmente detengono azioni ordinarie della Società sulla HK Stock Exchange trasferiscano le loro posizioni su Euronext Milan e viceversa, il che è al di fuori del controllo della Società. In particolare, se gli azionisti che attualmente detengono azioni della Società ammesse al CCASS e negoziate sulla HK Stock Exchange desiderano negoziare su Euronext Milan, tali azioni devono essere riposizionate nei loro conti titoli gestiti da un intermediario italiano. Viceversa, le Azioni negoziate su Euronext Milan devono essere riposizionate in CCASS per poter essere negoziate sulla HK Stock Exchange. Tali trasferimenti possono comportare ulteriori adempimenti amministrativi e, in alcune circostanze, possono essere soggetti a tassazione. Per quanto a conoscenza della Società, le Azioni ordinarie trasferite dalla HK Stock Exchange sarebbero disponibili ad un partecipante su Monte Titoli entro due giorni lavorativi dal ricevimento da parte del sistema della richiesta di riposizionamento. Alla Data di Inizio delle Negoziazioni, le Azioni in Offerta saranno soggette al regime di dematerializzazione ai sensi del Testo Unico della Finanza.

Opzione di Over-Allotment

L'Azionista Venditore ha concesso a UniCredit (in qualità di Responsabile della Stabilizzazione) per conto dei Collocatori, l'Opzione di Over-Allotment, esercitabile in tutto o in parte durante un periodo di 30 giorni di calendario dalla Data di Inizio delle Negoziazioni, ai sensi della quale il Responsabile della Stabilizzazione, per conto dei Collocatori, può richiedere all'Azionista Venditore di vendere al Prezzo di Offerta fino a 8.845.482 Azioni di Over-Allotment, che corrispondono a fino al 10% del numero totale di Azioni in Offerta vendute nell'ambito dell'Offerta, al solo scopo di coprire le posizioni corte risultanti da eventuali sovra-allocazioni effettuate in relazione all'Offerta o a eventuali operazioni di stabilizzazione. Nell'ipotesi di vendita di tutte le Azioni in Offerta e di mancato esercizio dell'Opzione di Over-Allotment, le Azioni in Offerta costituiranno circa il 26,136% del capitale sociale emesso e in circolazione della Società. Nell'ipotesi di vendita di tutte le Azioni in Offerta e di pieno esercizio dell'Opzione di Over-Allotment, le Azioni in Offerta costituiranno circa il 28,746% del capitale sociale emesso e in circolazione della Società.

Giurisdizioni

Le Azioni in Offerta sono offerte e vendute (i) all'interno degli Stati Uniti solo a persone ragionevolmente ritenute come *Qualified Institutional Buyer* come definite nella Rule 144A ai sensi dello U.S. Securities Act, ai sensi della Rule 144A o di un'altra esenzione da, o in un'operazione non soggetta a, i requisiti di registrazione dello U.S. Securities Act, e (ii) al di fuori degli Stati Uniti, inclusa l'Italia, a investitori istituzionali in operazioni *offshore* conformi alle previsioni della Regulation S. L'Offerta è effettuata solo in quelle giurisdizioni in cui, e solo a quelle persone a cui, l'Offerta può essere legalmente effettuata. Non vi sarà alcuna offerta pubblica in nessuna giurisdizione, compresa l'Italia.

Prezzo di Offerta e numero di Azioni Offerte

Il prezzo per le Azioni in Offerta (il "**Prezzo di Offerta**") sarà determinato in base al *bookbuilding* che coinvolge gli investitori istituzionali.

Il Prezzo di Offerta e l'esatto numero di Azioni in Offerta saranno determinati dall'Azionista Venditore, d'intesa con i Joint Global Coordinators per conto dei Collocatori, al termine del periodo di offerta, tenendo conto delle condizioni economiche e di mercato, di una valutazione qualitativa e quantitativa della domanda delle Azioni in Offerta e di altri fattori ritenuti opportuni. Il Prezzo di Offerta (in Euro), il numero esatto di Azioni in Offerta da vendere nell'ambito dell'Offerta e il numero massimo di Azioni di Over-Allotment saranno indicati in un comunicato che sarà depositato presso la CONSOB, riportato in un comunicato stampa e pubblicato sul sito internet della Società.

Calendario

La data di inizio delle negoziazioni delle Azioni su Euronext Milan sarà determinata da Borsa Italiana mediante pubblicazione di un avviso ai sensi dell'articolo 2.4.3., comma 6, del Regolamento Borsa Italiana.

Joint Global Coordinators and Joint Bookrunners

Goldman Sachs International ("**Goldman Sachs**"), J.P. Morgan SE ("**J.P. Morgan**") e UniCredit Bank AG, Milan Branch ("**UniCredit**") agiscono in qualità di *joint global coordinators e joint bookrunners* (i "**Joint Global Coordinators**") ed Equita SIM S.p.A. ("**Equita SIM**") e Joh. Berenberg, Gossler & Co. KG ("**Berenberg**") agiscono in qualità di *joint bookrunners* (i "**Joint Bookrunners**") e, congiuntamente ai *Joint Global Coordinators*, i "**Collocatori**").

Listing Agent

UniCredit Bank AG, Milan Branch è Listing Agent in relazione all'Ammissione.

Specialist

Kepler Cheuvreux agisce in qualità di *specialist* in relazione all'Ammissione.

Responsabile della stabilizzazione

UniCredit Bank AG, Milan Branch è il responsabile della stabilizzazione con riferimento all'Offerta (il "**Responsabile della Stabilizzazione**").

Diluizione

L'Offerta non comporterà l'emissione di nuove azioni della Società e pertanto non avrà alcun effetto diluitivo per gli azionisti esistenti della Società. Alla Data di Inizio delle Negoziazioni, assumendo che tutte le Azioni in Offerta siano vendute nell'ambito dell'Offerta e che l'Opzione di Over-Allotment sia interamente esercitata, la partecipazione dell'Azionista Venditore nella Società diminuirà dal 63,746% al 35,00%.

Spese stimate

Le commissioni di sottoscrizione (inclusa la commissione discrezionale massima) non eccederanno il 4% dei proventi lordi dell'Offerta e saranno a carico dell'Azionista Venditore. Le spese relative all'Offerta e all'Ammissione, al netto delle commissioni per gli *underwriters*, saranno a carico dell'Azionista Venditore e sono stimate approssimativamente in €4,6 milioni, in linea con la prassi di mercato.

Chi è l'offerente e/o il soggetto che chiede l'Ammissione alla negoziazione?

In relazione all'Ammissione, l'Azionista Venditore offre in vendita fino a 88.454.818 Azioni in Offerta, oltre all'opzione di *over-allotment* per ulteriori 8.845.482 Azioni in Offerta. La Società chiede l'Ammissione.

Perché è redatto il presente Prospetto?

Ragioni dell'Offerta e dell'Ammissione

L'Offerta ha lo scopo di consentire alla Società di quotare le proprie azioni su una borsa europea, in aggiunta alla sua attuale quotazione su HK Stock Exchange, al fine di aumentare la propria base di investitori. L'Offerta ha lo scopo specifico di garantire l'Ammissione.

Proventi netti

La Società non riceverà alcun ricavo dall'Offerta, che sarà interamente versato all'Azionista Venditore. I proventi netti finali non possono essere calcolati alla Data del Prospetto in quanto il Prezzo di Offerta non è ancora stato determinato. Sulla base del prezzo di negoziazione di chiusura delle Azioni alla HK Stock Exchange il 16 giugno 2023 di HKD 25,20 uguale ad Euro 2,98 in base al cambio HKD/EUR nello stesso giorno, l'Azionista Venditore riceverebbe, assumendo che tutte le Azioni in Offerta siano vendute nell'ambito dell'Offerta e che l'Opzione di Over-Allotment sia interamente esercitata, proventi netti pari a circa Euro 289.488.496. Il prezzo di chiusura delle Azioni sul HK Stock Exchange il 16 giugno 2023 è un prezzo di riferimento ai fini delle informazioni contenute nel presente Prospetto, ma non è necessariamente indicativo del previsto Prezzo d'Offerta né intende fornire alcuna raccomandazione o guida sul prezzo d'offerta.

Underwriting agreement

La Società, l'Azionista Venditore e i Collocatori stipuleranno un accordo di sottoscrizione (l'"**Underwriting Agreement**") in relazione alle Azioni in Offerta.

Conflitti di interesse più significativi che riguardano l'Offerta e l'Ammissione

I Collocatori hanno un interesse nell'Offerta in quanto si prevede che, se l'Offerta si concluderà con successo, essi stipulino l'Underwriting Agreement, ai sensi del quale i Collocatori si impegneranno, alle condizioni ivi previste, in via disgiunta e non congiunta a procurare acquirenti o, in caso contrario, ad acquistare essi stessi il numero concordato di Azioni in Offerta, e per lo svolgimento di tali attività riceveranno delle commissioni. UniCredit, in qualità di *Listing Agent*, riceverà commissioni per i servizi prestati in tale veste. Inoltre, nel corso della loro ordinaria attività, i Collocatori e le società che li controllano, che essi controllano o che sono sotto controllo comune con loro (collettivamente, "affiliates") forniscono e possono continuare a fornire una serie di servizi alla Società, all'Azionista Venditore e ai rispettivi gruppi, tra cui servizi di prestito, *investment banking*, consulenza finanziaria, gestione del rischio, copertura e altri servizi, per i quali ricevono commissioni abituali, ed essi e i rispettivi *affiliates* possono fornire tali servizi alla Società e all'Azionista Venditore e ai rispettivi *affiliates* in futuro. Inoltre, nel corso della loro ordinaria attività, i Collocatori e le loro rispettive *affiliates* possono effettuare o detenere un'ampia gamma di investimenti e negoziare attivamente titoli di debito e azionari (o relativi titoli derivati) e strumenti finanziari (che possono includere prestiti bancari e/o credit *default swap*) per conto proprio e per conto dei loro clienti e possono in qualsiasi momento detenere posizioni lunghe e corte in tali titoli e strumenti. Tali attività di investimento e di titoli possono riguardare titoli e strumenti, comprese le strutture di debito societario, della Società e dell'Azionista Venditore e delle loro rispettive *affiliates*. Infine, in relazione all'Offerta, i Collocatori e le rispettive *affiliates*, agendo in qualità di investitori per conto proprio, possono acquistare Azioni in Offerta nell'ambito dell'Offerta e in tale veste possono conservare, acquistare o vendere per conto proprio tali titoli e qualsiasi Azione in Offerta o investimenti correlati e possono offrire o vendere tali Azioni in Offerta o altri investimenti in modo diverso dall'Offerta. Di conseguenza, i riferimenti nel presente Prospetto all'offerta o al collocamento di Azioni in Offerta devono essere intesi come comprensivi di qualsiasi offerta o collocamento di Azioni in Offerta a uno dei Collocatori o a una delle loro rispettive *affiliates* che agiscono in tale veste. Nessuno dei Collocatori intende rivelare l'entità di tali investimenti o operazioni se non in conformità a un obbligo legale o normativo in tal senso.

RISK FACTORS

Before investing in the Shares, prospective investors should carefully consider the risks and uncertainties described below, together with the other information contained or incorporated by reference in this Prospectus. The occurrence of any of the events or circumstances described in these risk factors, individually or together with other circumstances, may have a significant negative impact on the Company and its subsidiaries' (together, the “Group”) business, results of operations, financial condition and prospects. The price of the Shares could decline, and an investor might lose part or all of their investment upon the occurrence of any such event.

All of these risk factors and events are contingencies that may or may not occur. The Group may simultaneously face a number of the risks described below, and one or more of the risks described below may be interdependent. Although the most material risk factors have been presented first within each category according to the assessment based on the probability of their occurrence and the expected magnitude of their negative impact, the order in which the remaining risks are presented is not necessarily an indication of the likelihood of the risks materializing, of the potential significance of the risks, or of the scope of any potential negative impact to the Group's business, results of operations, financial condition and prospects. While the risk factors below have been divided into categories and the Group has included each risk in the most appropriate category, some risk factors could belong in more than one category and prospective investors should carefully consider all of the risk factors set out in this section.

Although the Group believes that the risks described below are the material risks concerning the Group's business and industry, and the Shares, they are not the only risks relating to the Group and the Shares. Other risks, events, facts or circumstances not currently known to the Group, or that the Group currently deems to be immaterial, could, individually or cumulatively, prove to be important and could have a significant negative impact on the Group's business, results of operations, financial condition and prospects. The risk factors set forth below are limited to risks which are specific to the Company and the Group or the Shares and which are material for taking an informed investment decision.

Prospective investors should carefully read and review the entire Prospectus and form their own views before making an investment decision with respect to any Shares. Furthermore, before making an investment decision concerning any Shares, prospective investors should consult their professional adviser, carefully review the risks associated with an investment in the Shares and consider such an investment decision in light of their personal circumstances.

Risks relating to the Group's business and industry

Changes in macroeconomic, geopolitical and social conditions may have a material adverse effect on end-customers' demand.

The Group has a global sales and distribution network with a presence in more than 70 countries in EMEA, AMAS and APAC, which enables the Group to globally reach its customers (mainly very high net worth individuals and ultra-high net worth individuals), and demand for its luxury yachts is impacted by changes in macroeconomic, geopolitical and social conditions.

In particular, demand for the Group's products is directly affected by changes in the number of very high net worth individuals and ultra-high net worth individuals and their ability and propensity to spend. The spending decisions of such individuals is based on their assessment of economic, political or reputational risks.

In addition, a significant geopolitical conflict or economic downturn or a resurgence in COVID-19 or other outbreaks of diseases or similar public health threats, could cause a decrease in demand for the Group's products. In particular, the current conflict between Russia and Ukraine has had a significant impact on the European and global economy, and could, in the future, continue to have an impact, leading to economic recession, a disruption in the supply chain, an increase in production costs and a decrease in customers' discretionary spending, which would have a material adverse effect on the Group's business, results of operations and financial conditions.

During the Track-Record Period and up to the Prospectus Date, the Group experienced 8 order cancellations. These cancellations were primarily attributable to: (i) financial difficulties experienced by customers, in which case the advance payments were retained by the Company; (ii) cancellation by customers in order to opt for a different model (normally larger in size than that originally ordered), in which case the deposits were transferred to the new order placed; and (iii) destruction or serious damage of work-in-progress yachts due to a fire that occurred in the Cattolica shipyard on January 11, 2022. The total contract value of cancelled orders was €21.9 million (of which €16.6 million were related to the fire in the Cattolica shipyard), €2.0 million, €19.2 million and €1.1 million for the years ended December 31, 2022, 2021 and 2020 and for the three months ended March 31, 2023. These cancellations resulted in a decrease in net revenue (namely, net revenue recognized in line with construction progress till the time of order cancellation) of €11.9 million, €1.9 million, €17.0 million and nil, respectively, for the years ended December 31, 2022, 2021, 2020 and for the three months ended March 31, 2023. The advance payments received were not always sufficient to offset the production costs. However, the Group did not incur any actual loss in connection with order cancellations during the Track-Record Period as the yachts were resold to other customers or, for the boats damaged in the fire at the Cattolica shipyard, a claim was made and the loss was fully insured.

The Group's top five customers by contribution to total net revenue represented 13.0% for the year ended December 31, 2022 and 20.6% for the three months ended March 31, 2023.

Furthermore, during the Track-Record Period and up to the Prospectus Date, the Group paid penalties and liquidated damages for delays in delivery to customers in an aggregate amount, net of insurance reimbursements, of nil in 2022, nil in 2021, €1.7 million in 2020 and nil for the three months ended March 31, 2023. Such delays were mainly attributable to: (i) production delays caused by a supplier that went into bankruptcy proceedings; and (ii) production delays caused by the suspension of shipyard operations in 2020 due to COVID-19 lock-down restrictions.

The Group faces risks associated with its supply chain and contractors.

The Group relies on its suppliers for a wide range of raw materials, components and sub-assemblies. In addition, the Group typically outsources to third-party contractors the production and construction of some more complex parts, components, and systems of yachts (such as the assembly of fiberglass hulls and superstructures and the construction and installation of electrical parts and other systems).

The Group faces various risks associated with its suppliers and contractors. In particular, if suppliers or contractors fail to perform their obligations in whole or in part for whatever reason, or if the Group terminates its contracts with them for breach, and the Group is unable to replace its suppliers or contractors on a timely, effective and commercially acceptable basis, the Group may incur delays that could affect agreed delivery timetables or product specifications.

During the Track-Record Period, and more specifically, since the onset of the COVID-19 pandemic and the challenging global macroeconomic environment that followed, the Group has experienced shortages and delays in the delivery of certain production inputs. The most heavily impacted product categories are those featuring electronic components, in particular powertrains, generators, steering systems, and all systems with microchips, as well as fittings for hydraulic connections, as a result of temporary foundry shut-downs due to high energy costs.

In addition, a worsening of the currently challenging macroeconomic environment, new geopolitical conflicts or a worsening of existing conflicts, further increases in energy and gas prices or shortages of such fuels, could result in supply chain disruptions, with the Group experiences shortages or delays in receiving production inputs, (including, *inter alia*, electronics components and fittings for hydraulic connections). Such disruptions could, in turn, cause inefficiencies in the production or cause delays in delivery of the Group's products to its customers.

For the years ended December 31, 2022, 2021 and 2020 and for the three months ended March 31, 2023, the Group's raw materials and consumables used and contractors costs totaled in aggregate €680.5 million, €562.3 million, €383.4 million and €191.5 million, or 66.1%, 62.6%, 62.7% and 68.3% respectively, of its net revenues for the same periods.

Raw materials and consumables used and contractors costs represented in aggregate 70.3%, 66.1%, 63.8% and 74.7% of the Group's total consolidated operating expenses, for the years ended December 31, 2022, 2021 and 2020 and for the three months ended March 31, 2023, respectively. Contractors costs represented 17.2%, 16.2%, 15.3% and 17.1% of the Group's total consolidated operating expenses for the years ended December 31, 2022, 2021 and 2020 and for the three months ended March 31, 2023, respectively.

For the year ended December 31, 2022, the Group used approximately 2,700 suppliers, including all suppliers of production inputs, contractors, naval architects and designers and providers of after-sale and G&A services. Expenses incurred with respect to supplies and services from the Group's top 5 suppliers accounted for 12.6% of the Group's total consolidated expenses for supplies and services for the year ended December 31, 2022, 12.6%, for the year ended December 31, 2021, and 11.8% for the year ended December 31, 2020, and 13.7% for the three months ended March 31, 2023.

In addition, the Group requires its suppliers and contractors to be punctual in their deliveries and to give particular attention to the quality of their supplies. Accordingly, any failure of suppliers or contractors to meet their contractual obligations, including meeting specified deadlines, product specifications and quality standards, could adversely affect the Group's ability to fulfill customer orders on a timely basis.

The Group is also exposed to the risk of joint and several liability under applicable Italian labor laws if its contractors fail to pay the wages and make the required social security contributions for their employees involved in performing contractual obligations for the Group. In addition, the Group faces the risk that employees of its contractors may seek to requalify their relationship with the Group as one of permanent employment, which, if successful, would cause the Group to be responsible for the related wages, contributions and indemnities or subject it to administrative sanctions.

The occurrence of any one of the above-mentioned events could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group also depends on changes in customer preferences and market trends.

During the Track-Record Period, the Group launched 26 new models, and as of the Prospectus Date, the Group has a range

of yachts divided into seven brands represented by 50 motor yacht models and three sailing yacht models. For the years ended December 31, 2022, 2021 and 2020 and the three months ended March 31, 2023, the Group invested €33.3 million, €31.4 million, €35.4 million and €7.4 million, respectively, in research and development.

The image, visibility and reputation of the Group's brands are critical in driving demand for its products, and are influenced by several factors, including product design, performance and quality, as well as the intensity and success of the Group's brand promotion activities. The Group benefits from its iconic luxury brands associated with refined design, high performance, quality and technical innovation.

Although the Group devotes significant resources to preserving and enhancing the strength of its brands, its efforts (including, for example, the brand promotion activities the Group invested in) may be unsuccessful. The Group may not always succeed in anticipating or reacting to changes in customer preferences, keep up with advances in design and manufacturing technologies, or continue to successfully expand its product and brand portfolio and innovate in the future. In addition, the Group's efforts and investments in product development and innovation may not generate the expected outcomes. If the Group misjudges the market for its products or is late in recognizing changing trends and customer preferences, the Group could experience poor returns on investment, an inability to maintain premium pricing for its products or extend the value of its brands to other products and damage to its reputation. The occurrence of these or other events that negatively impact the Group's brand image could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's success is highly dependent on its ability to retain the services of its key executives and recruit and retain technical and other skilled personnel.

The Group has been and will continue to be dependent on the continued services of its senior management team, mainly Mr. Alberto Galassi (Chief Executive Officer), Mr. Marco Zammarchi (Chief Financial Officer), Mr. Matteo Cecada (Chief Technical & Operations Officer), Mr. Stefano De Vivo (Chief Commercial Officer), Mr. Cristiano Bozzini (Corporate Finance Director), Mr. Alessandro Tirelli (Sales & Marketing Director "Serial Business") and Mr. Giordano Pellacani (Sales & Marketing Director "Custom Business"). If the Group loses the services of any of these executives, the Group may not be able to find suitable replacements promptly or at all, or at acceptable cost, and its business, results of operations, financial condition and prospects could be materially and adversely affected. In addition, if any of these executives were to join a competitor or establish a competing business, the Group may lose know-how, trade secrets, customers and other key employees.

The Group's success also depends on its ability to attract and retain other experienced and highly trained personnel, including engineers, designers, artisans and skilled laborers, such as specialized installers, assemblers and testers. Competition for such personnel is intense in the Group's industry and the Group cannot guarantee that it will meet its staffing needs in the future. Any failure by the Group to hire or replace a sufficient number of skilled employees on a timely and cost-effective basis could have a material adverse impact on the Group's business, financial condition, results of operations and prospects.

The Group faces strong competition in its industry and may not be able to maintain or enhance its market position.

The Group faces strong competition in all the product categories and markets in which the Group operates. The Group competes with other international luxury yacht manufacturers who own trademarks and brands in competition with its brands. In particular, the competitors of the Group could adopt commercial policies aimed at increasing their market share and/or limiting the Group's ability to obtain new orders. Such policies could include, *inter alia*, more aggressive discount policies (e.g., dumping activities). Furthermore, compared to composite and made-to-measure yachts, the super yacht sector is highly fragmented and has lower financial or technological barriers to entry. Therefore, the number of the Group's competitors could increase at any time.

If the Group is unable to maintain and preserve its reputation for quality, the high standard of performance and design of its yachts, its brand image and the user experience, the Group may not be able to successfully compete in the markets in which operates and its business, financial condition, results of operations and prospects could be materially adversely affected.

The Group is exposed to risks associated with its growth and development strategy.

The Group's strategy includes organic growth as well as an increase in production capacity (considering that certain Group's shipyards are close to their full utilization) and integration of value-added activities through acquisitions. The Group's ability to realize its strategy depends on a number of assumptions and factors outside its control (including factors that could potentially require further resources, in addition to the Group's existing liquidity and the cash flow generated by the Group's business, in order for the Group to finance its investments for the growth and development strategy). In any case, the Group believes it has, or will be able to generate through its existing operations, the necessary financial resources to execute its M&A strategy.

As the Group's growth strategy involves growing through acquisitions, the Group may face challenges in integrating acquired companies with its existing operations, including difficulties (or delays) in completing the acquisition. Moreover, the Group

may face challenges in identifying suitable assets and acquiring them on commercially acceptable terms. Even where the Group is able to find targets and integrate them, such acquisitions could be difficult, time-consuming and expensive to achieve and may not yield the expected outcomes.

The Group generally conducts detailed due diligence before completing acquisitions or investments and the sale and purchase agreements customarily provide for appropriate representations and indemnities. Nevertheless, the Group may not always be in a position to identify all potential or current liabilities. In addition, even if the Group is able to complete an acquisition, it may have an adverse effect on the Group's results of operations for a number of reasons, including exposure to third-party claims or liabilities of the acquired business, or because additional investment is required to achieve expected results.

The Group's inability to successfully identify or realize opportunities to expand its business or to implement its growth and development strategies and increase of its revenues, would have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Potential warranty and product liability claims could cause material harm to the brand image and reputation of the Group and negatively impact its results of operations.

The Group provides product warranties on new yachts that are valid for 12 to 24 months after delivery (excluding batteries, anodes, paints and other parts subject to wear and tear, and excluding accessories and components manufactured by third-party suppliers but including the Group's installation of these accessories and components).

Product warranties obligate the Group to make all necessary repairs and replacements at no cost to the customer during the applicable warranty period. For super yachts, the Group also provides customers with performance warranties covering specifications such as maximum speed, operating range, and noise / vibration levels. If a super yacht fails to comply with warranted performance levels, the Group may be required to provide financial compensation to the customer. As a result, defects or deficiencies in the Group's design and production process could give rise to material exposures under product and performance warranties. The Group made provisions for product warranties of €26.1 million, €18.8 million, €15.1 million and €11.2 million for the years ended December 31, 2022, 2021 and 2020 and for the three months ended March 31, 2023, respectively, equivalent to 2.5%, 2.1%, 2.5% and 4.0% of the Group's net revenues for the same periods.

The Group calculates the reserves required to cover expected warranty liabilities based on the level of historical claims incurred and the Group's management's best estimates of the costs required to repair or replace items covered by product warranties and projections of the nature, frequency and costs of potential future claims covered by performance warranties. The Group seeks to add amounts that the Group believes will be sufficient to cover such liabilities directly to the cost of the Group's yachts, adjusting such amounts as necessary during the production process.

Estimates of future warranty liabilities are inherently uncertain. Any changes in the Group's estimates, particularly with respect to new product lines or super yachts, could require the Group to make material changes to its warranty reserve policies in the future. If the Group's warranty reserves and related insurance coverage prove inadequate to cover future warranty claims, or if the Group's suppliers and subcontractors fail to comply with the underlying warranties that the Group transfers to its customers, the Group's business, financial condition, results of operations and prospects could be materially and adversely affected.

In addition, flaws and defects in the Group's design and manufacturing processes, or those of its suppliers and subcontractors, could give rise to product liability and product recalls. In the event of litigation relating to claims of this nature, the Group could be obligated to pay material damages and/or legal fees in amounts potentially in excess of its insurance coverage. Such events would also generate negative publicity, which could in turn cause material damage to the Group's brand image and reputation. The occurrence of any of these risks could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group is exposed to substantial interruptions to its production activities if not compensated by an increase of the utilization rates of its remaining production facilities.

The Group operates seven shipyards in Italy, a refitting facility in the United States and three production sites in Italy.

Strikes, labor slowdowns and other forms of industrial action, or any other deterioration in relations with the Group's employees, as well as shortages of skilled workforce could cause interruptions in the Group's production cycle to the extent that the Group is unable to compensate by increasing the utilization rates of its production facilities still in operation. If prolonged over time, such interruptions could cause the Group to fail to meet certain contractual obligations to customers in relation to product delivery and cause the Group's production capacity to be underutilized.

In addition, the Group's shipyards depend on facilities such as piers, quays and jetties, while the production process relies on certain equipment such as machine tools and molds. The Group's production and access to these facilities and equipment could be subject to unforeseen interruptions due to fires, earthquakes, floods, and other natural disasters, climate change, an outbreak of widespread health epidemics such as the COVID-19 pandemic, acts of war or terrorism, civil unrest, industrial

accidents, raw material shortages, electricity blackouts, breakdowns, malfunctions, or other force majeure events. In particular, due to the outbreak of the COVID-19 pandemic, the Group temporarily and partially suspended the operations at its six shipyards for two months in 2020, a closure that was imposed by the Italian government as part of the emergency measures to contain the pandemic, although such temporary suspension of operations did not cause significant interruptions to the Group's production cycle.

In addition, if the Group fails to comply with legal requirements for occupational health and safety and environmental protection or if the Group's operations cause physical injury, damage to persons or property, or damage to the environment, government authorities may require the Group to modify or suspend its operations until such non-compliance or damage is rectified.

If such events occur and the Group fails to remedy them on a timely basis, the Group's production activities may be interrupted. Although the Group believes that its existing insurance policies are adequate to cover these risks, including the risk of harm to third parties, the impact of any such interruptions to the production could exceed the coverage and cause a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Litigation or other legal or tax proceedings could expose the Group to liability.

The Group is involved in litigation in the ordinary course of business, particularly in the areas of product warranties, contract disputes, labor disputes and tax matters, and may be involved in further litigation in the future, which could result in substantial claims for damages or other payments in connection with past or future violations of law or disputes with the Group's suppliers and customers. Total provisions for litigation as of March 31, 2023, amounted to approximately €9.0 million, against total claims of approximately €31.1 million.

The outcome and impact of potential legal and other proceedings in the future are difficult to predict with certainty, and provisions for potential future liabilities arising from such proceedings may not be sufficient to cover such liabilities. In the event of an adverse outcome of a material legal or arbitration proceeding, whether based on a judgment or settlement, the Group could be required to make substantial payments. The Group may also be unable to recover claims made against its customers and third parties. In addition, costs related to court and arbitration proceedings may be significant. If any of these risks materialize, the Group's business, results of operations, financial condition, and prospects could be materially and adversely affected.

The Group's intellectual property may be infringed or challenged by third parties.

The Group maintains a portfolio of industrial and intellectual property rights, including trademarks, copyrights, domain names, patents, designs, utility models and know-how. The Group's business success and competitive positioning depend to a significant extent upon its ability to protect its intellectual property.

The Group's intellectual property rights may be infringed or challenged by others, and the Group may be unable to register its intellectual property rights or otherwise adequately protect them in some jurisdictions.

In particular, the Group is the owner of several registered trademarks in the countries and for the classes in which it is active. In some countries, the Group's trademark applications in connection with certain classes of goods are still pending; in any case, the filing of trademark applications does not exclude that (i) their actual registration (where not yet granted) may be contested by the competent offices or challenged by third parties through extrajudicial, administrative or judicial actions; (ii) the trademarks registered by the Group may be challenged by third parties claiming prior rights about the intellectual property rights of such third parties; (iii) third parties file and/or register industrial property titles or otherwise use signs that conflict with those of the Group. In this regard, the Group, *inter alia*, (i) is a party to over 30 administrative proceedings aimed to face official actions (requiring clarifications or concerning provisional refusals) issued by the competent trademark offices against a trademark application by the Group; (ii) has pending over 100 opposition proceedings to prevent third parties from registering conflicting trademarks; (iii) has started over 20 cancellation/invalidation proceedings against third parties' interfering trademarks. Should one or more of the Group's trademarks not be registered or one or more of the proceedings above not be successful, the Group may not be able to effectively protect its distinctive signs in the relevant countries and classes. In any case, the Group also protects its trademarks through, *inter alia*, contractual arrangements (*e.g.* coexistence agreements) and extrajudicial means (*e.g.* C&D letters), without prejudice to the possibility for the Group to start a judicial action to enforce its trademark rights.

Furthermore, the Group is the owner of several patents, utility models and designs. In connection with its inventions and designs, the Group also relies upon certain Group's employees. Pursuant to the agreements in place with such employees, under certain circumstances the Group could be required to compensate such employees for their activities if their inventions are awarded a patent. As a consequence, the Group could face increased costs and/or potential claims in connection with such compensation, with an adverse effect on the Group's business, financial condition, results of operations and prospects.

In addition, the Group's proprietary designs, inventions and applications may be copied by its competitors and the Group may need to invest significant resources to protect and enforce its rights, including bringing claims against such third parties.

The Group cannot assure that its efforts will be successful, particularly in countries whose laws and practices provide for lower levels of intellectual property rights protection than Italy and the European Union, which could cause the Group to incur significant costs while potentially exposing the Group to legal liabilities. In some countries, in particular, the Group's patent applications are still pending; should one or more patents not be granted, there may be the risk that the Group's inventions could be exploited by third parties.

Should any of the above-mentioned risks materialize, there could be a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group depends on the efficient and uninterrupted operations of its information and communication technology and its ability to successfully manage increasing cybersecurity risks.

The Group is exposed to security breaches of its information technology ("IT") systems or those of its suppliers. Unauthorized attempts to access the Group's IT systems, including viruses, worms or malicious software programs, or malware, may interfere with security flaws and jeopardize the security of information stored in the Group's IT systems. Consequently, the Group could be subject to risks caused by misappropriation, misuse, leakage, falsification, system malfunction or intentional or accidental release or loss of information maintained in its information systems and networks and those of its third-party service providers.

Any failure of the Group's security measures, or any service outages or other interruptions to the Group's IT systems, may create inefficiencies in the Group's activities, harm its reputation and have an adverse effect on the Group's business, financial condition, results of operations and prospects.

A failure to comply with data protection and privacy laws could harm the Group's reputation and give rise to fines.

The Group is subject to expansive regulation regarding the processing of personal data. The Group processes personal data (including, by way of example, name, address, age, bank and credit card details, etc.) from its employees, customers and business partners as part of the operation of its business, and therefore, it must comply with applicable data protection and privacy laws. These laws generally impose certain requirements on the Group in respect of the processing of such personal data. Failure to implement effective data processing controls and procedures could potentially lead to regulatory censure, fines, reputational and financial costs.

The Group seeks to ensure that procedures are in place to comply with relevant data protection regulations by its employees and any suppliers and service providers, and to implement security measures to help prevent any data breach (such as, cybertheft). Notwithstanding such efforts, the Group is exposed to the risk that this data could be wrongfully appropriated, lost or disclosed, stolen, and more in general, processed in infringement of applicable data protection laws.

In particular, the Group is subject to the Regulation (EU) no. 2016/679 (the "GDPR"), which has been in effect since May 25, 2018. The GDPR has increased the regulatory burden on the Group, as well as suppliers and service providers on which the Group relies, in processing personal customer, employee and other data in the conduct of its business and has also increased the potential sanctions for infringement as the GDPR includes significant administrative fines up to €20 million, or up to 4% of the total worldwide annual turnover of the preceding financial year, whichever is higher.

The Group has taken all necessary steps to comply with the GDPR and continues to monitor and implement additional amendments to agreements, controls, procedures, and policies in the future to achieve and maintain GDPR compliance. Ensuring compliance with the GDPR is an ongoing process and it is possible that, despite the Group's efforts, supervisory authorities or other third parties will assert that the Group's practices do not comply with aspects of the GDPR. If the Group is not fully compliant with its obligations under the GDPR, the Group may be subject to regulatory actions or administrative fines, which could also result in adverse publicity and reputational damage.

This Prospectus contains information about the Group's market and competitive position developed on Group's calculation based on third-party sources, which has not been independently verified or which is based on assumptions or estimates that may prove to be inaccurate or which incorrectly reflect the Group's market position.

This Prospectus contains declarations of market size and market share which are based on multiple sources, including Group's calculations based on third party data, including market data provided by consultants where available, and other non-public external data it obtained from research providers.

The Group believes that there is currently no single independent, third-party source that analyses the global yachting market in an exhaustive and consistent manner. Therefore, the Group monitors its target markets and determines the Group's market share and competitive position on the basis of studies by third-party sources that the Group believes to be reliable. These calculations and assessments are made directly by the Group and are therefore subjective and may not be accurate. As a result, the Group's actual market position and trends in the market segments served by the Group may be different from those contained herein. While the Group believes the data on which it has based its calculations is reliable, it has not independently verified any such information.

Owing to the relative lack of independently verifiable data about the markets in which the Group competes, these internal assessments and estimates are inherently subjective and subject to uncertainty. Certain information regarding Group's market and performance relative to its competitors in the sector might not prove to be accurate and Group's actual results or competitive positioning may differ from those set forth herein.

The Group's core reference market, the global luxury inboard yacht market, is expected to grow at an 8.5% CAGR from 2022 to 2025, thus at a lower rate compared to the 13.3% CAGR recorded from 2020 to 2022.

Risks relating to the Group's economic and financial situation

The significant intangible assets may expose the Group to write-downs and other risks associated with periodic impairment tests carried out pursuant to IAS 36.

The Group's substantial portfolio of intellectual property exposes it to losses arising in connection with impairment. As of March 31, 2023, the Group's trademarks were the largest component of its intangible assets (equating to 17.0% of the Group's total assets). Specifically, the Group recorded trademarks of €244.4 million, €244.0 million, €243.8 million and €244.5 million, respectively, as of December 31, 2022, 2021 and 2020, and as of March 31, 2023, representing 17.4%, 23.3%, 25.4% and 17.0% of the Group's total assets as of the same dates, and accounting for 31.4%, 49.0% and 52.6%, respectively, of the Group's total equity as of the same dates. The Group's material registered trademarks include "FerrettiGroup", "FF", "FSD piu Scudo", "Itama", "Pershing", "Riva", "CRN" "Wally", "WHY", "Ferretti Yachts" and "Custom Line".

Under IAS 36, intangible assets with indefinite lives, such as trademarks, are initially recorded at fair value and are not amortized but are tested for impairment at least annually or more frequently if indicators of impairment emerge. In assessing the recoverability of the value of these assets and any impairment, the Group makes certain assumptions about future results of operations, business performance, and economic and market conditions. These analyses in turn require the Group to make certain assumptions about operating cash flows, growth rates, and discount rates. Uncertainties are inherent in such assessments of the recoverability of the value of these assets.

The impairment tests conducted during the Track-Record Period did not result in any write-downs. However, the Group cannot assure that the Group will not record impairment losses in the future if its financial results were to diverge significantly from the assumptions underlying such write-downs or if the Group experiences unexpected business disruptions or declines in market capitalization. The occurrence of such impairments could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

This Prospectus includes certain medium to long term financial objectives, which should not be read as forecasts, projections or expected results.

The Group has established some aspirational financial medium- to long-term financial objectives which it aims to achieve by executing its strategy, such as: (i) Net revenues without pre-owned equal to 10% CAGR on an organic basis; (ii) Adjusted EBITDA margin greater than 18.5%; and (iii) Cash Conversion Ratio greater than 85%. The Group has not defined, and does not intend to define, "medium to long term".

The Group's medium- to long-term financial objectives should not be read as forecasts, projections or expected results and should not be read as indicating that the Group is targeting such metrics for any particular year, rather they are merely objectives. The Group's ability to meet these objectives depends on its ability to successfully execute its strategy, as well as, on the accuracy of a number of assumptions involving factors that are significantly or entirely beyond the Group's control. The objectives are also subject to known and unknown risks, uncertainties and other factors that may result in the Group being unable to achieve them. As a result, the Group's actual results may differ significantly from the medium-long term objectives set out above.

The medium- to long-term financial objectives do not constitute "Profit Forecasts" as defined in art. 1 (d) of the Commission Delegated Regulation (EU) 2019/980 of March 14, 2019 supplementing the Prospectus Regulation (the "**EU Regulation 2019/980**"), as the medium- to long-term financial objectives do not have the features provided in such definition nor the features set forth in Annex 1, Section 11 of the EU Regulation 2019/980, including among others, the feature of indicating a likely level of profits or losses for current or future financial periods and being specific and precise.

Certain covenants and terms of conditions of the Facilities Agreement may limit in the future the ability of the Group to operate its business.

On August 2, 2019, the Company and C.R.N. S.p.A. (merged by incorporation into the Company in 2021) entered into a facilities agreement with Banca Nazionale del Lavoro S.p.A., Banco BPM S.p.A., Barclays Bank Ireland plc, BNP Paribas, Milan Branch, BPER Banca S.p.A., Crédit Agricole Italia S.p.A., MPS Capital Services Banca per le Imprese S.p.A. and Intesa Sanpaolo S.p.A. (formerly UBI Banca S.p.A.) in relation to medium- to long-term credit facilities in an aggregate principal amount of up to Euro 170 million (as subsequently amended, the "**Facilities Agreement**") to support its planned investments and growth strategy. The Facilities Agreement includes (i) a term loan facility for an aggregate principal amount

of Euro 70 million (the “**Term Loan Facility**”); (ii) a revolving credit facility for an aggregate principal amount of Euro 40 million (the “**Revolving Credit Facility**”); and (iii) a revolving pre-finance facility for an aggregate principal amount of Euro 60 million (the “**Revolving Pre-Finance Facility**”). As of the Prospectus Date, the Term Loan Facility has been voluntarily repaid in full by the Company on December 30, 2022, while the Revolving Credit Facility and the Revolving Pre-Finance Facility have not been drawn down.

Under the terms of the Facilities Agreement, the Group is required to comply with certain ratios between (i) the Group’s net financial position and the Group’s EBITDA (a non-IFRS measure) (the “**Leverage Ratio**”); and (ii) the Group’s backlog orders (*portafoglio ordini acquisiti*) relating to certain commercial contracts and the amounts outstanding under the revolving pre-finance facility (the “**Backlog Ratio**”). In June 2020, the Company temporarily breached the Leverage Ratio, primarily due to COVID-19 restrictions imposed by the Italian government, which led to two-month suspension of the operations at the Group’s six shipyards, and, in turn, to a delay in achieving production milestones, delayed payment collection from customers and postponement of orders. The breach was subsequently waived by the lender.

The Facilities Agreement contains (and the Group’s future debt financing agreements may contain) restrictions relating to the change of control as well as restrictions that limit the Group’s ability to, among other things, pay dividends, incur additional debt beyond established thresholds, create lien, security interest, pledge, mortgage and, inter alia, assignment by way of security (except as permitted under the Facilities Agreement) repurchase shares or make other restricted payments, and make certain voluntary prepayments of specific debts under certain circumstances.

In particular, in any financial year the Company is only allowed to pay dividends (but excluding any distribution of reserves or other form of payment to the shareholders) in an aggregate amount equal to a percentage of the Company’s profit (*utile*) as reported in its audited non-consolidated financial statements for the previous financial year that varies according to its Leverage Ratio, provided that certain conditions have been met (e.g., no event of default nor default under the Facilities Agreement has occurred or would occur as a result of the distribution of dividends and the Leverage Ratio covenant has not been breached on the last testing date and would not be breached by means of the distribution).

The Company has granted special liens over its travelling cranes (*carri ponte*) and travel lifts as well as pledges on certain banks accounts with BNP Paribas Milan Branch. With respect to these accounts, the Company must deposit on an annual basis at least €30,000,000 in sales proceeds and maintain a minimum balance of €2,000 in each pledged bank account. Moreover the Company (i) has granted first-degree mortgages over certain production facilities and offices, and (ii) has undertaken to grant a first-degree mortgage over some properties located on state-owned areas (*area demaniale*) in La Spezia, Sarnico and Ancona by August 2, 2023, once consent is provided by the competent public authorities. As of the Prospectus Date, the mortgages referred to under (ii) above have not yet been granted yet to the banks.

The Facilities Agreement also provides for a mandatory early repayment in case of change of control, including, among others, the scenario where Weichai Holding (HK) ceases to own, directly or indirectly, more than 35% of the issued share capital of the Company or issued share capital having the right to cast more than 35% of the votes capable of being cast at a general ordinary or extraordinary shareholders’ meetings or ceases to be, directly or indirectly the largest shareholder of the Company. Assuming that all of the Shares are sold in the Offer and the Over-Allotment Option is exercised in full, considering that Weichai Holding (HK) will cease to own, indirectly, more than 35% of the issued share capital of the Company, on April 26, 2023, the Company has asked the Agent, on behalf of the Lenders, to waive its right to demand early repayment of the Facilities Agreement to the Company in case of occurrence of the event under letter (b)(x) above and on June 7, 2023, the Agent, on behalf of the Lenders, has waived its right.

As of the Prospectus Date, the Term Loan Facility has been repaid in full and the Revolving Credit Facility and the Revolving Pre-Finance Facility have not been drawn down. Since the Group’s strategic plan is expected to generate cash, the Company does not expect to be required to draw down under the Revolving Credit Facility or the Revolving Pre-Finance Facility to implement its strategy. Should the Company borrow under the Revolving Credit Facility and the Revolving Pre-Finance Facility in the future, a breach of any of the covenants sets forth under the Facilities Agreement might accelerate the Company’s repayment obligations or give the lender rights pursuant to the events of default provisions. In addition, any failure of the Company to comply with certain payment obligations under the Facilities Agreement could give the lenders the right to enforce any security granted to secure the financing. In certain cases, a breach of the covenants in one facility agreement may cause a cross-default under other financing agreements. Should any of these events occur, it could have material adverse effects on the Group’s business, financial condition, results of operations and prospects.

Risks associated with the Group’s use of Alternative Performance Measures

This Prospectus contains a number of Alternative Performance Measures (“**APMs**”) of the Group’s operations and financial condition, which the Group’s management uses to monitor the performance of its business and to support its decision-making about investments, resource allocation and other operational matters. The APMs presented herein are not identified as accounting measures under IFRS and are not subject to audit. Therefore, they should not be considered as alternative measures to those provided by the Group’s financial statements for assessing its economic performance and financial position.

Further, the APMs used by the Group might not be calculated or presented in the same way as similarly titled measures used

by other companies and therefore, such data may not be comparable with the data presented by such companies. Accordingly, investors are cautioned that they should read the Group's APMs in conjunction with its Financial Statements and should not rely on its APMs as a substitute for the measures required by IFRS or as an indicator of the Group's future performance.

In addition, the Group's contracts with customers (some of which involve significant amounts) are usually longer than one year and have payment terms connected to the achievement of contractually agreed milestones, therefore cash flows under the contract can only be properly evaluated only as the contract progresses (since the beginning of the contract) or over the total duration of the contract. As a result, the Group's recognition of operating cash flows, which mainly include the cash flows from contracts with customers, may vary significantly from quarter to quarter depending on the achievement of contractually agreed milestones and it is representative only when carried out over a period of time longer than 6 months. As a consequence, the Group monitors its operating performance on a short-term basis, using Adjusted EBITDA and order backlog, consistent with practice in its industry.

The Interim Financial Statements for the three-month periods ended March 31, 2023 and 2022 have not been audited.

The Group's Interim Financial Statements for the three-month periods ended March 31, 2023 and 2022 have only been subject to a review by EY in accordance with review standards recommended by the International Standard on Review Engagements (ISRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and, therefore, no opinion has been expressed by EY on such financial statements.

The Group faces risks related to exchange rates

The Group's prepares its consolidated financial statements in Euro. Due to the international nature of its operations, the Group is exposed to exchange rate risk because significant portions of its revenues, costs, assets and liabilities are denominated in foreign currencies. The main foreign currency to which the Group is exposed is the U.S. dollar, since sales by Ferretti Group of America LLC in the North American market are denominated in U.S. dollars. In addition, certain of the Group's foreign subsidiaries prepare their financial statements in currencies other than the Euro. The Group translates these financial statements into Euro when it prepares its consolidated financial statements using the prevailing exchange rates at the time of such consolidation. This process exposes the Group to currency translation risk.

For the year ended December 31, 2022, the Group's net revenues from customer contracts in U.S. dollars represented 23.43% of the total net revenues (€241.3 million). For the year ended December 31, 2022, the Group's operating costs in U.S. dollars and other currencies, respectively, represented 9.00% (€92.7 million) and 1.35% (€13.9 million) of the total net revenues.

The Group has adopted a policy to manage exchange rate risk. As of the Prospectus Date, based on its policy and the monitoring of sensitivity analysis to currency exposure, the Company, currently, has not entered into financial derivatives to hedge its foreign currency exposures. Should the Group's approach to managing exchange rate risk not be fully effective in protecting the Group against future exchange rate fluctuations, any adverse movements in exchange rates could have an adverse effect on the Group's business, results of operations, financial condition and prospects.

Risks relating to legal and regulatory matters

Changes to and uncertainties in laws and regulation applicable to the Group's business operations may negatively affect the Group's results of operations.

The Group is subject to a wide range of statutes, laws, and regulations, including relating to environmental protection, occupational health and safety, organizational and management control, tax matters, economic sanctions, anti-money laundering laws, and anti-bribery and corruption laws. Any breach of these laws and regulations could result in significant fines and/or penalties and could expose the Group and its key executives to potential civil and criminal liability. Such laws and regulations require the Group to obtain a number of permits and licenses, which may be subject to periodic renewal, modification, suspension or revocation by the relevant authorities. In the event of the Group expands its business, it may be required to obtain additional permits and licenses. Any failure by the Group to obtain, keep current, comply with or modify on a timely basis all of the permits and licenses that it requires, or any suspension or revocation of such permits and licenses, could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

In addition, the Group's sales may be impacted by changes in regulations governing the nautical sector more generally. For example, national or local regulations relating to registration conditions, technical characteristics that increase costs of the Group's products, increased taxation on yacht purchases, prohibition of entry or increased entry fees in certain areas or taxation on berthing in local marinas could reduce demand for yachts and cause the Group's customers to invest their assets in other luxury goods.

In addition, the Group may be required to expend additional resources in the future in order to comply with changing standards or requirements. To the extent such changes are unpredictable, the Group may have to incur unbudgeted expenditures which could have a material adverse impact on the Group's business, results of operations, financial condition and prospects.

The Group is subject to burdensome environmental and health and safety laws and regulations, and the Group is at risk of violating these laws and regulations.

As an industrial company, the Group is subject to environmental laws and regulations relating to, *inter alia*, air and noise emissions, wastewater discharge, waste disposal, management of dangerous and chemical substances, fluorinated gases, asbestos removal, soil and groundwater contamination.

Laws applicable to soil and groundwater contamination require owners and operators of polluted sites to sustain the costs of testing and reclamation of such sites and to pay compensation for any injuries or losses caused to third parties by exposure to hazardous substances, processes or work activities. Further, in some cases, Italian environmental laws provide for joint and several liability and/or strict liability in connection with emissions of hazardous substances, meaning that even parties who are not responsible for the pollution, or who has fully complied with all environmental laws in force at the time of the pollution, may be forced to remediate a polluted site. Although the Company is insured against certain environmental damage, the Group will continue to face ongoing costs and liabilities in connection with environmental laws and regulations.

Any violation of environmental protection laws and regulations, including limits on emission of pollutants, wastewater discharge or noise emissions, or the conditions of the Company's environmental licenses and permits, may subject the Group to administrative and criminal sanctions. In particular, the Italian judicial authorities could order the seizure or shutdown of the sites linked to such violations, which could force the Group to interrupt its production process. In addition, any new laws and regulations regarding increased fuel economy requirements, reduced greenhouse gas or pollutant emissions that may be promulgated in the future, or any changes in existing laws and regulations, may expose the Group to significant costs. The occurrence of any of these could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Company must report specific monthly financial information under Chinese law.

Pursuant to Chinese law, in particular the Shandong provincial regulation “Administrative Measures of Overseas State-owned Assets of Shandong Provincial State-owned Enterprises” and “Notice on Financial Flash Report of Shandong State-owned Enterprises”, the Company is required to send specified consolidated financial information and budget on a periodical basis (monthly and annual) to its parent company, Weichai Group, which combines the periodical financial information of all of its subsidiaries that it sends to its parent company, SHIG. SHIG, in turn, aggregates the information from Weichai Group with that received from all of its other subsidiaries and sends the integrated reports to Shandong SASAC, the state-owned assets administrative authority in Shandong Province that indirectly controls SHIG in order to comply with its obligations under applicable Chinese law. In addition, the Company is required to share consolidated financial information with its parent company on an annual basis for consolidation purposes.

Furthermore, pursuant to the “Rules for the Disclosure of Information on Debt Financing Instruments of Non-Financial Enterprises in the Interbank Bond Market (2021)” issued by National Association of Financial Market Institutional Investors, the non-financial enterprises which issue bond or other debt instruments on the interbank bond market shall disclose the consolidated financial information of the issuer on quarterly basis during the term of such debt instruments on Shanghai Clearing House, a central securities depositories in China. Both Weichai Group and SHIG issue notes and bonds on the interbank bond market from time to time. Hence, the Company is required to provide to Weichai Group relevant financial information periodically for such purpose, and Weichai Group will share the same with SHIG. Weichai Group and SHIG only publish their respective consolidated financial information on the website of Shanghai Clearing House, and no financial information specific to the Company are publicly disclosed.

While the Company must provide Weichai Group and SHIG with such information, it must also comply with the market abuse regulation relating to selective disclosure, Regulation (EU) no. 596/2014 of the European Parliament and of the Council, as implemented and supplemented (“**Market Abuse Regulation**”) and implementing measures. In this regard, Consob, in its Questions & Answers published on March 18, 2021, has taken the position that, considering the Market Abuse Regulation set of rules, the disclosure of selective information by an issuer to a controlling shareholder may be legitimate if there are specific express legal obligations requiring such disclosure or if there is a “justifying relationship”, provided that appropriate measures are taken to preserve the confidentiality of information. To this end, on May 10, 2023 the Company has entered into a confidentiality agreement with FIH, Weichai Holding (HK), Weichai Group and SHIG aimed at strictly safeguarding the confidentiality of the disclosure of any such information to them.

Even if there were to be a prevailing corporate interest in keeping such information confidential or if sharing of such information would breach applicable European or Italian laws and/or regulations, any failure by the Company to provide such information to Weichai Group or SHIG could result in a violation of Weichai Group and/or SHIG's obligations under the aforementioned Chinese regulations and therefore in potential fines for Weichai Group and/or SHIG, with potential negative consequences for the Group, such as fines or sanctions.

The Group may be unable to sufficiently protect the health and safety of its employees, in particular those in its manufacturing facilities.

The Group is required to comply with a comprehensive set of Italian laws and regulations concerning the protection of occupational health and safety and the prevention of industrial accidents such as Legislative Decree no. 81/2008. In particular, certain cases of manslaughter or personal injury linked to workplace accidents or exposure to hazardous substances or processes could lead to the imposition of criminal liability on the Group Chairman and/or Chief Executive Officer, which could bar them from providing their professional services to the Group in the future.

Given the nature of its business and production process, the risk that the Group's employees, subcontractors or third parties may suffer significant workplace accidents is material. The occurrence of such accidents could expose the Group to significant litigation, enforcement actions, legal sanctions (including but not limited to, fines, suspensions of the Group's production activities and limitations on the Group's commercial activities), reputational harm, management distraction and, potentially, corporate criminal liabilities. In addition, the Group faces the risk that current and former employees may assert claims against the Group for occupational diseases and work-related stress arising from exposure to hazardous substances and processes. Any failure by the Group to comply with applicable occupational health and safety laws and regulations could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Certain changes to the Company's governing documents, corporate governance policies, and governing bodies will only be effective as of the First Trading Date.

The Company has adopted certain corporate governance policies that are required for Italian listed companies and made certain changes to its by-laws in order to comply with the Consolidated Financial Act and with the Corporate Governance Code. Such policies and changes will take effect as of the First Trading Date.

The new corporate governance policies require, among others, the inclusion of a slate voting mechanism for the election of members of the Board of Directors, so that minority shareholders with the highest number of votes can elect at least one director. In particular, following the First Trading Date, those shareholders who, alone or together with others, hold a certain minimum percentage of Shares as set forth in applicable regulation are entitled to submit lists of candidates for the appointment of the Board of Directors.

Moreover, following the First Trading Date and the expiration of the term of the current Board of Directors, under the New-By-Laws, the Board will be able to submit a list of candidates for the Board of Directors. However, in light of the current shareholding and control structure of the Company and according to applicable law, a list submitted by the Board of Directors may reflect the preferences of the majority shareholder, and, therefore, such list might be deemed to be linked to any list submitted by the majority shareholder, within the meaning of Article 147-ter, paragraph 3 of the Consolidated Financial Act.

In addition, as of the Prospectus Date, the corporate governance structure of the Company does not reflect all of the recommendations set out in the Corporate Governance Code, indeed, with reference to: (i) recommendation 7(e) of Article 2 of the Corporate Governance Code, Mr. Luigi Capitani, Chairman of the Board of Statutory Auditors has been holding his office for more than 9 financial years; (ii) recommendation 26 of Article 5 of the Corporate Governance Code, the Remuneration Committee is not composed of only non-executive directors, given that Mr. Xu Xinyu, an executive Director, is a member of the Remuneration Committee; and (iii) recommendation 32, lett. b) of Article 6 of the Corporate Governance Code, the role of director in charge of establishing and maintaining the internal control and risk management system has not been assigned to the Chief Executive Officer but to a different executive director (*i.e.*, Mr. Xu Xinyu). In compliance with the Corporate Governance Code's "comply or explain" principle, the competent bodies of the Company have provided explanations for the deviations from the aforementioned best practice provisions set forth in the Corporate Governance Code.

The activities of the Ferretti Security Division subject the Group to Italian regulations and policies relating to the production and sale of armaments.

In 2016, the Group launched its Ferretti Security Division, specializing in composite planing coastal patrol vessels ranging from 16 to 32 meters (approximately 54-105 feet). The Group sells Ferretti Security Division products primarily to national government bodies and international organizations. In particular, to export, import, ship or deal in armaments Law no. 195/1990 requires Italian companies, such as the Ferretti Security Division, to obtain certain prior authorizations from the Italian Ministry of Defense and the Italian Ministry of Foreign Affairs, hence, as a precondition, the Group has obtained the registration in the national registry of companies, the R.N.I.

Pursuant to the provisions of Article 28 of TULPS, in particular, the collection, manufacture, possession and sale of weapons, or parts thereof, ammunition, military uniforms or other items intended for the equipment of domestic or foreign armed forces are subject to the receipt of certain licenses (granted following an audit process and valid for two years) by the competent Prefect (the "**Licenses**"). The Licenses are also required for, *inter alia*, the manufacture, import, export, collection, possession and sale of self-defense instruments specifically intended for the armament of the armed or police forces.

Pursuant to the provisions of Article 8 of TULPS, the holders of such Licenses can only be natural persons; therefore, when the activity is organized as a company, the Licenses must be registered in the name of a natural person, who must have the technical ability and the authority to represent the company. According to Article 11 of TULPS, such Licenses shall be released to persons having specific moral requirements.

In connection with the Ferretti Security Division, the Group has obtained the necessary Licences for Forlì and Mondolfo shipyards (the only two shipyards for which licenses are required under the TULPS).

Furthermore, the export, import, shipment and brokerage of armaments are subject to Law no. 185 of July 9, 1990 (the “**Law no. 185/1990**”) and Ministerial Decree no. 19 of January 7, 2013. Law no. 185/1990 requires Italian companies to obtain certain authorizations from the Italian Ministry of Defense and the Italian Ministry of Foreign Affairs before they are permitted to export, import, ship or deal in armaments. As a precondition to the issuance of the required authorizations, the Group must be registered in good standing in the National Register of Companies (the “**R.N.I.**”), which is the official register of Italian companies authorized to manufacture and sell armaments, and to obtain certain authorizations for the import and export of armaments from the Italian Ministry of Defense and the Italian Ministry of Foreign Affairs in Italy. The registration in the R.N.I. lasts for three years, subject to renewal. As of the Prospectus Date, the Company is registered in good standing with the R.N.I.

These requirements mean that:

- (i) if the Group fails to comply with the pre-requirements for holding Licenses, the Ferretti Security Division could lose its permits to manufacture and sell its products;
- (ii) if the Group fails to comply with the requirements for the renewal of the R.N.I. registration set out in Article 44 of Legislative Decree no. 66 of March 15, 2010 and in Article 127 of the Decree of the President of the Republic of March 15, 2010 n. 90 (the “*Testo Unico delle Disposizioni Regolamentari in Materia di Ordinamento Militare*”, the “**Consolidated Military Law**”), or if the Group breaches provisions thereunder, Ferretti Security Division may not be able to export its products;
- (iii) if the Ministry of Defense or the Ministry of Foreign Affairs were to suspend or revoke the permits to export the Ferretti Security Division’s products, the Group would lose the relevant existing contracts and business opportunities;
- (iv) should the list of countries subject to arms embargoes under Law no. 185/1990 be expanded, the Group may be required to terminate existing contracts or lose business opportunities.

The occurrence of any of the above risks could have a material adverse effect on the Group’s business, financial condition, results of operations, and prospects.

In addition, Article 127 of the Consolidated Military Law sets forth the information required to be filed in connection with registration on the R.N.I., which includes, among others, a list of qualified shareholders holding interests of at least 1% of the share capital. Throughout the three-year term of validity of the registration, companies registered with the R.N.I. must promptly communicate any changes to, *inter alia*, to their shareholding structure. Based on the guidelines issued by the “Italian Ministry of Defense – Office of the Secretary General – Office of the national registry of companies and companies’ consortiums in the field of armament materials” (“*Vademecum per l’Iscrizione, Rinnovo e Cancellazione delle Imprese e delle relative liste dei Materiali di Armamento ex legge 110/75 presso il R.N.I. – Registro Nazionale delle Imprese e Consorzi d’Imprese*”), a company whose shares are listed on a stock exchange are required to declare a change in ownership contemplated by Article 127 of the Consolidated Military Law in the event a shareholder comes to own at least 3% of the company’s share capital.

Furthermore, the reporting company must attest that:

- (i) none of its legal representatives or holders of more than 3% of its share capital are: (a) persons associated with organized crimes (Law no. 55/1990); (b) persons associated with secret societies (Law no. 17/1982); or (c) persons who have been convicted of engaging in illegal trade in armaments; and
- (ii) none of its directors, managers or consultants were, during the preceding three years, public officials involved in administering the regulatory regime established by Law no. 185/1990.

In order to comply with the information requirements set forth under (i) above, the Group requires the relevant parties to provide it with “declarations in lieu of certification” (“*dichiarazioni sostitutive di certificazioni*”) covering items (a), (b) and (c) of point (i) above, as provided by Article 127 of the Consolidated Military Law.

The duty to collect and transmit to the R.N.I. the “declarations in lieu of certification” rests exclusively with the reporting company. Any liability in relation to the content of the declarations rests with the persons making them, who are personally responsible under Italian criminal law for false declarations and use of false documents.

Following the 2022 Offer and listing on the HK Stock Exchange, the Company has had limited information on shareholders of less than 5% of its share capital, since HK Stock Exchange rules require declarations of ownership only above that level. As a result, until the Trading Date, the Company may not be in a position to correctly identify its shareholders owning more than 3% of its share capital. Following the Trading Date, shareholders of 3% or more of the Company’s share capital will

be required to disclose its ownership in accordance with applicable Italian law.

Nonetheless, if a shareholder fails to comply with its obligations to disclose its shareholding and the Company does not otherwise become aware of such shareholding or if such shareholder fails to submit the “declaration in lieu of certification”, the Company may not be able to provide its required declarations to the R.N.I., which, in turn, could cause the Company’s registration to be suspended until such declarations are made. Continuing breaches by the Company could cause the Company to be removed from the R.N.I. or prevent it from renewing its registration on the R.N.I.

Suspension or removal from the R.N.I. or loss of Licenses required under the TULPS would affect the Company’s ability to obtain new permits, or renew existing permits, for importing and exporting armaments (namely, FSD vessels) or otherwise restrict its business activities. For the years ended December 31, 2022, 2021 and 2020 and for the three months ended March 31, 2023, FSD revenues represented 0.3%, 1.2%, 3.1% and 0.4%, respectively, of the Group’s net revenues for the same period.

The Group could be subject to the provisions of the Italian foreign investment control regime (“Golden Power Law”)

Pursuant to the Golden Power Law, companies holding assets or carrying out, *inter alia*, activities of “strategic importance for Italy’s defense and national security system” must report certain information relating to corporate transactions (such as mergers, acquisitions, divestitures and disposals) and changes in ownership structure to the Presidency of the Council of Ministers (*Presidenza del Consiglio dei Ministri*), which may block or impose restrictions on such transactions. With specific reference to defense and national security, Prime Ministerial Decree no. 108/2014, implementing the Golden Power Law, lists the assets and activities that qualify as “strategic” and fall within the scope of the Golden Power Law.

FSD manufactures and sells naval units operating for the protection of public order, public safety and civil defense, including naval units for coast and sea patrolling and guarding, border control and rescue operations.

Although the Company believes that the risk is negligible that FSD’s current activities would be considered to be of “strategic importance for Italy’s defense and national security system”, should FSD’s activities change in the future or should the scope or the interpretation given to “strategic interest to Italian defense and national security” change, the Company could be considered subject to the Golden Power Law.

In any case, Recommendation of the National Authority UAMA (*i.e.*, Unit for the Authorizations of Armament Materials) no. 41846 dated December 14, 2017 recommended that companies registered on the official register of Italian companies authorized to manufacture and export armaments (such as FSD), comply with notification requirements pursuant to the Golden Power Law relating to enumerated corporate transactions. On the basis of this recommendation and with a view to being transparent with the Italian authorities, the Company carried out notifications in connection with the attempted listing on Euronext Milan in 2019, the 2022 Offer (and the listing on the HK Stock Exchange) and the present application for listing on Euronext Milan. In each of these three notifications described further below, the Company represented that: (i) the turnover volume generated by FSD is not material; (ii) FSD does not own, treat or manage any classified information (“*riservatissimo*”; “*segreto*”; “*segretissimo*”) under Italian law as the information on the FSD products are qualified as not classified (“*Non Classificati*”); (iii) FSD is not a party to any military technology research program nor does it benefit from any financing for the development of military technologies; and (iv) the vessels sold by FSD have never been equipped with weapons systems.

On July 23, 2019, in the context of its attempted listing on Euronext Milan, the Company notified the Presidency of the Council of Ministers of such transaction. On August 6, 2019, the Presidency of the Council of Ministers replied to the notification submitted by the Company stating that the listing transaction did not fall within the scope of the Golden Power Law, as it was a mere listing whose final structure—including in connection with corporate governance—had not been defined yet. The Company was in any case invited to proceed with a new notification when the legal prerequisites were met.

On October 15, 2021, the Company notified the Presidency of the Council of Ministers of the listing of the Shares on the HK Stock Exchange. On October 27, 2021, the Presidency of the Council of Ministers, after having reviewed the notification, formally communicated to the Company that the listing on the HK Stock Exchange as represented did not fall within the scope of the Golden Power Law.

On December 15, 2022, after having reviewed the pre-notification (pursuant to Article 7 of the Presidential Ministerial Decree no. 133 of August 1, 2022) submitted by the Company on November 29, 2022, in connection with the present application for listing on Euronext Milan, the Presidency of the Council of Ministers formally communicated to the Company that the Listing transaction as represented did not fall within the scope of the applicable Golden Power Law.

Pursuant to the Golden Power Law, among others, the following transactions must be notified to the Presidency of the Council of Ministers:

- (i) certain extraordinary corporate decisions, acts or resolutions having as effect changes in ownership, control or availability of strategic assets including, *inter alia*, mergers and acquisitions, transfer of going concerns, the transfer of the legal office to a foreign country, changes to the corporate purpose, winding up of the company, asset disposals,

divestitures, collateralization or liens affecting their use. In this case, the notification would be an obligation of the Company entering into the reportable transaction or taking the reportable corporate decision/resolution;

- (ii) changes in the shareholding structure of companies active in – or holding assets relating to – defense and national security. Pursuant to Article 1(5) of the Golden Power Law, if the acquisition concerns a company whose shares are admitted to listing on a regulated market active in the defense and national security, the notification duty applies in case of acquisition of an interest in excess of 3%, as well as subsequent shareholding acquisitions exceeding the 5%, 10%, 15%, 20%, 25% and 50% thresholds. In this case, the notification would be an obligation of the shareholders exceeding the said thresholds. In any case, where possible - both the acquiring party and the target shall jointly proceed with the notification. Moreover, if the relevant notification is carried out by only one of the two parties, the notifying party transmits, at the same time as said notification, a notice to the target so that the latter is put in the position to participate in the proceedings.

Pursuant to the Golden Power Law, the Presidency of the Council of Ministers has 45 business days (as may be extended, for example, by means of requests for information) (the “**Review Period**”) to communicate its decision to the notifying company or shareholder, as the case may be, on whether it considers the notified corporate event/transaction to pose a threat of serious harm to the essential interests of defense and national security. The notified transaction is evaluated by the Presidency of the Council of Ministers following a prudent analysis of all the circumstances communicated by the notifying party, including but not limited to the percentage of participation.

With reference to extraordinary corporate decisions, until a decision has been issued or the Review Period has elapsed without a decision, there is a standstill obligation and the transaction/acts/resolutions cannot be executed. If the Review Period elapses without a decision, the transaction/act/resolution is deemed tacitly cleared and can be implemented/executed.

With reference to an acquisition of shares, the voting rights connected to the shares that are the subject of the notification and exceeding the thresholds set forth by the Golden Power Law (*i.e.*, the shares triggering the duty to notify), are suspended until a decision has been issued or the Review Period has elapsed. However, all the economic rights connected to the shareholding, including to those shares exceeding the thresholds set forth by the Golden Power Law, are preserved.

In case the Presidency of the Council of Ministers deems that the notified transaction does not represent a threat of serious danger to the essential interests of Italian defense and national security, the notification would be dismissed by the Presidency of the Council of Ministers with a specific resolution of not exercise of any special powers or simply providing general recommendations.

If the Presidency of the Council of Ministers considers the notified transaction to pose a threat of serious harm to the essential interests of defense and national security, the Presidency of the Council of Ministers may decide to exercise the powers granted to it by law. These primarily include the power to:

- (i) impose specific conditions (relating to the security of procurement and information, the transfer of technologies and export controls) on the acquisition of shareholdings in companies that carry out activities of strategic importance to defense and national security;
- (ii) veto (or impose specific conditions on) the adoption of acts/resolutions by the shareholders’ meetings or boards of directors relating to, *inter alia*, mergers, demergers, assets disposals, winding-up, amendments of the corporate purpose, the transfer of, or creation of encumbrances on, strategic assets; or
- (iii) veto (or impose specific conditions on) the acquisition of a shareholding in companies that carry out activities of strategic importance to defense and national security by any person (whether directly or indirectly, individually or jointly) other than the Italian state or state-controlled entities, if the acquiring entity holds an interest in the voting share capital of the relevant company that, given its size, may jeopardize defense or national security interests.

Failure to comply with the abovementioned notification obligations may expose the infringing company(ies)/individual(s) to severe consequences, including an administrative fine equal to twice the value of the transaction and in any case not lower than 1% of the aggregate revenues realized by the company involved. In addition, failure to comply with (i) the specific conditions to which a clearance decision is subject or (ii) a veto decision, exposes, *inter alia*, the party acquiring the shareholding exceeding the thresholds under Article 1(5) of the Golden Power Law (namely, 3%, 5%, 10%, 15%, 20%, 25% and 50%) to the suspension of the voting rights attached to the acquired shareholding, to a divestiture obligation in the event the transaction is vetoed, and to an administrative fine equal to twice the value of the transaction and in any case not lower than 1% of the aggregate revenues realized by the company involved.

In particular, if the Presidency of the Council of Ministers were to exercise its power to oppose the acquisition of shares by a shareholder in excess of the above-mentioned thresholds, the shareholder:

- (i) would not be able to exercise the voting rights (and in general any non-economic right) connected to the shares which are object of the notified transaction; and

- (ii) would be required to sell those shares within one year. In case of non-compliance by the shareholder, the Court, at the request of the Presidency of the Council of Ministers, orders the sale of the aforementioned shares.

The Golden Power Law expressly provides that, following the acquisition of shares subject to a notification and pending the subsequent Review Period, the voting rights pertaining to such shares are suspended.

Any shareholders resolutions approved with the decisive vote of the shares blocked by the decision of the Presidency of the Council of Ministers would be deemed null and void.

Certain of the Group's production facilities rely on public land use concessions issued by the Italian State and other public entities, which may be revoked or not renewed.

In order to carry out its business, the Group uses certain state-owned properties pursuant to public land-use concession ("concessioni demaniali"). Such properties are located in Sarnico (Italy), Ancona (Italy) and La Spezia (Italy), and are mainly used for shipyards, floating docks, slipways, piers and parking. For further information on the Group's concessions, see "Business—Real Estate."

While the Group has not experienced any material difficulty in renewing its public land concessions in the past, applicable regulations provide that the authorities may decide on a discretionary basis (a) not to issue new concessions; (b) to revoke the issued concessions; or (c) not to renew existing concessions. In addition, public land-use concessions may be suspended or revoked at any time, and lapse when the conditions to issuance are no longer met or the obligations provided therein are not fulfilled by the concessionaire (including obligations relating to any environmental remediation procedure).

With reference to Ancona site, the relevant public land use concessions expired on December 31, 2021. On June 30, 2022, the Company has requested the Port Authority to extend the duration for a period of additional twenty years (i.e., until January 1, 2043). As of the Prospectus Date, the Company had not yet been granted an extension, however, the term for the observations by the Port Authority has expired and hence the Company expects to receive the extension shortly.

If the Group were to lose its public land use concessions, it would lose the right to carry out some or all of its activities in the affected areas of some of its production facilities. This would disrupt its production activities, which could, in turn, have a material adverse effect on business, results of operations, financial condition and prospects.

As a company with shares listed on the HK Stock Exchange, the Company must also comply with certain Hong Kong laws and regulations, which in certain cases impose obligations on the Company's shareholders

As long as the Company's Shares are listed on the HK Stock Exchange, the Company is subject to the relevant statutes, laws, rules and regulations applicable to issuers with shares listed on that market, including but not limited to the HK Listing Rules, the SFO and the Takeovers Code. These statutes, laws, rules and regulations not only impose and may impose in the future obligations on the Company, but also on the relevant shareholders (e.g., obligations regarding disclosure of material holdings and/or relating to regulations on takeover bids).

Therefore, each shareholder, in determining his or her investment strategy in the Company's Shares, should take into account not only the regulations applicable to the Company as an Italian listed company, but also the relevant applicable statutes, laws, rules and regulations related to the Company's status as an issuer listed on the HK Stock Exchange. Given the applicability of both the Italian and Hong Kong legal and regulatory systems, there could be material differences and/or conflicts between applicable laws, rules and regulations. As far as company law provisions are concerned, Italian law shall mandatorily apply, since the Company has its registered office in Italy and is therefore governed by Italian law. Accordingly, in the event of a conflict between Italian and Hong Kong company law provisions, Italian law provisions cannot be disappplied. Certain Italian mandatory provisions on mandatory tender offer could be in conflict with the ones set out in Hong Kong. On a case-by-case basis, the offeror should make specific assessments to define the applicable rules, also by contacting both CONSOB and the SFC.

Risks relating to internal control

The Group may be exposed to corporate criminal and administrative liabilities pursuant to Decree 231.

Italian Legislative Decree no. 231 of June 8, 2001, as subsequently amended ("Decree 231") provides for corporate criminal liability for offenses committed on a corporation's behalf or for its benefit by affiliated individuals (such as employees, directors and representatives). Such offenses include corruption of public officials, fraud against public bodies, bribery, incitation to corruption, aggravated fraud in pursuit of public funding and IT fraud against a public entity and accounting fraud. Penalties for such offenses include fines, bans against contracting with governmental bodies or accessing state financing as well as confiscation of illicit profits from such activities. Decree 231 also provides that the effective and concrete implementation of a Decree 231-compliant internal risk and control framework (the "231 Model") and the appointment of an independent supervisory officer or body (*Organismo di Vigilanza*) to supervise the functioning of the 231 Model can constitute a defense to such corporate liability.

Nevertheless, the adoption of a 231 Model does not by itself exclude the application of the sanctions provided for in Decree 231. Rather, in the event a crime falling within the scope of Decree 231 is committed, a court must assess the sufficiency of the 231 Model and its implementation. If the Court concludes that the 231 Model adopted by the relevant company was not sufficient to prevent crimes of the kind that occurred, or that the model was not effectively implemented, or that supervision of its operations and compliance by the supervisory body was insufficient, the company would be subject to sanctions, with a consequent material adverse impact on its business, results of operations, financial condition and prospects.

As of the Prospectus Date, the Company and its Italian subsidiaries, for those which are subject to requirements pursuant to applicable laws, have formally adopted the 231 Model.

Any legal proceedings related to potential corporate liability under Decree 231 or similar laws in the foreign jurisdictions in which the Group operates would be costly to defend and could lead to adverse publicity and reputational harm, which could have a material adverse impact on the Group's business, results of operations, financial condition and prospects.

The Group faces the risk of violating anti-corruption, anti-money laundering, export control and economic sanctions laws and regulations in the countries in which it does business.

As a result of the global nature of the Group's sales, it is subject to compliance with complex and burdensome anti-bribery and anti-corruption laws and regulations (such as the U.S. Foreign Corrupt Practices Act of 1977 and the U.K. Bribery Act of 2010), anti-money laundering laws and export controls, as well as economic sanctions regimes, such as those issued by the United Nations, the European Union and the Office of Foreign Assets Control of the U.S. Department of Treasury.

These sanctions programs could limit the Group's sales to customers in, or to, certain countries or to certain persons and the corporate entities they control. Further, the business conducted by the Group and the nature and corporate structure of certain of its customers could expose the Group to the risk of not being able to identify the ultimate beneficiary of its products and, consequently, could result in transactions with individuals or legal entities that are subject to such sanctions.

In addition, the Ferretti Security Division engages primarily with governmental counterparties, which further increases the Group's risks with respect to sanctions violations. Compliance with these laws and regulations can impose significant limitations on the Group's business dealings with certain countries, individuals and corporate entities.

While the Group conducts due diligence verification in order to verify if the potential customer is subject to sanctions, any violation of these laws and regulations could expose the Group to significant civil and criminal penalties and related reputational damage, any of which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Risks relating to the Offering

There can be no assurance that a liquid trading market will develop or be sustained which may cause the Shares to trade at a discount from the Offer Price and make it difficult to sell any Shares purchased, in particular since the Shares will be dual listed on Euronext Milan and on the Main Board of the Hong Kong Stock Exchange.

There has been a limited public float of approximately 28% of the Shares on the HK Stock Exchange since the listing of the Company's ordinary shares on the Main Board of the HK Stock Exchange on March 31, 2022. At the First Trade Date, the Shares will also be admitted to listing and trading on Euronext Milan.

There can be no assurance that an active, liquid market for the Shares will develop or be sustained following the admission to listing and trading of all the Shares on both the HK Stock Exchange and Euronext Milan, or that if one develops, it will be sustained. This is particularly the case with respect to the Offer, given that it is not subject to any condition of a minimum amount of Offer Shares sold and that Borsa Italiana will take into account the Company's Shares already trading on the HK Stock Exchange when assessing whether the minimum free float requirement for admission to trading has been met. In addition, should any investor acquire a certain number of Offer Shares in the Offer, it cannot be excluded that such Offer Shares may not contribute to the determination of the free float at the First Trading Date. Consequently, as of the First Trading Date, the percentage of the Company's share capital held by the market exclusively on Euronext Milan may be extremely low or nil. If, on the First Trading Date, the percentage of the Company's share capital held by the market exclusively on the Euronext Milan is low and there is insufficient volume of Ordinary Shares on that market, it may remain low for an indeterminate period after the First Trading Date, which could negatively impact the Shares' liquidity, and lead to price volatility. Admission to trading by Borsa Italiana is subject to Borsa Italiana's assessment that conditions and requirements are met, including that the free float is sufficient.

Further, liquidity of the Shares on Euronext Milan will also depend on whether any investors currently holding the Company's ordinary shares on the Hong Kong Stock Exchange transfer their positions to Euronext Milan and vice-versa, which is outside the Company's control. In particular, if shareholders currently holding shares in the Company admitted to CCASS and traded on the HK Stock Exchange wish to trade on Euronext Milan, such Shares must be repositioned in their stock accounts maintained with an Italian intermediary. Conversely, Shares traded on Euronext Milan must be repositioned

in CCASS in order to trade on the HK Stock Exchange. Such transfers may trigger additional administrative requirements and in certain circumstances may be taxable. To the Company's knowledge, the Ordinary Shares transferred from the Hong Kong Stock Exchange would be available to a Monte Titoli participant within two business days from receipt by the system of the repositioning request.

It is not possible to predict how trading will develop on the two stock exchanges. The dual listing of the Shares may split trading between the two markets and adversely affect the liquidity of the Shares in one or both markets and the development of an active market for the Shares and may result in price differentials between the exchanges. Differences in the trading schedules, as well as volatility in the exchange rate of the two trading currencies, among other factors, may result in different trading prices for the Shares on the two stock exchanges.

If an active, liquid trading market does not develop or is sustained, the Shares may trade at a discount from the Offer Price and the shareholders may have difficulty selling the Shares at an attractive price, or at all.

As a consequence of the Offer, Shandong SASAC will cease to indirectly exercise legal control but could be in the position to indirectly exercise effective control of the Company under Italian law.

As of the Prospectus Date, the Company is, as a legal matter, indirectly controlled by Shandong SASAC, a State-owned Assets Supervision & Administration Commission of Shandong Province pursuant to Article 93 of the Consolidated Financial Act and Article 2359(1)(1) of the Italian Civil Code.

In particular, as of the Prospectus Date, Shandong SASAC holds a 90% interest in SHIG (*i.e.*, 70% directly and 20% through its subsidiary Shandong Guohui Investment Co., Ltd.). SHIG holds a 100% interest in Weichai Group, which holds a 100% interest in Weichai Holding (HK). Weichai Holding (HK) holds a 100% interest in FIH, which holds an interest consisting of 215,769,229 Shares, equal to 63.746% of the Company's share capital.

As of the First Trading Date, assuming all of the Shares are sold in the Offer, and the Over-Allotment Option is exercised in full, Shandong SASAC will hold an interest of less than 50% of the Company's share capital, with no. 118,468,929 Shares, equal to 35% of the Company's share capital and, consequently, will cease to exercise legal control pursuant to Article 2359(1)(1) of the Italian Civil Code.

Nevertheless, assuming the absence of other shareholders who, individually or jointly, could influence the Company's shareholders' meeting decisions after the First Trading Date, Shandong SASAC is likely to continue to indirectly exercise effective control over the Company through the exercise of a dominant influence over the Company's ordinary and extraordinary shareholders' meetings pursuant to Article 93 of the Consolidated Financial Act and Article 2359 (1)(2) of the Italian Civil Code. A final determination as to whether or not Shandong SASAC has effective control within the meaning of Article 93 of the Consolidated Financial Act and Article 2359(1)(2) of the Italian Civil Code can only be made at the time of the Company's shareholders' meetings following the First Trading Date and, in particular, at the Company's shareholders' meetings to renew the Company's Board of Directors, taking into account the shareholding structure at the time of the relevant shareholders' meeting and the actual attendance and voting at such meeting.

The Company will not receive any proceeds from the Offer.

All of the Offer Shares in the Offer will be sold by the Selling Shareholder and as a result, there is no capital increase of the Company in connection with this Offer nor will the Company receive any proceeds from the sale of the Shares. It should be noted that the Shares of the Company have been traded on the HK Stock Exchange since March 31, 2022 in connection with the 2022 Offer and that the Company has raised proceeds in connection with such 2022 Offer. The expenses related to the Offer and Admission (net of the underwriting commissions) are estimated to be approximately €4.6 million and will be borne by the Selling Shareholder according to market practice.

Risks relating to the Shares

The Company may not pay dividends in the future.

In the financial years 2023, 2022, 2021 and 2020, the Company has distributed dividends to its shareholders, respectively, of €19.9 million, €6.7 million, €3.5 million and €6.6 million.

The Company's dividend policy provides for the annual payment of dividends equal to not less than 30% of its distributable profit for the relevant year, after a deduction of mandatory legal reserves (5%), however, there can be no assurance that the Company will distribute dividends in the future. Before dividends may be paid out of the Company's unconsolidated net income in any year, an amount equal to 5% of such net income must be allocated to the Company's legal reserve until such reserve is at least equal to one-fifth of the par value of the Company's issued share capital. The Company's legal reserve is currently lower than one-fifth of the par value of its issued share capital. It is possible, for example, that the Company will not earn distributable income, that applicable legal requirements for the distribution of profits will not be satisfied, or that the Company will decide not to pay dividends, based on its financial needs or in order to comply with financial covenants

applicable from time to time to the Company and the Group. In addition, the Facilities Agreement restricts the Company's ability to pay dividends in certain circumstances.

In the event that the Company does not distribute dividends, shareholders would only earn a return on their investment in the Shares as a result of a capital gain, if any, on the sale of their Shares.

The price or performance of the Shares may be adversely affected by the expiration or waiver of the lock-up for the Shares.

In connection with the Offer, the Company and the Selling Shareholder will enter into certain lock-up commitments. Upon the expiration of their respective lock-up commitments, the Company will be free to issue Shares and the Selling Shareholder will be free to sell additional Shares, and there is no assurance that they will not do so. If any of these parties decides to sell a significant number of Shares, or a perception develops in the market that such sales may occur, the market price of the Shares could decline significantly.

The price of the Shares may decline following the end of stabilization activities, if any.

UniCredit, as Stabilization Manager, may engage in activities that stabilize, maintain or otherwise affect the price of the Shares, including stabilizing transactions, short sales and purchases to cover positions created by short sales for not later than 30 days after commencement of trading of the Shares. As a result of these activities, the price of the Shares may be higher than the price that otherwise might exist in the open market. There is no guarantee that the stabilization activity will actually be carried out, or that, even if carried out, it will not be discontinued at any time without notice. If such activity is discontinued, it could have a material adverse effect on the price of the Shares.

Investors from countries that do not use the Euro as their currency face an additional risk due to changes in currency exchange rates.

The Shares are denominated in Euro, and any future payment of dividends on the Shares will be made in Euro. The Euro has fluctuated recently with respect to principal world currencies, including the U.S. Dollar. The amount received in investors in U.S. Dollars or any other currency as a result of payment of dividends or the sale of the Shares can be adversely affected by variations in the rate of exchange.

Shareholders are subject to the risk of changes in (or interpretations of) the tax treatment of the Shares in their jurisdiction of residence.

An investment in the Shares may involve complex tax considerations which may differ for each investor due to the different tax treatment of the Shares in its jurisdiction of residence and, therefore, each prospective investor is advised to consult its own tax advisers. Any tax legislation and its interpretation and the legal and regulatory regimes, which apply in relation to an investment in Shares, as well as the tax treatment of the Shares in the jurisdiction of residence of each prospective investor, may change at any time.

Non-Italian tax resident investors may be subject to taxation in Italy in relation to dividends and capital gains.

Generally, save for certain exclusions and exceptions provided by law, all dividends payable to non-residents of Italy who do not have a permanent establishment in Italy to which the shareholding is connected are subject to Italian substitute tax at the rate of 26%, which may be reduced by applicable tax treaties or conventions. Any taxation in Italy in relation to such proceeds may trigger double taxation cases on non-Italian tax residents. In particular, double taxation cases may arise if the country of residence, pursuant to its domestic law, would not allow the deduction (or would allow only a partial deduction) of tax paid in Italy from the income tax due in that country of residence. Therefore, prospective investors should take into consideration such circumstance for the purposes of their investment decision and should consult their own tax advisors on the applicable tax regime.

In the absence of an applicable exemption, including as a result of treaties entered into between Italy and the holder's jurisdiction, capital gains realized by non-Italian resident holders without a permanent establishment in Italy upon transfers of Qualified Holdings are subject to 26% substitute tax in Italy and must be reported in the annual income tax return.

The Company is incorporated in Italy and, as a result, it may not be possible for shareholders to enforce civil liability provisions of the securities laws of the United States against the Company or its officers and directors.

The Company is incorporated under the laws of Italy and the majority of the Company's assets and all of its directors and officers are located outside the United States. As a result, it may not be possible for the Company's shareholders to effect service of process upon its directors or officers within the United States or to enforce against the Company or its directors or officers in the United States court judgments based on the civil liability provisions of the securities laws of the United States. In addition, Italian or other courts may not impose civil liability on the Company's directors and officers in any original action based solely on foreign securities laws brought against the Company or its directors and officers in a court of competent jurisdiction in Italy or other countries.

U.S. shareholders may not be able to exercise preemptive rights, and as a result may experience substantial dilution upon future issuances of Shares.

U.S. shareholders may not be able to exercise any preemptive or preferential rights, to the extent such rights exist, with respect to their Shares unless a registration statement under the U.S. Securities Act is effective with respect to such rights or an exemption from the registration requirements thereunder is available. The Company currently does not intend to file such a registration statement. In the future, the Company may sell Shares or other securities to persons other than its existing shareholders (potentially at a lower price than the Shares), and, as a result, U.S. shareholders may experience substantial dilution of their interests.

The Shares will not be freely transferable in the United States.

Any Offer Shares offered and sold to investors located in the United States will be “restricted securities” (as defined in Rule 144A under the U.S. Securities Act) and may not be reoffered, resold, pledged or otherwise transferred, except: (i) to a person reasonably believed to be a QIB, (ii) in an offshore transaction outside the United States in accordance with Rule 903 or Rule 904 under Regulation S or (iii) pursuant to an exemption from registration under the U.S. Securities Act provided by Rule 144A, or (iv) pursuant to an effective registration statement under the U.S. Securities Act, in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. No representation can be made as to the availability of the exemption provided by Rule 144 under the U.S. Securities Act for resale of the Shares.

The Offer could be subject to the application of Italian Financial Transaction Tax

The sale of shares traded on a regulated market issued by an Italian company with an average market capitalization of at least €500 million, as registered in November of the year preceding the sale of the shares, is subject to Italian Financial Transaction Tax.

Since the Offer Shares meet all of the above criteria, Italian Financial Transaction Tax may apply to the sale of such shares in the Offer.

Underwriters’ potential conflicts of interest.

The Underwriters have an interest in the Offer as it is expected that, if the Offer is successfully completed, they will enter into the Underwriting Agreement, pursuant to which they will agree, subject to the satisfaction of certain conditions set forth therein, severally and not jointly to procure purchasers, failing which, purchase themselves the agreed number of Offer Shares, in exchange for which they will receive commissions.

UniCredit, as Listing Agent, will receive commissions for its services in that capacity.

In addition, in the ordinary course of their business, the Underwriters and the companies that control them, that they control or that are under common control with them (collectively, “affiliates”) provide and may continue to provide, a variety of services to the Company, the Selling Shareholder and their respective groups, including lending, investment banking, financial advisory, risk management, hedging and other services, for which they receive customary fees, and they and their respective affiliates may provide such services for the Company and the Selling Shareholder and their respective affiliates in the future.

Moreover, in the ordinary course of their business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments, including corporate debt facilities, of the Company and the Selling Shareholder and their respective affiliates.

Finally, in connection with the Offer, the Underwriters and their respective affiliates, acting as an investor for its own account, may take up Offer Shares in the Offer and in that capacity may retain, purchase or sell for its own account such securities and any Offer Shares or related investments and may offer or sell such Offer Shares or other investments otherwise than in connection with the Offer. Accordingly, references in this Prospectus to Offer Shares being offered or placed should be read as including any offering or placement of Offer Shares to any of the Underwriters or any of their respective affiliates acting in such capacity. None of the Underwriters intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

IMPORTANT INFORMATION

General

This Prospectus has been approved by CONSOB, as competent authority under the Prospectus Regulation, on June 21, 2023. CONSOB only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the issuer or the quality of the securities that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Offer Shares.

The validity of this Prospectus will expire on the earlier of (i) the First Trading Date and (ii) twelve months from the Prospectus Date provided that it is completed by any supplement if required pursuant to Article 23 of the Prospectus Regulation. The obligation to supplement a prospectus in the event of significant new factors, material mistakes or material inaccuracies shall cease to apply when this Prospectus is no longer valid (see “—Supplements”).

Prospective investors should only rely on the information contained in this Prospectus, the Pricing Statement and any supplement to this Prospectus within the meaning of Article 23 of the Prospectus Regulation. The Company does not undertake to update this Prospectus, unless required pursuant to Article 23 of the Prospectus Regulation, and therefore prospective investors should not assume that the information in this Prospectus is accurate as of any date other than the Prospectus Date. No person is or has been authorized to give any information or to make any representation in connection with the Admission and the Offer, other than as contained in this Prospectus. If any information or representation not contained in this Prospectus is given or made, the information or representation must not be relied upon as having been authorized by the Company, the Selling Shareholder, the Underwriters, the Listing Agent or any of their respective affiliates or representatives. Neither the delivery of this Prospectus nor any issuance or sale of Offer Shares made hereunder at any time after the Prospectus Date shall, under any circumstances, imply that there has been no change in the Company's business or affairs since the Prospectus Date or that the information set forth in this Prospectus is correct as of any date subsequent the date hereof.

Prospective investors are expressly advised that an investment in Offer Shares entails risks and that they should therefore carefully read and review the entire Prospectus. Prospective investors should not just rely on key information or information summarized within this Prospectus. Prospective investors should, in particular, read the section entitled “*Risk Factors*” when considering an investment in the Offer Shares. A prospective investor should not invest in Offer Shares unless it has the expertise (either alone or with a financial adviser) to evaluate how the Offer Shares will perform under changing conditions, the resulting effects on the value of the Offer Shares and the impact this investment will have on the prospective investor's overall investment portfolio. Prospective investors should also consult their tax advisers as to the tax consequences of the purchase, subscription, ownership and disposal of the Offer Shares.

The content of this Prospectus should not be construed as business, legal or tax advice. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Offer Shares.

Prospective investors should consult their own professional advisers before making any investment decision with regard to the Offer Shares, among other things, to consider such investment decision in light of their personal circumstances and in order to determine whether or not such prospective investor is eligible to purchase Offer Shares. In making an investment decision, each investor must rely on their own examination, analysis and enquiry of the Company and the terms of the Offer, including the merits and risks involved.

Although the Underwriters are party to various agreements pertaining to the Offer and each of the Underwriters has or might enter into a financing or other arrangement with the Company, this should not be considered as a recommendation by any of them to invest in Offer Shares.

Each of the Underwriters and the Listing Agent is acting exclusively for the Company and the Selling Shareholder and no one else in connection with the Admission and the Offer. None of them will regard any other person (whether or not a recipient of this Prospectus) as their respective client in relation to the Admission or the Offer and will not be responsible to anyone other than the Company and the Selling Shareholder for providing the protections afforded to their respective clients or for giving advice in relation to the Admission, the Offer or any transaction or arrangement referred to in this Prospectus.

Responsibility statement

This Prospectus is made available by the Company. The Company and the Selling Shareholder (for the information relating to it) accept full responsibility for the information contained in this Prospectus. The Company and the Selling Shareholder (for the information relating to it) declare that, to the best of their knowledge, the information contained in this Prospectus is in accordance with the facts and makes no omission likely to affect its import.

Presentation of financial and other information

Historical financial information

This Prospectus contains (i) the English translation of the audited consolidated financial statements of the Group as of and for the years ended December 31, 2022, 2021, and 2020 (the “**Three-Year Period**”) prepared in accordance with IFRS, beginning on page F-47 of this Prospectus (the “**Annual Financial Statements**”) and (ii) the unaudited interim condensed consolidated financial statements as of and for the three months ended March 31, 2023 (the “**Interim Period**” and, together with the Three-Year Period, the “**Track-Record Period**”) prepared in accordance with IFRS applicable to interim financial reporting (IAS34), beginning on page F-1 of this Prospectus (the “**Interim Financial Statements**” and together with the Annual Financial Statements, the “**Financial Statements**”). The Financial Statements should be read in conjunction with the accompanying notes thereto.

Unless otherwise indicated, financial information contained in this Prospectus has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). During the Track-Record Period, there were no differences between the IFRSs adopted by the EU and applicable to the Group and the Company and those issued by the IASB.

The Annual Financial Statements as of and for the Three-Year Period have been audited by EY S.p.A. (“**EY**”), as stated in the English translation of their reports appearing herein. The Interim Financial Statements have been reviewed by EY, as stated in the report appearing therein.

On May 18, 2023, the Company appointed EY, subject to the commencement of trading of the Shares on Euronext Milan, as its independent auditor for the separate and consolidated financial statements for the years ended December 31, 2023 and until the approval of the financial statements for the financial year ended December 31, 2031.

EY’s registered office is Via Meravigli 12, 20123 Milan, Italy, and it is registered under no. 70954 in the Register of Accountancy Auditors (*Registro dei Revisori Legali*) held by the Italian Ministry of Economy and Finance in compliance with the provision of Legislative Decree no. 39, January 27, 2010.

The Annual Financial Statements in Italian and the independent auditors’ reports in Italian are not included or incorporated by reference in this Prospectus, but are available to the public on the Company’s website (www.ferrettigroup.com).

Definitions of the Non-IFRS Measures

This Prospectus contains alternative performance measures as defined by the “ESMA Guidelines on Alternative Performance Measures” issued by ESMA on October 5, 2015 (“**APMs**”) which are non-IFRS measures (“**Non-IFRS Measures**”) and have not been subject to audit or review. Non-IFRS Measures are not liquidity or performance measures under IFRS and are not prepared in accordance with IFRS and include:

- income statement metrics: EBITDA, Adjusted EBITDA, Adjusted EBITDA / Net Revenue Without Pre-Owned Margin and EBIT;
- balance sheet metrics: Net Working Capital, Net Financial Indebtedness and Net Capital Employed;
- ratios and other metrics: ROE, ROTA and Cash Conversion Ratio; and
- order intake and order backlog.

The Group defines and calculates the Non-IFRS Measures consistently throughout the Track-Record Period. The Group has included the Non-IFRS Measures because it believes that such measures enable it to assess the performance of its business in and across multiple markets and provide investors with additional information to enhance understanding of the Group’s results. These Non-IFRS Measures are based on a number of complex assumptions, internal and third-party estimates, market studies and other business data, and have not been subject to audit or review. While the Group believes its assumptions and the data underlying its estimates and key performance indicators are reasonable, there are inherent challenges in measuring such information. The conditions supporting the Group’s assumptions or estimates may change at any time, and as a result, the assumptions and estimates upon which the Non-IFRS Measures are based may not be correct. For these reasons, Non-IFRS Measures used should not be considered as an alternative to profit (loss), revenue or any other performance measure derived in accordance with IFRS or to net cash provided by operating activities as a measure of liquidity. Non-IFRS Measures have limitations as analytical tools over and above the limitations of any IFRS performance measures and should not be considered in isolation or as substitutes for analysis of the Group’s results as reported under IFRS. Such Non-IFRS Measures may include or exclude amounts that are included or excluded, as applicable, in the calculation of the most directly comparable measures in accordance with IFRS. Their usefulness is therefore subject to limitations, which are described below. In particular, other companies in the industry may define the Non-IFRS Measures used herein, differently, which may make it difficult to compare the performance of these entities to the Group’s performance based on similarly named

measures. In addition, the exclusion of certain items from Non-IFRS Measures does not imply that these items are necessarily non-recurring. From time to time, the Group may exclude additional items if it believes doing so would result in a more transparent and comparable disclosure.

Non-IFRS Measures should be considered in conjunction with the Financial Statements prepared in accordance with IFRS. Although certain of these measures have been extracted or derived from the Financial Statements, this data has not been audited or reviewed by the Group's independent auditors. The following discussion provides definitions of Non-IFRS Measures.

The following discussion provides definitions of Non-IFRS Measures. For reconciliation of these Non-IFRS Measures to their most directly comparable IFR measures, see "*Selected Financial and Other Information—Non-IFRS Measures and other metrics.*"

EBITDA

EBITDA is defined as profit after tax plus financial expenses, depreciation and amortization, and income tax expense, and less financial income and income tax benefit.

Adjusted EBITDA

Adjusted EBITDA is defined as the EBITDA adjusted by adding back certain special items (including bank charges and guarantees, listing expenses, incentive plans, personnel related extra costs, litigations, COVID-19 extra costs, and other minor non-recurring events).

Adjusted EBITDA / Net Revenue Without Pre-Owned Margin

Adjusted EBITDA / Net Revenue Without Pre-Owned Margin is defined as the ratio of the Adjusted EBITDA to the net revenue excluding revenue generated from the trading of the pre-owned yachts.

EBIT

EBIT is defined as net profit for the period excluding income taxes and net financial expenses (other profit (loss) on investments).

Net Working Capital

Net Working Capital is defined as the sum of: (i) trade and other receivables; (ii) contract assets; (iii) inventories; (iv) advances on inventories; (v) other current assets; (vi) trade and other payables; and (vii) contract liabilities.

Net Financial Indebtedness

Net financial indebtedness is defined as the sum of liquidity and financial indebtedness (current and non-current) based on ESMA recommendations 32-382-1138 issued on March 4, 2021.

Net Capital Employed

Net Capital Employed is defined as the sum of (i) non-current assets; and (ii) other assets and liabilities.

ROE

ROE is defined as the return on equity. It is calculated based on profit attributable to Shareholders of the Company for the period divided by the arithmetic mean of the opening and closing balances of equity attributable to Shareholders of the Company and multiplied by 100%.

ROTA

ROTA is defined as the return on total assets. It is calculated based on profit for the period divided by the arithmetic mean of the opening and closing balances of total assets and multiplied by 100%.

Cash Conversion Ratio

Cash Conversion Ratio is defined as the ratio between (i) Adjusted EBITDA less maintenance capex and (ii) Adjusted EBITDA.

Order intake

Order intake is defined as the total amount of new orders signed, during the reporting period, net of commissions, for new vessels, provided that a down payment of approximately 10% has been provided by the customer.

Order backlog

Order backlog is defined as the total amount of existing orders, net of commissions, for new vessels not yet delivered to customers as of the reporting date.

Special Items

Special Items relate to transactions or events that the Company does not believe are indicative of the Group's ongoing operating performance, such as transactions, restructuring or reorganizational costs, individual or collective employment termination agreements, impairment losses on fixed assets, ancillary expenses associated with acquisitions or disposal of companies or assets, any other event deemed to not be representative of normal business operations. Management believes that adjusting for these items that are not directly related to the operational performance of the Group increases comparability and enables a better understanding of the Group's underlying performance.

Rounding and negative amounts

Certain figures in this Prospectus, including financial data, have been rounded. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in tables may not be an exact arithmetic aggregation of the figures which precede them.

In preparing the Financial Statements, most numerical figures are presented in thousands of euros. For convenience, certain numerical figures in this Prospectus are rounded to the nearest one million. As a result of this rounding, certain numerical figures presented herein may vary slightly from the corresponding numerical figures presented in the Financial Statements.

The percentages (as a percentage of revenues or costs and period-on-period percentage changes) presented in the textual financial disclosure in this Prospectus are derived directly from the financial information contained in the Financial Statements. Such percentages may be computed using the numerical figures expressed in thousands of euros in the Financial Statements. Therefore, such percentages are not calculated on the basis of the financial information in the textual disclosure that has been subjected to rounding adjustments in this Prospectus.

In tables, negative amounts are shown between brackets. Otherwise, negative amounts may also be shown by “()”, “-” or “negative” before the amount.

Market and industry data

The information contained in this Prospectus has been provided by the Company and the other sources identified herein. All references to market share, market data, industry statistics and industry forecasts in this Prospectus consist of estimates compiled by analysts, competitors, industry associations and consultants, other non-public external data obtained by the Company from research companies and governmental entities or of the Group's own assessment of its markets and sales. Certain statements made in this Prospectus are based on the Company's own proprietary information, insights, opinions or estimates, and not on third party or independent sources; these statements contain words such as “the Company believes” and “the Company expects”, and as such do not purport to cite, refer to or summarize any third party or independent source and should not be so read.

The principal sources of third-party data used by the Company are:

- New Build Estimate database as of December 2022, issued in April 2023 by Phil Draper & Associates (“**PD&A**”);
- SYT iQ, issued in December 2022 by SuperYacht Times (“**SuperYacht Times**”);
- Recreational Boat Market, Global Outlook and Forecast 2022-2027, issued by Arizton Advisory & Intelligence (“**Arizton Advisory & Intelligence**”);
- 2022 Global Wealth Report & Databook, issued by Credit Suisse (“**Credit Suisse**”);
- Industry Report on the Global Yacht Industry issued in December 2021 by China Insights Consultancy (“**China Insights Consultancy**”)¹; and

¹ Source commissioned by the Company and not publicly available.

- 2021 Bain-Altgamma Luxury Goods Worldwide Market Study, issued in November 2021 by Bain & Company and Altgamma (“**Bain & Company and Altgamma**”).

The Company has not independently verified the information. The Company cannot guarantee that a third-party using different methods to assemble, analyze or compute market data or public disclosure from competitors would obtain or generate the same results. In addition, the Group’s competitors may define their markets and their own relative positions in these markets differently than the Group does and may also define various components of their business and operating results in a manner that makes such figures non-comparable with the Group’s figures.

Industry publications and market studies generally state that their information is obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed and that the projections that they contain are based on a number of significant assumptions. Where third-party information has been sourced in this Prospectus, the source of such information has been identified. Although the Company believes that these sources are reliable, the Company does not have access to the information, methodology and other bases for such information and has not independently verified the information. The information in this Prospectus that has been sourced from third parties has been accurately reproduced with reference to these sources in the relevant paragraphs and, as far as the Company is aware and able to ascertain from the information published by that third party, no facts have been omitted that would render the reproduced information provided inaccurate or misleading.

Supplements

If a significant new factor, material mistake or material inaccuracy relating to the information included in this Prospectus which may affect the assessment of the Offer Shares and which arises or is noted between the Prospectus Date and the First Trading Date, a supplement to this Prospectus will be published in accordance with relevant provisions under the Prospectus Regulation. Such a supplement will be subject to approval by CONSOB in accordance with Article 23 of the Prospectus Regulation and will be made public in accordance with the relevant provisions under the Prospectus Regulation. The summary shall also be supplemented, if necessary, to take into account the new information included in the supplement.

Statements contained in any such supplement (or contained in any document incorporated by reference in such supplement) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Prospectus or in a document that is incorporated by reference in this Prospectus. Any supplement shall specify which statement is so modified or superseded and shall specify that such statement shall, except as so modified or superseded, no longer constitute a part of this Prospectus. For the avoidance of doubt, references in this paragraph to any supplement being published by the Company do not include the Pricing Statement.

Enforceability of civil liabilities

The ability of certain persons in jurisdictions other than Italy, in particular the United States, to bring an action against the Company may be limited under applicable laws and regulations. At the Prospectus Date, the Company is governed by the laws of Italy and the Directors, and most of the Group’s employees, are citizens or residents of countries other than the United States. Most of the assets of such persons and most of the assets of the Group are located outside the United States. As a result, it may be impossible or difficult for investors to effect service of process within the United States upon such persons or the Company or to enforce against them in United States courts a judgment obtained in such courts.

It may be possible for investors to effect service of process within Italy upon those persons or the Company or its subsidiaries provided that the requirements of The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 are complied with.

In general, final, enforceable and conclusive judgments rendered by U.S. courts, even if obtained by default, may not require retrial and will be enforceable in the Republic of Italy, provided that pursuant to article 64 of Italian Law 218/1995 (*Riforma del sistema italiano di diritto internazionale privato*) the following conditions are met:

- the U.S. court which rendered the final judgment had jurisdiction according to Italian law principles of jurisdiction;
- the relevant summons and complaint was appropriately served on the defendants in accordance with U.S. law and during the proceedings the essential rights of the defendants have not been violated;
- the parties to the proceeding appeared before the court in accordance with U.S. law or, in the event of default by the defendants, the U.S. court declared such default in accordance with U.S. law;
- the judgment is final and not subject to any further appeal in accordance with U.S. law;
- there is no conflicting final judgment previously rendered by an Italian court;

- there is no action pending in the Republic of Italy among the same parties and arising from the same facts and circumstances which commenced prior to the action in the United States; and
- the provisions of such judgment would not violate Italian public policy.

In addition, if an original action is brought before an Italian court, the Italian court may refuse to apply U.S. law provisions or to grant some of the remedies sought (for example punitive damages) if their application violates Italian public policy and mandatory provisions of Italian law.

Information regarding forward-looking statements

Any forward-looking statements contained in this Prospectus is subject to a number of risks and uncertainties, many of which are beyond the Group's control and all of which are based on the Group's current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "aim", "annualized", "anticipate", "assume", "believe", "continue", "could", "estimate", "expect", "goal", "hope", "intend", "may", "objective", "plan", "position", "potential", "predict", "project", "risk", "seek", "should", "target", "will" or "would" or the highlights or the negatives thereof, other variations thereon or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include statements that reflect the Company's intentions, beliefs or current expectations and projections about the Group's future results of operations, financial condition, liquidity, performance, prospects, anticipated growth, strategies and opportunities and the markets in which the Group operates. In particular, the statements under the headings "*Summary*", "*Risk Factors*", "*Reasons for the Offer and Use of Proceeds*", "*Dividends and Dividend Policy*", and "*Business*" regarding the Group's strategy, targets, expectations, objectives, future plans and other future events or prospects are forward-looking statements.

These forward-looking statements and other statements contained in this Prospectus regarding matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Group. Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed or implied in such forward-looking statements.

Defined terms and language

Defined terms used in this Prospectus are defined in "*Defined Terms*". This Prospectus is published in English only, except for the section "*Summary*" which will also be incorporated in Italian into the Prospectus, pursuant to Article 12(3) of the Issuers' Regulation.

REASON FOR THE OFFER AND USE OF PROCEEDS

Background and reasons for the for the Offer and the Admission

The Admission and the concurrent Offer are aimed at enabling the Company to list its Shares on a European stock exchange, in addition to its existing listing on the HK Stock Exchange, in order to increase its investor base. The Offer is specifically aimed at ensuring the admission to listing on Euronext Milan.

Use of proceeds

The Company will not receive any proceeds from the Offer, all of which will be paid to the Selling Shareholder. The final net proceeds cannot be calculated as of the Prospectus Date as the Offer Price has not yet been determined. Based on the closing price of the Shares on the HK Stock Exchange on June 16, 2023 of HKD 25.20 equal to Euro 2.98 based on the HKD/EUR exchange rate on the same date, the Selling Shareholder would receive, assuming all of the Offer Shares are sold in the Offer and the Over-Allotment Option is exercised in full, net proceeds of approximately Euro 289,488,496. The closing price of the Shares on the HK Stock Exchange on June 16, 2023 is a reference price for the purposes of the disclosure in this Prospectus but it is not necessarily indicative of the expected Offer Price nor does it purport to provide any Offer Price recommendation or guidance.

The maximum underwriting commissions (including the maximum discretionary commission) due to the Underwriters will not exceed 4% of the gross proceeds of the Offer and will be borne by the Selling Shareholder. The expenses related to the Offer and Admission (net of the underwriting commissions) are estimated to be approximately €4.6 million and will be borne by the Selling Shareholder according to market practice.

DIVIDENDS AND DIVIDEND POLICY

General

In accordance with Italian law, payment of any annual dividends by the Company may be made out of its distributable profits and reserves on an unconsolidated basis for each relevant year.

The declaration of dividends is subject to the discretion of the Company's directors and the approval of the shareholders. The Board of Directors will take into account market conditions, the financial condition, results of operations, prospects, cash flow, capital requirements and reserves and potential limitations on the payment of dividends contained in financing agreements to which the Company is party and other factors that the Company's directors consider relevant. Any declaration and payment of dividends will be subject to the Company's By-Laws and applicable restrictions under Italian law, including shareholder approval. Any such resolution is subject to approval by the Company's shareholders at an annual general meeting, which must be convened to approve the Company's financial statements within 120 or, under certain circumstances, within 180 days after the end of the financial year to which such financial statements relate. The future declarations of dividends may or may not reflect the historical declarations of dividends. The Group currently has a dividend policy which may be reassessed in the future. For further information, see "*—Dividend policy.*"

The Company may distribute dividends by way of cash or by other means that the Company considers appropriate. According to Italian law, the net profit shown by the Company's financial statements, duly approved, after deducting 5% for the legal reserve, until the latter has reached one-fifth of the Company's share capital, is allocated to Shareholders as dividend or set aside as a reserve, as decided by the ordinary Shareholders' meeting which will resolve upon proposal of the Board of Directors.

Legal limitations

Mandatory reserves

The payment of any annual dividend is proposed by the Board of Directors and is subject to approval by the shareholders at the annual general meeting. Before dividends may be paid out of the Company's unconsolidated net income in any year, an amount equal to 5% of such net income must be allocated to the Company's legal reserve until such reserve is at least equal to one-fifth of the par value of the Company's issued share capital. The Company's legal reserve is currently lower than one-fifth of the par value of its issued share capital. If the Company's share capital is reduced as a result of accumulated losses, dividends may not be paid until the capital is reconstituted or reduced by the amount equivalent to the corresponding losses. Pursuant to articles 2433 *et seq.* of the Italian Civil Code and article 30 of the New By-Laws, the Board of Directors may authorize the distribution of interim dividends, subject to certain limitations.

Manner and timing of dividend payments

Since the First Trading Date, any dividends the Company may declare will be paid to shareholders through Monte Titoli or such other authorized centralized securities custody and administration systems with which the intermediaries instructed by the shareholders have deposited their shares.

Repayment and prescription

A shareholder's claim to payment of dividend lapses five years after the day on which the claim became payable. Shareholders will not be required to repay the annual dividends paid on the basis of duly approved financial statements if the shareholders collected such dividends in good faith. Dividends not collected within five years from the date they become payable will be forfeited in favor of the Company and will be added to the reserves of the Company.

For further information, see "*Description of Share Capital and Corporate Structure—Shares and Share Capital—Dividend Distributions.*".

Contractual limitations

As of the Prospectus Date, the Group is party to certain financing agreements that include restrictions on dividend payments, such as the Facilities Agreement dated August 2, 2019. For further information, see "*Business—Material Agreements.*".

Taxation

The tax legislation of a shareholder's country of tax residence or other relevant jurisdictions, as well as that and of the Company's country of incorporation and tax residency, may have an impact on the income received from the Ordinary Shares. The Company is exclusively resident in Italy for corporate income tax purposes, and dividends paid by the Company are subject to Italian dividend withholding tax, if any.

For information on Italian taxation of dividends, see “*Taxation—Taxation in the Republic of Italy—Taxation of dividends.*”
For a discussion of U.S. taxation, see “*Taxation—Certain U.S. Federal Income Tax Considerations.*”

Dividend history

The Company declared and paid dividends of €19.9 million, €6.7 million, €3.5 million and €6.6 million in 2023, 2022, 2021 and 2020, respectively.

The following table sets forth the dividend per share for the periods indicated:

	For the year ended December 31,			
	2023	2022	2021	2020
	(€ thousand)			
Dividend per ordinary share(€).	0.059	0.019	0.014	0.026
Total amount of dividends distributed.....	19,902	6,707	3,510	6,582

Dividend policy

The Company has adopted a general annual dividend policy of declaring and paying dividends on an annual basis of no less than 30% of the profit attributable to shareholders of the Company for the relevant year, after deduction of mandatory legal reserves (5%). The dividends will be distributed to shareholders based on a payment proposal by the Board of Directors, after taking into consideration the factors set forth below under “—*Manner and timing of dividend payments.*”

BUSINESS

Overview

The Group is an established player in the global luxury yacht market, leader in the global luxury inboard yacht market above 9 meters (approximately 30 feet) with a market share of 15% as of June 30, 2022 (*source*: Group calculation based on data from PD&A) and among the top players in the super yachts segment (*source*: Group calculation based on data from SYT iQ, issued in December 2022 by SuperYacht Times).

Since its founding, the Group has played an important role in steering the development of the global luxury yacht industry by acquiring and integrating other leading yacht brands and production facilities, and now owns a portfolio with seven brands, including some of the oldest in the industry: Riva, Wally, Ferretti Yachts, Pershing, Itama, CRN and Custom Line, each with distinctive features and identity, recognized as symbols of luxury, exclusivity, Italian design, craftsmanship, innovation and performance. The Group designs, produces and sells luxury composite, made-to-measure, and super yachts from 8 to 95 meters (approximately 27 and 312 feet) covering a broad and diversified range of types, catering for the personal tastes and specific requirements of its clientele. With its market leadership, history and iconic brand portfolio, the Group is positioned as a trend-setter of the global luxury yacht industry and an ambassador of Italian nautical craftsmanship to the world. For further information, see “—*Products and brands.*”

In addition to the sale of new luxury yachts, the Group has a comprehensive offering to satisfy the needs of its customers beyond yacht purchase, including: (a) yacht brokerage, chartering and management services; (b) after-sales and refitting services; (c) brand extension activities, such as branded lounges, lifestyle merchandise, and boat restoration services; (d) manufacturing and installation of nautical components such as wooden furnishings and kinetic systems and components; (e) trading of pre-owned yachts, offering trade-in opportunities to its customers as a lever to facilitate the sales of new yachts; and (f) the sale of coastal patrol vessels by the Ferretti Security Division (“FSD” or “**Ferretti Security Division**”). With these ancillary services, the Group is present along all of the phases of the yachting “customer journey”, thus positioning itself as a one-stop-shop luxury yacht player.

The Group’s multi-brand business model relies on separate, brand-dedicated teams that manage new model development and concept design to nurture and preserve each brand’s individual identity and unlock its full potential. At the same time, the Group is able to capture synergies by centralizing high-value-added activities that support all brands (R&D, procurement and manufacturing) and corporate functions (human resources, investor relation, finance, legal and IT).

Over the years, the Group has cultivated a premium and loyal clientele of highly sophisticated very high net worth individuals (“VHNWIs”) and ultra-high net worth individuals (“UHNWIs”), thanks to its effective sales model. The Group has an established sales presence in more than 70 countries in EMEA, AMAS and APAC, with an in-house sales team in each region, enabling the Group to reach its customers globally. As of March 31, 2023, the Group’s sales network consisted of an in-house sales team of 75 employees, 55 dealers and a network of 279 brokers. Moreover, the Group believes that its dedicated brand promotion activities, branded lounges in exclusive locations and sponsorship arrangements, have enhanced the high-end positioning of its brands, which, in turn, has enabled the Group to and grow its high-end clientele, cultivate an exclusive community of luxury yacht owners, and nurture a strong sense of belonging.

As of the Prospectus Date, the Group owns and operates seven shipyards, as well as two production plants for interior fittings and customized furnishings and one production plant for kinetic equipment, all located at the heart of the world-famous Italian nautical district. This strategic choice allows the Group to continuously enhance its production process, while ensuring an uncompromised focus on product quality and technical performance, by leveraging on the proximity of its network of suppliers and contractors. The Group also owns a refitting facility in Fort Lauderdale (Florida, USA) to cover the AMAS market. As part of its ongoing efforts to meet the demand for high-end customization and further increase its competitiveness, each interior design element of the Group’s luxury yachts is carefully selected, leveraging upon the Group’s strategic partnerships with prestigious international designers, and is tailor-made by nautical craftsmen with techniques handed down over generations, blending tradition, modernity, and relentless dedication to customization. In addition, in order to strengthen its control over the supply chain and ensure supply of key inputs, the Group has begun work on a project to internalize a portion of its fiberglass and carbon-fiber hulls production. For further information see “—*Production Facilities.*”

During the Track-Record Period, despite the short-term adverse impact of the COVID-19 lock-down restrictions in 2020 and the conflict between Russia and Ukraine that started in early 2022, the Group has achieved strong financial results. As of December 31, 2022, 2021 and 2020 and the three months ended March 31, 2023 and 2022, the Group’s order backlog was €1,295.6 million, €1,015.8 million, €691.6 million, €1,496.3 million and €1,320.5 million, respectively, growing at a 36.9% CAGR from 2020 to 2022 and by 13.3% from March 31, 2022 to March 31, 2023. As a result, for the years ended December 31, 2022, 2021 and 2020 and the three months ended March 31, 2023 and 2022, the Group recorded net revenue of €1,030.1 million, €898.4 million, €611.4 million, €280.3 million and €256.4 million, respectively and a net profit of €60.5 million, €37.4 million, €22.0 million, €18.6 million and €13.1 million, respectively. For a breakdown of the Group’s order backlog and net revenues by business line, see “—*Products and Brands.*”

Strengths

The Group believes that the following competitive strengths are critical to its current success and future growth:

Leading player in the global luxury yacht industry with a portfolio of iconic brands

The Group is an established player in the global inboard luxury yacht market, a leader in the overall composite and made-to-measure inboard yachts segments (*source*: Group calculation based on data from PD&A) and among the top players in the super yachts segment (*source*: Group calculation based on data from SYT iQ, issued in December 2022 by SuperYacht Times). The Group is globally recognized as a synonym of luxury, exclusivity, Italian craftsmanship, innovation, and performance.

During the Track-Record Period, the Group consistently ranked among the top players worldwide by value of production² of the inboard yacht market above 9 meters (approximately 30 feet), strengthening its market share, which grew from approximately 12% in 2020 (the second-ranked player in the market) to approximately 15% as of December 31, 2022 (the top player in the market). In addition, as an evidence of its focus on higher-value market segments, the Group's market share by value of production as of December 31, 2022 increased to approximately 23% in the segment inboard composite yachts between 24-30 meters (approximately 80 and 99 feet), and to approximately 25% in the segment inboard made-to-measure yachts between 30-43 meters (approximately 100-140 feet), making the Group the leader in both segments, with market shares that were 1.8 and 1.2 times larger than its largest competitor for each segment, respectively. Set forth in the table below are the market shares of the top five players by value of production in the global luxury yacht industry, with a breakdown also by segment, as of December 31, 2022, 2021 and 2020.

	December 31, 2022	December 31, 2021	December 31, 2020
Global luxury composite inboard yacht market shares, by value of production			
Ferretti Group	14.9% (#1)	12.8% (#1)	11.9% (#2)
Azimut-Benetti.....	11.5% (#2)	11.8% (#2)	12.6% (#1)
Princess Yachts	6.7% (#3)	7.4% (#4)	4.6% (#5)
Sanlorenzo	6.6% (#4)	7.6% (#3)	6.1% (#3)
Sunseeker.....	6.4% (#5)	5.7% (#5)	5.7% (#4)
Total top five players	46.1%	45.4%	40.9%

	December 31, 2022	December 31, 2021	December 31, 2020
Global luxury composite inboard yacht market shares, by value of production			
Large composite (80-99 feet / 24-30 meters)			
Ferretti Group	22.6% (#1)	20.4% (#1)	15.8% (#2)
Azimut-Benetti	12.9% (#2)	15.4% (#2)	16.5% (#1)
Princess Yachts	11.6% (#3)	10.7% (#4)	6.0% (#5)
Sanlorenzo	11.3% (#4)	12.9% (#3)	10.4% (#3)
Sunseeker.....	7.7% (#5)	7.6% (#5)	6.6% (#4)
Total top five players in large composite	66.0%	66.9%	55.3%

² Value of production is defined as the value of produced boats (both sold and unsold), with valorization at net revenue, *i.e.*, using official list prices (multiplied by brands- and models-specific coefficients to account for optional on top of standard boats configuration), net of discounts and commissions paid to dealers and brokers.

	December 31, 2022	December 31, 2021	December 31, 2020
Global luxury composite inboard yacht market shares, by value of production			
Made-to-measure (100-140 feet / 30-43 meters)			
Ferretti Group	25.3% (#1)	21.6% (#2)	22.4% (#1)
Azimut-Benetti	20.6% (#2)	22.6% (#1)	20.8% (#2)
Sanlorenzo	11.4% (#3)	13.7% (#3)	11.0% (#3)
Princess Yachts	--	-	--
Sunseeker.....	3.5% (#4)	2.9% (#4)	4.7% (#4)
Total top five players in made-to-measure.....	60.8%	60.8%	58.9%

Source: Group calculation based on data from PD&A.

In the super yachts segment, the Group ranked among the top ten manufacturers as of December 31, 2022, with six new models launched during the period from 2020 to 2022, including four CRN yachts, one Pershing flagship super yacht and one Riva flagship super yacht (*source*: Group calculation based on data from SYT iQ, issued in December 2022 by SuperYacht Times).

As of the Prospectus Date, the Group features a portfolio of seven iconic brands, with a long heritage and Italian roots – Riva, Wally, Ferretti Yachts, Pershing, Itama, CRN and Custom Line – considered among the most exclusive in the global luxury yacht industry, given their excellent technical performance and their unique designs.

In particular, Riva is a synonym of elegance, tradition and luxury, attributable to its 180-year-long history, and embodies the 1960's “*Dolce Vita*” lifestyle. Wally is considered a front-runner and pioneer in both motor and sailing yachting, with growing acceptance by younger generations. The Group's portfolio also includes other long-standing brands, such as Ferretti Yachts, the namesake brand established in 1968, as well as CRN, Itama, Pershing and Custom Line, which were founded in 1963, 1969, 1985, and 1996, respectively.

As evidence of the distinctiveness of the Group's brands and its iconic designs, the Group has received many awards from prestigious and well-known luxury lifestyle publishing companies across all of its brands. For example, in 2022, the Riva brand received three awards by Oceanway Magazine: the “Yacht of the Year 60ft-80ft” for its Riva 68’ Diable, the “Best Exterior Design 24m-30m” for Riva 88’ Folgore and the “Most Popular Yacht 40m-70m” for its Riva 50 meters Race. In the same year, Ferretti Yacht 780, CRN 62m Voice and Wally WHY200 were awarded the “Best interior design award” by Oceanway Magazine in the 60-80 feet, 40-70 meter and 24-30 meter categories, respectively. In 2021, the Pershing 140 was awarded “Best Naval Architecture” and the Riva 88’ Folgore, “Best New Series”, by Boat International as part of its Design & Innovation Awards. In 2020, CL 106 was awarded the “World Superyachts Award” by Boat International Media in the “Best Semi-Displacement Motor Yacht 30m – 34.9m category”. In 2004 and 2008, Wally won the “Compasso d’oro ADI” award, one of the most important awards in the world for design. See “—*Product and Brands—Awards and Recognitions.*” Such global recognition is the result of both the Group's investments in research and development and high-end manufacturing capabilities as well as its strategic partnerships with some of the world's most prestigious designers, including among others, Antonio Citterio and Patricia Viel and Rodolfo Dordoni.

With its market leadership, rich history and iconic brand portfolio, the Group is a global luxury yacht industry trend-setter and an ambassador of Italian nautical craftsmanship to the world, notwithstanding potential competition that may challenge its market position or potential reputational risks relating to product liability claims.

Ideally positioned to capture structural growth globally

As of March 31, 2023, with 50 motor yacht models, of which 37 are composite, 11 are made-to-measure and 2 are super yachts, sold under seven iconic, prestigious and heritage brands, the Group's portfolio includes some of the world's most exclusive yachts, while remaining one of the broadest and most diversified portfolios in the global luxury yacht industry. The Group's composite and made-to-measure yachts differ by size, degree of customization, design and price positioning. Given the quality of its products, the Group can benefit from premium pricing, with prices for composite yachts ranging from €0.3 million to €9.9 million and those of made-to-measure yachts, from €9.5 million to €22.3 million. The Group's super yachts offering includes instead: (i) two branded super yacht flagship models with fully customizable interiors, reflecting the distinctive exterior design of the respective brands (namely Riva 50 Metri and Pershing 140); and (ii) fully customizable yachts under the CRN brand, each of which is designed and built to meet the customer's exterior and interior design requirements. For custom-built yachts, all aspects can be decided by the customer, based on his or her personality, taste and sense of elegance. Lastly, following the acquisition and the successful integration of Wally, the Group is actively seeking to further expand into the sailing yacht market. As of March 31, 2023, the Group has a portfolio of three sailing super yacht models of 34-46 meters (approximately 110-150 feet), with prices above €10.0 million.

While the Group has historically targeted the inboard motor yachts segment, with the acquisition of the Wally trademark in 2019 it entered the fast-growing outboard motor yachts and sailing yachts segments, forecast to grow at a 5.6% and 4.8% CAGR from 2022 to 2025 (*source*: Group calculation based on data from China Insight Consultancy and from Arizton Advisory & Intelligence). In addition, in 2016, the Group launched its Ferretti Security Division, specializing in composite planing coastal patrol vessels ranging from 16 to 32 meters (approximately 54-105 feet), thereby entering the global coastal patrol and rescue vessel market and further diversifying its business with access to a counter-cyclical market compared to that for recreational luxury yachts.

In terms of distribution, the Group relies on a low-risk sales strategy aimed at maximizing customer reach and distribution presence, based on three pillars: (i) exclusive dealers for yachts under 30 meters (approximately 100 feet), (ii) brokers for yachts above 30 meters (approximately 100 feet), given higher level of personalization and (iii) an internal sales team supporting dealers and brokers but also directly engaging with customers. For example, for Wally yachts, as of the Prospectus Date, the Group relies only on its internal sales force in order to retain control over communication and promotion activities. As a result of its sales strategy, the Group is able to maximize its distribution network, ensuring coverage of a broad range of high-end luxury segments, with an established sales presence more than 70 countries and a sales network that comprises an in-house sales team of 75 employees, 55 dealers and 279 brokers around the world.

As a result, despite potential competition that may challenge its market position, potential reputational risks relating to product liability claims and the risk of unanticipated changes in customer preferences, and even though the Group's core reference market, the global luxury inboard yacht market is expected to grow at a lower rate than it did from 2020 to 2022 (see “—*Market and Competition*”), the Group believes it is well positioned to capitalize on the increasing global demand for luxury inboard yachts, forecast to grow at an 8.5% CAGR from 2022 to 2025, with the made-to-measure and the super yachts segments forecast to grow at a CAGR of 16.1% and 13.6%, respectively (*source*: Group calculation based on data from China Insights Consultancy and from Arizton Advisory & Intelligence). Key drivers that are expected to underpin such growth include: (i) an increase in the VHNWI and UHNWI populations, the main target customers for luxury yachts, at a 7.7% CAGR from 2022 to 2025 (*source*: Credit Suisse), reaching 11.4 million by 2025 (an increase of approximately 25% compared to 2022); (ii) current under penetration of a growing target customer base, with only approximately 4,900 boats delivered globally in 2021 including all composite and made-to-measure inboard yachts up to 46 meters/150 feet, compared to an aggregate increase of 1.3 million in the VHNWI and UHNWI populations from 2020 to 2021 (*source*: Group calculation based on data from PD&A and from Credit Suisse); and (iii) rising demand following COVID-19 pandemic for larger and more customizable yachts given the customers' increasing desire to spend more time onboard with families and friends in a safe and private environment.

Luxury experience with scale benefit

Through its offering, the Group covers the entire yachting “customer journey”, from its core activity, the sale of new luxury yachts, to a broad range of ancillary services ranging from boat operation, maintenance, refitting and lifestyle activities. With an effective business model, the Group unlocks each distinctive brand DNA while capturing operational synergies through the centralization of high-value added activities that support all brands.

The comprehensive offering created by the Group, encompassing both luxury yachts and ancillary services, enables the Group to enhance customer satisfaction and loyalty and create synergies with its core business. The ancillary businesses comprise: (a) yachts brokerage, chartering and management services; (b) after-sales and refitting services; (c) brand extension activities (such as lounges and lifestyle merchandise offered exclusively for Riva brand); and (d) manufacturing and installation of nautical components such as wooden furnishings and kinetic systems and components; (e) trading of pre-owned yachts as a lever to facilitate the sales of new yachts; and (f) the sale of coastal patrol vessels by the Ferretti Security Division. With these businesses, a comprehensive product offering has been created around the ownership of luxury yachts, positioning the Group as the one-stop-shop to yacht purchasers and owners. Moreover, the other businesses provide the Group with additional revenue, further diversifying its business and strengthening its resilience to changes in the business environment.

The Group has a multi-brand business model, which relies on separate brand-dedicated teams to nurture and preserve each brand's individual identity and unlock its full potential. Each brand has its own project manager or project architect, head of sales and marketing, and communications manager. At the same time, the Group is able to capture synergies by centralizing high-value-added activities that support all brands (R&D, procurement and manufacturing) and corporate functions (human resources, investor relation, finance, legal and IT). This business model enables the Group to safeguard and promote the distinctiveness of each brand, while ensuring the sharing of operational best practices across the Group, enhancing the comprehensiveness of its value proposition, and enabling fast reactions to any changes in customer tastes, preferences, and behaviors. As a result of this interconnected and synergistic business model, the Group remains exposed to the risk of interruptions in its production, commercial and corporate-level activities, with negative impacts on the effectiveness of the Group's business model and its ability to deliver expected operational, commercial and financial results.

In addition, the complementary portfolio of unique brands with distinctive DNAs also enables the Group to cater to a diverse

and loyal customer base. Approximately 43% of repeat clients³ between January 1, 2020 and December 31, 2022 have bought a yacht of a different brand compared to the previous one they purchased, highlighting the cross-selling capabilities of the Group. Thanks to its diversified brand portfolio, the Group is thus able to accommodate clients' needs as they evolve and change over time, reducing the chances of losing an existing customer in favor of the competition. In addition, as further evidence of the Group's client retention, the number of repeat clients as of December 31, 2022, was 89, compared to 51 as of December 31, 2020, representing approximately 56% of the Group's total order intake from end customers for the twelve months ended December 31, 2022, an increase of 75% compared to the twelve months ended December 31, 2020.

Innovation, sustainability and “E-Luxury”

In order to be at the forefront of industry innovation, expand and renew its portfolio ahead of market trends, and position itself as an “e-Luxury” yachting manufacturer with environmentally friendly and sustainable solutions, the Group has been continuously investing in R&D.

The Group believes that innovation is essential to maintaining its leading position in the market. As a result, it places great emphasis on research and development: for the years ended December 31, 2022, 2021 and 2020 and the three months ended March 31, 2023 and 2022, the Group invested €33.3 million, €31.4 million, €35.4 million, €7.4 million and €7.3 million, respectively, in R&D.

Since 2016, the Group has developed and launched 42 new or restyled models⁴ (excluding two super yachts), reducing the average model age from 4.7 years in 2016 to 3.8 years as of December 31, 2022, (excluding Wally models and flagship super yachts models, as those business lines are still in their startup phase). Among the new models launched, the Group has also developed a limited-edition model for those customers who are willing to pay a premium for a unique yachting experience. In particular, in 2022 the Group launched Riva Anniversario, a limited edition of 18 units, all sold upon launch, developed on the Aquariva Super model but with a price that is twice as higher. At the same time, the Group has strategically leveraged its core engineering capabilities, developing flexible naval platforms that may be shared across models. As of March 31, 2023, the Group has a portfolio of 48 composite and made-to-measure models developed on the basis of 36 naval platforms compared to 38 models developed on 35 naval platforms as of December 31, 2016. In other words, as of March 31, 2023, there are 24 models sharing common naval platforms (compared to 6 models as of December 31, 2016).

In addition to its presence in the sailing market with Wally sailing yachts (Wallywind models), the Group is committed to further developing environmentally friendly technologies to be the industry pioneer and to mitigate its environmental impact. The Group intends to continue developing such initiatives by: (i) developing alternative hybrid and electric propulsion systems for its yachts; (ii) investing in research and development to identify innovative, light, and environmentally friendly materials and increase recyclable inputs and (iii) reducing the carbon footprint across its shipyards. To this end, the Group will capitalize on the know-how and experience behind the launch of “green” models across all its portfolio brands, such as the FSD N800 (the first hybrid model ever launched by the Group), the full electric Riva El-Iseo, premiered in 2022, Wallytender43X and Wallytender48X (featuring solar panels on the fly top to recharge batteries), InFYnito range (featuring solar panels on the fly top to recharge batteries and F.S.E.A. - Ferretti Sustainable Enhanced Architecture - a package of environment-friendly cruising solutions), and Navetta 50 (equipped with Selective Catalytic Reduction system and eco-conscious interior finishings). In addition, the Group will continue to work on forefront technologies through strategic partnerships with leading third-party manufacturers (such as the partnership with Rolls Royce to develop hybrid propulsion systems) and with Ballard Power Systems (through a JV established with Weichai Group, one of the Group Controlling Shareholders) for the development of fuel-cell power systems.

In addition to these investments in sustainability, the Group is committed to technological innovation in terms of performance, reliability, and comfort, as a key differentiating factor. In recent years, leveraging on its collaboration with key strategic suppliers and contractors, the Group developed multiple proprietary technologies, solutions and applications, such as: (i) the “Joystick Yacht Control”, which eases navigation (especially at high speed) and docking maneuvers by synchronizing propeller movements; (ii) the “Carbon-Fiber” + “Epoxy materials”, which allow a 30% weight reduction compared to an equivalent model built with traditional materials; (iii) the “Autonomous Docking System”, the Group's first self-docking system; and (iv) the “Watchit Anti-Grounding Navigation Aid System”, announced in February 2022, which helps avoid collisions due to shallow water or obstacles. Although the Group remains subject to risks of intellectual property infringement or challenge by third parties (see “—*Intellectual Property*” for more information), the Group believes its innovation capabilities and portfolio of patents remain a competitive advantage.

Strong and resilient financial performance with significant profitability and cash flow upside

The Group's financial performance has demonstrated resilience since 2019 (*i.e.*, the last year not impacted by the COVID-19 pandemic). Indeed, in the period from December 31, 2019 to December 31, 2022, the Group grew, supported by both its

³ Repeat clients are defined as clients who purchased more than one boat from the Group between January 1, 2020 and December 31, 2022.

⁴ Includes 6 new model launches under the Wally brand, namely Wallytender43, Wallytender43X, Wallytender48, Wallytender48X, Wallypower58 and Wallywhy200.

strategic investments and a diversified and effective sales model.

During the Track-Record Period, despite the short-term adverse impact of the COVID-19 lockdown restrictions in 2020 and the conflict between Russia and Ukraine that started in early 2022, the Group achieved a strong financial performance. For the years ended December 31, 2022, 2021 and 2020 and the three months ended March 31, 2023 and 2022, the Group recorded net revenue of €1,030.1 million, €898.4 million, €611.4 million, €280.3 million and €256.4 million, respectively, growing at a CAGR of 29.8% and strongly overperforming the global luxury yacht market, which grew at a CAGR of approximately 12.9% over the same period (13.3% considering only the global inboard segment) (*source*: Group calculation based internal and data from Arizton Advisory & Intelligence). For the year ended December 31, 2019, the Group recorded net revenue of €649.3 million. The Group's net revenue is also well diversified by segment (with an increasing weight of the higher-profitability made-to-measure segment, growing from 27.6% as of December 31, 2020 to 39.4% as of December 31, 2022), and by region (37%, 36% and 9% of net revenues as of December 31, 2022 coming from EMEA, AMAS and APAC respectively⁵).

The Group's financial performance was underpinned by substantial industrial and research and development investments. The former provided the production capacity needed to sustain volumes expansion, while the latter was key to aligning the Group's product offering to emerging customer needs and market trends, representing a solid pillar upon which to build future growth. Those investments, paired with favorable market momentum, contributed to a marked increase in the order backlog, which as of December 31, 2022, 2021 and 2020 and the three months ended March 31, 2023 and 2022, was €1,295.6 million, €1,015.8 million, €691.6 million, €1,496.3 million and €1,320.5 million, respectively, growing at a CAGR of approximately 36.9% from 2020 to 2022.

As a result of a careful and low-risk sales strategy, designed to avoid stock accumulated at dealers, the vast majority of sales were made directly to end customers with 78.6% of total net revenues invoiced for the year ended December 31, 2022⁶ (81.7% for the three months ended March 31, 2023). Of the remaining portion, nearly all of such sales were made to dealers, which in turn had a sales contract with end customers. While the Group leverages its dealer network to sell yachts, its sales approach is focused on selling "through dealers" (*i.e.*, sale to end customers through the intermediation of dealers), and not "to dealers" (*i.e.*, sale to the dealer who on-sells to its customers), to closely monitor and control the sales process and minimize exposure to unsold stock.

From 2020 to 2022, the Group was able to increase its revenues, while also steadily increasing adjusted EBITDA, which increased from €59.1 million in 2020 to €140.0 million as of December 31, 2022, and adjusted EBITDA margin, which grew from 10.3% to 14.1% over the same period, excluding pre-owned yachts sales. For the year ended December 31, 2019, the Group recorded adjusted EBITDA of €62.2 million. The Group's improved profitability was primarily the result of, in order of importance: (i) commercial terms: lower discounts on new sales given higher pricing power, thanks to brand strength and long wait lists; (ii) strategic positioning: increased focus on the higher-margin made-to-measure segment; and (iii) operational factors: decrease in per-unit production costs thanks to volume increases and a more efficient absorption of fixed costs.

Alongside EBITDA growth, the positive trend in net working capital also helped to strengthen the Group's cash generating ability and reinforce its net financial indebtedness. In particular, the Group's net working capital moved from €128.4 million as of December 31, 2020 to (€111.1) million as of December 31, 2022, as a result of a significant improvement in net working capital management and an increased ability to collect customer deposits ahead of production-related outlays driven by long waiting lists. Therefore, the Group's cash conversion, calculated as (adjusted EBITDA – maintenance capex) / adjusted EBITDA, increased from 64.3% as of December 31, 2020, to 70.2% as of December 31, 2022 and the Group's net financial indebtedness improved from €127.4 million (net debt) to (€364.9) million (net cash) over the same time period, including €234.8 million net cash raised by the Group's initial public offering in Hong Kong. For the year ended December 31, 2019, the Group's net financial indebtedness amounted to €84.9 million.

The Group believes that its current financial solidity can support the execution of its 2023-2027 strategy. Although the Group believes that its presentation of its financial and operational performance is fair, such representation relies on a number of APMs which are not recognized under IFRS, are unaudited and which might not be calculated or presented in the same way as similarly titled measures used by other companies and therefore should not be considered substitutes for the historical financial information presented elsewhere herein.

Strong management team with clear strategic vision

The Group is guided by a highly committed and passionate senior management team and knowledgeable shareholders, with a proven history of growth and success.

The Group's key executives, as defined in the paragraph "*Management, employees and corporate governance—Key Executives*", have spent on average more than 7 years at the Group and have significant industry-related, luxury or

⁵ Excluding super yacht sales not attributable to individual countries (classified under "Global") and "Other businesses".

⁶ Refers to net revenues invoiced after final delivery.

professional management experience, which has been crucial in establishing the Group within the global yachting panorama. In particular, the Group's senior management team is led by Mr. Alberto Galassi, the Chief Executive Officer, who has a proven track record of delivering consistent growth and effective execution capabilities.

During the past few years, management has comprehensively revamped and overhauled the Group business model and commercial strategy and introduced an advanced manufacturing philosophy and industrial infrastructure to enhance production efficiency across brands and shipyards, allowing the Group to achieve a strong operating and financial performance. Such experience and depth of industry knowledge and expertise allowed the management to look ahead and scout for future opportunities, including the acquisition of the Wally brand in 2019, the launch of Ferretti Security Division, shipyards expansions capacity, bolt-on acquisitions, and vertical integration across the value chain. Therefore, the Group has been and will continue to be dependent on the continued services of its senior management team, and should the Group lose the services of any of these executives, its business, results of operations, financial condition and prospects could be materially and adversely affected.

The Group has also continuously received strong support from its shareholders. The Group's key shareholders are Weichai Group and Kheope. Weichai Group is a globally recognized international equipment manufacturing group with operations in the powertrain, business vehicle, construction machinery, intelligent logistics, agricultural machinery, marine transportation equipment and other business segments, with a number of subsidiaries listed on stock exchanges around the world. As a shareholder with global industry consolidation experience, Weichai Group provides complementary and synergistic resources, laying a solid foundation for continuous growth. Kheope is controlled by Mr. Piero Ferrari, who is the vice chairman of the Ferrari S.p.A., one of the world's leading high-performance luxury sports carmakers. Mr. Ferrari is also the vice chairman of the Board and a member of the Strategic Product Committee. With his extensive experience in the luxury sector and the influence of the Ferrari family business, Mr. Ferrari also takes an active role in defining the overall business strategy and fostering the Group's product innovation.

In addition, the Group's experienced senior management team and its committed shareholders have proven their solid ability to acquire and develop companies over time, with successful brand integration and turnaround stories leading to the creation of an established leader and a flexible platform ready to further grow both organically and via acquisitions.

Strategies

The global luxury yacht industry has continued to grow solidly throughout 2021 and 2022, fostered by the growth of the VHNWI and UHNWI clientele in terms of both number and wealth, as described below under the paragraph "*Markets and Competition*". In this context, and as proved by its ability to outperform the underlying luxury yacht market in the past, the Group believes it is ideally positioned to continue to capture market growth, capitalizing on its unique and effective business model, strong heritage of iconic brands, unparalleled focus on product excellence and innovation, tailored approach for cultivating an exclusive community of luxury customers and its distinctive sales model. To continue building on the expected trends of the global luxury yacht industry, enhance its value proposition and strengthen its overall resilience, the Group intends to focus on the following key strategies:

Expand product lineup to enhance market coverage

Subject to the Group's ability to continue anticipating customer preferences and market trends, the Group will continue to adjust and enhance its product offering and product mix ahead of evolving market trends and customer expectations, with the aim of consolidating its market leadership position in both the composite and made-to-measure segments, as segments with relatively higher growth potential and marginality. To do so, the Group will continue investing in R&D to stay ahead of competition and renew its portfolio with cutting-edge models for its clientele. In particular, the Group plans to expand and strengthen its offering of larger and more profitable yachts (over 24 meters/80 feet) with composite hulls, through collaborations with famous designers and by introducing ten new, compelling models with innovative materials and cutting-edge technologies by the end of 2025. Yachts over 24 meters/80 feet are expected to account for approximately 40% of the Group's new model launches between 2023 and 2025.

As part of its investments, the Group is also committed to expanding its "green" product offering across all key brands, launching more eco-friendly solutions that build on the recently launched models (including FSD N800, Riva El-Iseo, Wallytender43X and 48X, InFYnito 90 and Navetta 50). In addition, the Group plans to increase its presence in the outboard and sailing segments and further broaden its product portfolio, leveraging on the Wally brand heritage.

Expand made-to-measure offering into larger alloy yachts

With the aim of catering to the largest number of potential customers across their entire luxury yachting experience, or "customer journey", while maintaining distinctive exclusivity and fulfilling requirements for greater customization, the Group intends to expand its made-to-measure offering into larger alloy yachts, developing new alloy-hulled super yacht models under its iconic Riva, Wally, Pershing, and Custom Line brands. In so doing, the Group seeks to address market demand for higher-footage branded yachts, leveraging on the know-how and experience gained with CRN and the recent successes of the Pershing 140 and Riva 50 Metri. Thanks to new, flagship super yachts, the Group can enrich and

complement its existing product portfolio with new, compelling models that bridge the gap between standard models and fully customized yachts, catering to a more demanding clientele while also strengthening overall profitability. The Group will also consider the acquisition of strategic brands operating in the segment should promising opportunities arise.

Increase offering of most promising ancillary services

In order to enhance the comprehensiveness of its value proposition to customers and overall business profitability and resilience, the Group intends to expand and strengthen, both organically and through acquisitions, its presence in those ancillary services, recurring and potentially counter-cyclical revenue streams and limited working capital consumption. In particular, the Group plans to:

- broaden both its yacht brokerage, chartering and management services and its after-sales and refitting services, as follows:
 - *yacht brokerage, chartering and management services*: The Group is already present in the United States through the subsidiary, Allied Marine Inc., and aims to complement its offering both organically with additional services and where the opportunity arises, through the acquisition of a leading global brokerage house in Europe. This would not only increase the Group's direct contact with high-end customers and support the timely detection of the latest trends and shifts in purchasing preferences, but also enable an effective and continuous expansion of the product offering, bringing new products to the Group's customers;
 - *after-sales and refitting services*: The Group intends to expand the current service offering (such as ordinary and extraordinary maintenance, renovation and yacht upgrades), in order to reach potential new customers, while also strengthening its overall engagement and collecting information on yacht utilization and component performance. As part of this initiative, leveraging on the recent opening of a refitting facility in Fort Lauderdale (Florida, USA), the Group plans to reinforce its presence in the United States by complementing traditional services with more tailored ones to suit specific needs and requirements. In addition, given the importance of the EMEA market, the Group is also proactively seeking acquisition opportunities to satisfy the demand for refitting services in the region. In particular, the Group seeks to acquire a company with refitting facilities, ideally located in the northern Mediterranean area, with a focus on repairing, restoring, renewing and renovating luxury yachts;
- extend its brand extension and licensing activities, given their lower capital consumption and high profitability. Such activities capitalize on the strength and awareness of the Group's most prestigious brands such as Riva, Wally and Pershing, and cover three main areas: (i) branded lounges located in exclusive locations around the world, (ii) branded merchandising collections, currently available for the Riva brand, through an online store and in selected shops, and (iii) restoration, storage, mooring and transportation services, currently offered for Riva classic models through R.A.M. S.p.A., and for which the Group has recently acquired Ma.Ri.Na. S.r.l., a company specialized in the production and sale of spare parts for Riva classic models.
- further expand into the security and patrolling market, which the Group entered in 2016 with the launch of the Ferretti Security Division. This segment is expected to further grow in the future, underpinned by favorable market trends, including increased spending on national defense and the demand for high-tech vessels. The Group believes it is well positioned to build upon these trends given: (i) the accumulated technological know-how and resources; and (ii) the flexibility to leverage existing model platforms to develop high-performance vessels for coastal security and patrolling, reducing required investments and time-to-market.

Vertically integrate strategic & high value-add activities

Pursuing the goal of uncompromised excellence in the luxurious design, performance, quality and reliability of its yachts, the Group will keep investing in the internalization of high value-added activities to support its future growth and product portfolio expansion. In addition, the Group has begun work on a project to internalize a strategic portion of its fiberglass and carbon-fiber hull production through the construction of a production facility located in Taranto (Italy), with the aim of reducing costs, increasing control on production steps and ultimately ensuring the highest end-to-end product quality. Furthermore, subject to the availability of targets and to the ability of the Group to conclude M&A deals at fair prices and on favourable terms, and with the aim of actively managing risks related to supply chain and contractors (see “—*Suppliers and Procurement*” for more information), the Group plans to keep pursuing selective acquisitions of key production input suppliers to strengthen control over the supply chain and ensure supply of key inputs, as it did recently by acquiring Il Massello S.r.l. and Fratelli Canalicchio S.p.A. To sustain its expansion of its made-to-measure offering, the Group may also consider the acquisition of a production facility located in Italy dedicated to the production and assembly of alloy-hulled models. Moreover, the Group is also considering the acquisition of a production facility for sailing yachts located in Italy, to support its growth in this promising market. In addition to increasing the Group's control over its supply chain, the Group believes these acquisitions will help improve its profits margins and will target companies with high profitability and low working capital requirements. The Group believes it has, or will be able to generate through its existing operations, the

necessary financial resources to execute its M&A strategy.

Certain assumptions underlying the strategies relate to external factors which may impact the development of the business and that are outside management's control (such assumptions, "**hypothetical assumptions**"). The main hypothetical assumptions concern:

- macroeconomic stability of the countries where the Group operates, which could negatively impact the results of the Group's commercial and industrial initiatives, such as: new model launches and potential facility expansion to support growth and cost of production inputs and potential supply delays.
- evolution of customer demand, which could impact the volume, value and timing of the Group's order intake; and
- other macroeconomic variables, including exchange rate, inflation and interest rates.

These key strategies are expected to have the following effects on the Group's financial performance:

1. revenue assumed to grow in line with, or slightly more, than the global luxury yacht market, on the basis of the historical ability of the Group's overperformance of the market between 2020-2022 and specific actions and initiatives for the future. In particular, the Group's revenue growth will be mainly driven by:
 - a. expansion of product portfolio in the composite and made-to-measure segments through (i) the launch of new models, especially larger composite and made-to-measure yachts, and (ii) the restyling of existing models across its existing portfolio;
 - b. expansion of the made-to-measure offering into larger alloy yachts, in line with the recent launches of Riva 50 Metri, Riva 54 Metri, Pershing 140 and Custom Line Navetta 50;
 - c. increase in offering of ancillary services (including yacht brokerage, chartering and management services, after-sales and refitting services, brand extension and licensing activities and Ferretti Security Division).
2. Adjusted EBITDA margin assumed to steadily grow in the medium- to long-term horizon, as a consequence of:
 - a. vertical integration of strategic and high value-added activities;
 - b. increase in list prices and lower discount rates granted to customers given the strength of the Group's brands in the market;
 - c. strengthening of the Group's presence in higher-margin segments;
 - d. better absorption of fixed costs assuming volume increases.
3. Further strong increase in the Group's cash generation assumed over the medium- to long-term horizon, expected to be driven primarily by:
 - a. increased revenues and improvement of Adjusted EBITDA margin;
 - b. decreasing maintenance capex as percentage of revenues.

Medium- to Long-term Financial Objectives

The Group has established some aspirational financial medium to long term financial objectives (the "**Medium- to Long-term Financial Objectives**") which it aims to achieve by executing the strategy set out under "*Strategies*". The Medium- to Long-term Financial Objectives are set forth in the table below as well as the results for the year ended December 31, 2022:

Historical data	Objectives
For the year ended December 31, 2022	Medium- to Long-term

Net Revenues without pre-owned	17% growth compared to 2021	10% CAGR on an organic basis
Adj. EBITDA margin	14.1%	Greater than 18.5%
Cash Conversion Ratio	70.2%	Greater than 85%

The Group has not defined, and does not intend to define, "medium- to long -term". The Group's Medium- to Long-term Financial Objectives should not be read as forecasts, projections or expected results and should not be read as indicating that the Group is targeting such metrics for any particular year, rather they are merely objectives. The Group's ability to meet these objectives depends on its ability to successfully execute its strategy, as well as, on the accuracy of a number of assumptions involving factors that are significantly or entirely beyond the Group's control. The objectives are also subject to known and unknown risks, uncertainties and other factors that may result in the Group being unable to achieve them.

As a result, the Group's actual results may differ significantly from the Medium- to Long-term Financial Objectives set out above. The material risks and uncertainties known to the Group that would impact the Group's Mid- to Long-term Financial Objectives are described in "*Risk Factors*".

The Medium- to Long-term Financial Objectives do not constitute "Profit Forecasts" as defined in art. 1 (d) of the Commission Delegated Regulation (EU) 2019/980 of March 14, 2019 supplementing the Prospectus Regulation (the "**EU Regulation 2019/980**"), as the Medium- to Long-term Financial Objectives do not have the features provided in such definition nor the features set forth in Annex 1, Section 11 of the EU Regulation 2019/980, including among others, the feature of indicating a likely level of profits or losses for current or future financial periods and being specific and precise.

The Group's ability to achieve its M&A strategy depends on the availability of suitable targets, Group's ability to conclude such deals at fair prices and on acceptable terms, and successfully integrate acquired companies. The Group believes it has, or will be able to generate through its existing operations, the necessary financial resources to execute its M&A strategy.

The Group's deems that the existing financial resources and the financial resources generated through its existing operations will be sufficient to support the investments necessary to execute its growth strategy.

History

Origins and Early Growth

The Group's current product offering is a successful story of both organic growth and a buy-and-build strategy pursued over decades, based on the acquisition and integration of brands with a strong heritage, certain of which have roots that can be traced back to the 19th century, such as Riva, which was established in 1842. As a result, the Group's portfolio includes brands that are among the oldest in the global luxury yacht industry.

The Company in its current form, Ferretti S.p.A., was incorporated in 2004, as a successor to the Ferretti business that was founded in 1968, when the Ferretti family created a nautical division in the family business that had been dedicated solely to the automotive business. The first Ferretti boat, a 10-meter wooden "motor sailer" (a boat with both a sail and an engine), was presented in 1971 at the Genova Boat Show and the company, Ferretti Craft S.r.l., was incorporated in 1974.

During the 1980s, the shipyard in Forlì was opened and began producing motor yachts, specializing in open, flybridge and sport fisherman models. In 1989, the company entered the offshore racing sector and established its engineering and research center to work on new boat designs and experiment new materials.

During the 1990s the Group began its international expansion, extending its dealer network to Greece, France, Spain, Germany and the United Kingdom and opening a subsidiary in the United States to market yachts in North America and the Caribbean region.

Between 1994 and 1997 the Ferretti team won two World Offshore Class 1 Championships and one European Championship. The Group applied the technological advances gained through its participation in those competitions to the serial production of yachts, leveraging on those results to increase its international recognition.

Expansion of the Brand Portfolio

Since the late 1990s, the Group pursued a brand portfolio expansion strategy, through the launch of new brands and through targeted acquisitions of high-end producers of motor yachts, supported by an equity investment from an institutional investor:

- in 1996, the Custom Line brand was launched as a development in the Ferretti Flybridge line to produce fiberglass flybridge yachts in a larger size class (28-40 meters / 92-131 feet as compared to 12-25 meters / 40-82 feet);

- in 1998, the Group acquired the Pershing brand through the acquisition of CNA S.r.l. (*Cantieri Navali dell'Adriatico*);
- in 1999, the Group acquired the CRN brand and its Ancona shipyard as a result of the acquisition of C.R.N. S.p.A. (*Costruzioni e Riparazioni Navali*). This transaction enabled the Group to enter the super yacht market with steel and aluminum hulls and superstructures;
- in 2000, the Group completed an initial public offering on Borsa Italiana, raising the funds needed to continue its portfolio expansion strategy. In the same year, the Group acquired the Riva brand and the related Sarnico shipyard as a result of the acquisition of Riva S.p.A.;
- in May 2001, the Group acquired a shipyard in La Spezia, where a new Riva production area was subsequently built;
- in 2002, the Group was delisted by Permira, a global private equity firm, with the aim to solidify the Group's international presence and increase its product range;
- in 2004, the Group acquired assets that enabled it to expand the Ancona shipyard and acquired a 60% stake in Zago S.p.A., a company specialized in the manufacture and assembly of fine wood carpentry for yacht interiors;
- in 2004, the Group acquired the Itama brand; and
- in 2008, the Group acquired Allied Marine, one of the largest yacht distributors and service providers in the United States, to expand its presence in North America and enter the yacht brokerage market.

Recent history

The Group has recently undergone some internal re-organization, primarily related to shareholding and management changes, with the aim of further strengthening the Group and its position in the international yacht market, as follows:

- in 2012, Weichai, a leading Chinese industrial group, acquired a 75% stake in FIH (Ferretti International Holding S.p.A.), one of the Company's shareholders, and in August 2012 Mr. Tan Xuguang became the Chairman;
- in 2014, Mr. Alberto Galassi became Chief Executive Officer. A new management team was formed to devise and implement the Group's new business strategy;
- in 2015, Weichai Holding funded and executed an €80 million capital increase to provide the resources needed to implement the Group's new business strategy. As part of this strategy, the Group established the Super Yachts Yard Division in the Ancona shipyard to serve as the hub for the production of CRN, Riva and Pershing super yachts;
- in 2016, under the new shareholders and the new management team, the Group launched a portfolio renovation and expansion strategy, with the aim of further strengthening its portfolio and consolidate its position in the market. In the same year, the Group also established its Ferretti Security Division and enter the global coastal patrol and rescue vessel market;
- in 2016, following a capital increase and the acquisition by F Investments S.A. (the investment vehicle of the Ferrari family) of the 13.2% stake held by The Royal Bank of Scotland and SVP funds, the previous minority shareholders were bought-out;
- in April 2019, the Group acquired a 75% interest in the Wally trademark, entering the outboard segment and the sailing market. In the same year, the Group launched the Wallytender48 at the Cannes Yachting Festival, the first yacht produced by the Group under the newly acquired Wally brand;
- in September 2019, FIH converted its Intercompany Loan into equity and F Investments S.A. reached a stake of approximately 11%;
- in recent years, the Group has also started a process of vertical integration, aiming at increasing its control over the supply chain and ensuring supply of key inputs. As part of this strategy, in 2022 the Group strategically acquired Il Massello S.r.l. and Fratelli Canalicchio S.p.A. For further information on these acquisitions, see “—Material Agreements—Corporate transactions—Acquisition of Il Massello S.r.l.” and “—Material Agreements—Corporate transactions—Acquisition of Fratelli Canalicchio S.p.A.” respectively.

- in July 2022, the Group (through R.A.M. S.p.A.) has acquired a 100% in Ma.Ri.Na. S.r.l., a company specialized in the production and sale of spare parts for Riva classic models, to strengthen this dedicated offer to its clientele;
- over the years, the Group has continued to invest in R&D to upgrade its product offering, developing new models across all brands building on ongoing market trends (e.g., recent launch of Riva El-Iseo). For a description of the Group's models, see "*Products and Brands*";
- in 2022, the Group's ordinary shares were admitted to trading on the HK Stock Exchange, with an initial offer price of 22.88 HKD per share (equal to approximately €2.63). For further information on the 2022 Offer, see "*Description of Share Capital and Corporate Structure—History of Share Capital*"; and
- on March 20, 2023, the Company purchased a shipyard, the "Cantiere San Vitale", of approximately 53,000 sq.m. located in Ravenna by Rosetti Marino S.p.A., for further information see "*Material Agreements—Corporate transactions—Acquisition of Cantiere San Vitale*."

Products and Brands

Following market standard categorization, the Group's yachts can be categorized into the following three segments by propulsion means:

- inboard yachts: inboard yachts use engines mounted inside the boat's hull connected with propellers through shafts penetrating the hull. The steering wheel is linked to a rudder system that is separate from the propulsion system;
- outboard yachts: outboard yachts have an engine outside the boat's hull with the propeller integrally attached to it, including inflatables which are also known as lightweight watercrafts with sides and bow made of a flexible, inflatable tube, containing pressurized gas;
- sailing yachts: sailing yachts utilize sails as the primary means of propulsion, while engines are installed as a secondary propulsion system for safety and to maneuver the boat around in marinas.

The Group is largely focused on the inboard yachts market and considers this market segment its core market, with this segment covering approximately 98%⁷ of total Group's new yacht sales revenues for the year ended December 31, 2022. Thanks to the acquisition of Wally in 2019, the Group strengthened its presence in the inboard yachts market, but also entered the outboard yachts and sailing yachts markets. Hence, the Group presence in the outboard and sailing yachts markets is limited to few Wally models, and those two segments represent collectively approximately 2%⁸ of total Group new yacht sales revenues for the year ended December 31, 2022, not expected to change over the foreseeable future. As such, the competitive position of the Group included in the "*Market And Competition*" section is referred to the inboard segment only, considered as most representative of Group's operations as of the Prospectus Date.

For reporting purposes, the Group's has four business lines, namely: (i) composite yachts; (ii) made-to-measure yachts; (iii) super yachts; and (iv) other businesses.

The composite, made-to-measure and super yachts business lines derive revenue from the sale of new luxury yachts and thus represent the Group's core business. Products in these segments differ by size, material used for hulls, degree of customization, mode of construction and required lead time. The business line, other businesses, comprises instead a broad range of ancillary services offered by the Group to complement the sale of new yachts and cover the customer's needs throughout the whole yachting "customer journey", including: (a) yacht brokerage, chartering and management services; (b) after-sales and refitting services; (c) brand extension activities, such as branded lounges, lifestyle merchandise, and boat restoration services; and (d) manufacturing and installation of nautical components such as wooden furnishings and kinetic systems and components; (e) trading of pre-owned yachts, offering trade-in opportunities to its customers as a lever to facilitate the sales of new yachts; and (f) the sale of coastal patrol vessels by Ferretti Security Division. For further information, see "*Other Businesses*." With this offering, the Group has therefore created a comprehensive ecosystem encompassing the sale of luxury yachts and related ancillary services, aimed at to enhancing customer satisfaction and loyalty.

The table below provides a breakdown of the Group's net revenue by business lines for the periods indicated:

⁷ Refers to revenues of composite yachts, made-to-measure yachts, super yachts and Wally sailing super yachts.

⁸ Refers to revenues of composite yachts, made-to-measure yachts, super yachts and Wally sailing super yachts.

	For the year ended December 31,				For the three months ended March 31,	
	2022	2021	2020	2020-2022 CAGR	2023	2022
	(€ thousand, except percentages)				(Unaudited)	
Composite yachts.....	439,309	464,291	298,368	21.3%	147,328	109,836
Made-to-measure yachts	405,810	249,734	168,506	55.2%	99,872	96,141
Super yachts	95,441	84,561	63,742	22.4%	18,095	24,672
Other businesses	89,539	99,835	80,739	5.3%	15,013	25,779
- Yacht brokerage, chartering and management services.....	14,312	13,237	5,932	55.4%	1,416	3,314
- After-sales and refitting services and brand extension activities	14,894 ⁽¹⁾	9,677	6,051	56.9%	2,223	2,766
- Manufacturing and installation of wooden furnishings for nautical interiors .. and kinetic systems and components...	16,909 ⁽¹⁾	15,259	10,231	28.6%	4,919	4,035
- Trading of pre-owned yachts.....	33,980	46,999	39,451	-7.2%	-	14,338
- FSD.....	2,945	10,676	19,074	-60.7%	1,018	103
- Wally sailing super yachts	6,500	3,987	-	n.m.	5,436	1,223
Total net revenue	1,030,099	898,421	611,355	29.8%	280,308	256,427

⁽¹⁾ Includes also revenues attributable to subsidiaries acquired in 2022 (Il Massello S.r.l. and Fratelli Canalicchio S.p.A.), as part of the Group's strategy to acquire and vertically integrate margin-accretive suppliers of key strategic inputs.

The Group has an established sales presence in more than 70 countries, throughout EMEA, AMAS and APAC, enabling the Group to reach customers globally.

The table below provides a breakdown by geographical regions of the Group's net revenue for the periods indicated based on customers' location:

	For the year ended December 31,				For the three months ended March 31,	
	2022	2021	2020	2020-2022 CAGR	2023	2022
	(€ thousand, except percentages)				(Unaudited)	
EMEA	376,756	376,021	254,027	21.8%	135,167	120,260
APAC	95,876	49,280	62,925	23.4%	31,997	15,585
AMAS	372,487	288,724	149,922	57.6%	80,035	70,130
Global ⁽¹⁾	95,441	84,561	63,742	22.4%	18,095	24,672
Other businesses ⁽²⁾	89,539	99,835	80,739	5.3%	15,013	25,779
Total net revenue	1,030,099	898,421	611,355	29.8%	280,308	256,427

⁽¹⁾ Represents revenue attributable to super yachts not allocable to an individual country because, for example, the customer's country of residence is different from the vessel's country of registration.

⁽²⁾ Comprises revenue attributable to the Group's fourth line of business (see "Operating and Financial review—Description of key income statement line items—Revenue").

As specified above, the Group's luxury yachts are divided into three business lines, as follows:

- **Composite yachts.** The Group's composite yachts portfolio comprises models from 8 to 30 meters (approximately 27 to 100 feet). Models are characterized by composite (typically fiberglass or carbon fiber) hulls with a pre-defined set of accessories, materials and selected interior decorative elements available for customization. Given their intrinsic features, composite yachts follow a "one-piece flow" production process (see "—Production") and have shorter lead times compared to made-to-measure and super yachts. As of March 31, 2023, the Group's composite yachts product portfolio comprises 37 models.
- **Made-to-measure yachts.** The Group's made-to-measure yachts range from 27 to 43 meters (approximately 90 to 140 feet) and they also have composite hulls, typically in fiberglass or carbon fiber. The degree of customization is substantially higher than for composite models (the interior layouts, furnishings and fittings can be almost completely adapted to customer requirements), while still maintaining cost advantages associated with a production cycle based on molds similar to that of composite yachts. See "—Production." As of March 31, 2023, the Group's made-to-measure yachts product portfolio comprises 11 models.
- **Super yachts.** The Group's super yachts offering features alloy-hulled yachts up to 95 meters (approximately 312 feet), comprising: (i) fully-customizable yachts each of which is a one-off creation, designed and built to comply with the customer requirements for both exterior and interior designs (all featuring CRN brand); and

(ii) branded super yachts flagship models with fully-customizable interiors, but reflecting the distinctive exterior design of the respective Riva, Pershing and Custom Line brands as well as sailing super yachts under Wally brand. Given their distinctive nature, the production process takes longer and strictly depends on the design complexity (see “—Production”). As of March 31, 2023, the Group’s super yachts product portfolio comprises 2 flagship models, 1 Riva and 1 Pershing.

The Group develops and sells six different types of yachts under seven brands, catering to different customer requirements and uses, as described below:

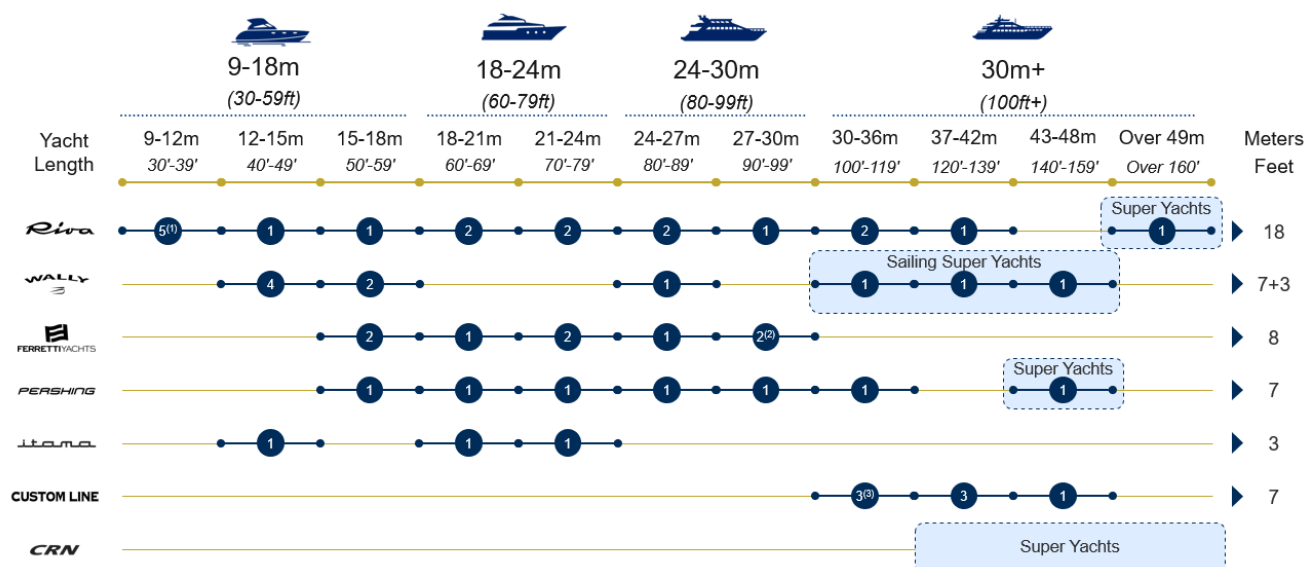
Yacht type	Main features	Typical uses	Brand
Open	An open motor yacht manufactured to enjoy outdoor environment	Daily activities	Itama, Riva, Wally
Coupé	A closed motor yacht with a powerful engine having its primary focus on speed and high performance	Short or medium cruises	Pershing, Wally
Flybridge.....	A closed motor yacht with an additional bridge and helm station over the main superstructure	Medium or long stays and cruises	Ferretti Yachts, Riva, Custom Line
Sportfly.....	A hybrid of the coupé and flybridge types combining high performance with greater attention to comfort	Medium or long stays and cruises	Pershing, Riva
Navetta.....	A spacious, comfortable motor yacht designed for long stays. Stable in all sea conditions but relatively slow cruising speeds	Long cruises	Custom Line (Navetta models)
Crossover.....	A hybrid of the flybridge and navetta types combining high performance, large volumes and greater attention to comfort onboard	Medium or long stays and cruises	Wally (WHY models)

As of March 31, 2023, the Group’s portfolio consists of 50 motor yacht models and 3 sailing super yachts, which differ by features included, type, size and price, as follows:

Brand	Yacht type	Models	Size Range	Price Range
Composite yachts				
Ferretti Yachts	Flybridge	8	15-30 meters (50-100 feet)	€1.0-€9.9 million
Pershing.....	Coupé, Sportfly	5	15-30 meters (50-99 feet)	€1.2-€7.7 million
Itama	Open	3	12-24 meters (40-79 feet)	€0.7-€4.1 million
Riva.....	Open, Flybridge, Sportfly	14	8-30 meters (27-99 feet)	€0.3-€8.1 million
Wally.....	Open, Coupé, Crossover	7	12-27 meters (40-89 feet)	€0.7-€8.7 million
Total		37		
Made-to-measure yachts				
Custom Line	Flybridge (planing), Navetta (Semi-displacement)	7	27-43 meters (90-140 feet)	€9.5-€22.3 million
Riva.....	Flybridge	3	30-40 meters (100-130 feet)	€9.6-€19.5 million
Pershing.....	Sportfly	1	35 meters (116 feet)	€13.5 million
Total		11		
Super yachts				
Riva.....	Motor Yacht	1	50 meters (164 feet)	Over €35.0 million
Pershing.....	Motor Yacht	1	43 meters (140 feet)	Approx. €27.0 million
CRN.....	Motor Yacht	(1)	Up to 95 meters (up to 312 feet)	Up to approx. €140.0 million
Wally.....	Sailing Yacht	(3)	34-46 meters (110-150 feet)	Over approx. €16.0 million
Total		2+3		

(1) Fully customizable yachts, each of which is a one-off creation, designed and built to comply with the customer requirements for both exterior and interior designs. The Group offers yachts under the CRN brand with a minimum size of approximately 39 meters (128 feet).

The diagram below provides an illustration of the total number of the Group models by brand and by vessel size:



- (1) Including Iseo and El-Iseo models, which are 8 meters in length (approximately 27 feet).
(2) Including the Ferretti Yachts 1000 model, which is approximately 30 meters in length (100 feet).
(3) Including the Navetta 30, which is approximately 28 meters in length (93 feet).

The Group's order intake and order backlog increased during the Track-Record Period, growing at a 2020-2022 CAGR of approximately 46.5% and 36.9%, respectively. This growth was supported by investments to expand the product portfolio and in model re-stylings, with new and re-styled models launched during the Track-Record Period collectively accounting for approximately 43% of the Group's order backlog as of March 31, 2023. "Order intake" represents the total amount of new orders signed, net of commissions, for new vessels⁹, while "order backlog" is defined as the total amount of existing orders³, net of commissions, for new vessels not yet delivered to customers.

The tables below set forth a breakdown of both the Group's order intake and order backlog as of the dates indicated.

	For the year ended of December 31,			For the three months ended March 31,	
	2022	2021	2020	2023	2022
Order intake	(€ thousand)				
Composite yachts	484,875	563,302	315,746	185,852	142,423
Made-to-measure yachts	473,021	289,304	155,561	103,759	146,295
Super yachts	204,562	104,055	68,433	-	104,979
Other businesses	-	14,850	2,023	17,915	-
Total	1,162,459	971,511	541,764	307,527	393,697

	As of December 31,			As of March 31,	
	2022	2021	2020	2023	2022
Order backlog	(€ thousand)				
Composite yachts	386,656	365,953	207,244	489,895	438,515
Made-to-measure yachts	469,599	298,968	220,996	549,114	407,145
Super yachts	384,580	293,140	216,085	384,580	417,023
Other businesses	54,795	57,780	47,293	72,710	57,780
Total	1,295,629	1,015,841	691,618	1,496,298	1,320,462

Order intake varied significantly between the three-month periods ended March 31, 2022 and 2023, due to the receipt of a significant order in the first quarter of 2022 for a super yacht, orders for which are less frequent. Due to the timing of when orders are received, order intake may change substantially from quarter to quarter. If the order for the above-mentioned super yacht were to be excluded, order intake for the three-month period ended March 31, 2023 would have been in line with the three-month period ended March 31, 2022. Order backlog as of March 31, 2023 increased by 15% compared to December 31, 2022. Given the variability of the order intake on a short-term basis, the Group monitors its operating performance on a

⁹ Provided that at least approximately a 10% down payment has been made by the customer.

short-term basis, using Adjusted EBITDA and order backlog, consistent with practice in its industry.

The table below sets forth a breakdown of the Group's order backlog by number of vessels as of the dates indicated:

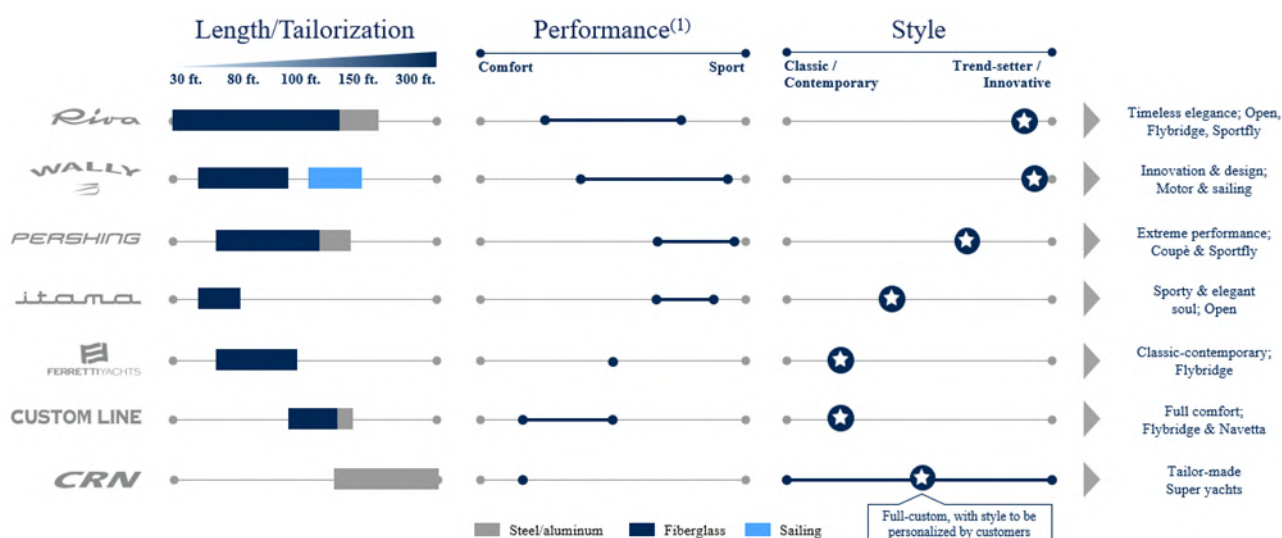
	As of December 31,			As of March 31,	
	2022	2021	2020	2023	2022
Order backlog					
Composite yachts	177	148	93	207	197
Made-to-measure yachts	38	30	22	45	40
Super yachts	7	7	5	7	8
Other businesses	13	16	18	14	16
Total	235	201	138	273	261

Of said total order backlog as of March 31, 2023 of €1,496 million, approximately 55% is expected to be realized by December 31, 2023, while the reminder 45% beyond January 1, 2024.

Brand Portfolio

The Group's unique and comprehensive portfolio comprises seven iconic, prestigious and heritage brands globally recognized as symbols of luxury, exclusivity, Italian design, quality, craftsmanship, innovation and performance. Each brand has a unique identity and is associated with exclusivity, differing in style technical performance. Riva is synonymous with elegance, tradition, and luxury, attributable to its 180-year-long history and embodies the "Dolce Vita" lifestyle concept of the 1960s. With a relentless commitment to high performance, Riva perfectly combines contemporary and modern design elements with attention to detail and the essence of taste. Wally is considered a front-runner and a pioneer in both motor and sailing yacht innovation with growing acceptance by younger generations. Wally matches the latest technology with contemporary design, constantly looking at ways of improving the on-the-water enjoyment with performance, comfort, and style. Ferretti Yachts is a brand characterized by luxurious cabins with spacious and elegantly designed interior layouts, making them suitable for family cruises. Pershing is associated with perfect lines and shapes coupled with high nautical engine power to guarantee the highest speed without sacrificing comfort. Itama is the brand for those looking for elegant open yachts featuring high performance. Custom Line and CRN are committed to meeting demand for a highly or completely customized yachts.

The Group's iconic and complementary brand portfolio allows it to comprehensively cover a broad range of high-end luxury segments of its addressable market and targeted client profiles with each brand differing in terms of yacht length, customization potential, hull and superstructure material, performance and style, as described by the chart below.



(1) Performance classification based on average speed achieved from 15 to 50 knots.

In addition, the Group adopts a multi-brand business model, with centralized activities for high-value added functions carried out by brand-dedicated independent teams, in order to foster each brand DNA and unlock full potential. For example, each brand has its own project manager and/or project architect (who manages the development of new models and design concepts by external naval architects and designers engaged by the Group), head of sales and marketing (who manages a dedicated sales and marketing team) and communications manager (who manages the communications and relationships

with media). At the same time, the Group is able to capture industrial synergies and cost efficiencies via the centralization of high-value added activities (R&D, procurement and manufacturing) and corporate functions (human resources, investor relation, finance, legal, IT). For example, the Group's centralized purchasing department sources raw materials, components and other inputs used by all brands to achieve economies of scale and benefit from greater negotiating power. Similarly, the Group's Research and Development and Engineering departments operate on a centralized basis and oversee the development of technical innovations for all the Group's brands, also sharing innovations and naval platforms across brands. Such business model would enable the Group to safeguard and promote the distinctiveness of each brand, while capturing significant industrial synergies and cost efficiencies and sharing best practices across the Group, enhancing the comprehensiveness of its value proposition, and enabling fast reactions to any changes in customer tastes, preferences, and behaviors.

The Group's brands are briefly described below:

Riva

Riva



Riva is globally acknowledged as a synonym of elegance, tradition, and luxury. With 180 years of heritage, As of the Prospectus Date Riva is considered one of the most recognized brands in the yachting world.

Riva was founded in 1842 in Sarnico, Italy, when Pietro Riva decided to open a shipyard after helping to restore a large number of vessels damaged by a sudden storm on Lake Iseo. Few decades later, with the invention of the internal combustion engine, Pietro's son Ernesto began building motor yachts to transport goods and passengers on the lake. After World War I, Serafino Riva entered the market of pleasure boats and started building a series of racing powerboats that set international speed records. During the upcoming post World War II years, Carlo Riva transformed the Riva brand into an international status symbol, culminating with the launch of the iconic wooden-hulled Aquarama in 1962.

Another historic milestone was achieved in 1969, when Riva began producing vessels in fiberglass. Over the following three decades, Riva produced new composite models which immediately became icons, such as the Riva St. Tropez and the Riva Superamerica, the first cabin cruiser on a grand scale.

Riva has been part of the Group since 2000. Its portfolio comprises composite yachts ranging from 8-28 meters in length (approximately 27 to 93 feet), made-to-measure yachts ranging from 30-40 meters (approximately 100-130 feet), and super yachts up to 50 meters (approximately 164 feet), and covers three yacht types: open, sportfly and flybridge. In a variety of different models with a shared spirit of performance, safety and exclusive style, the Riva range raises the soul of this legendary brand and the concept of elegance to its highest level.

Riva product portfolio comprises ten open iconic composite models (Iseo, El-Iseo, Aquariva Super, Riva Anniversario, Rivamare, Dolceriva, 56' Rivale, 68' Diable, 76' Bahamas Super and 88' Florida), four sportfly and flybridge composite models (66' Ribelle, 76' Perseo Super, 88' Folgore and 90' Argo), and, going up in size, three flybridge made-to-measure models (102' Corsaro Super, 110' Dolcevita and 130' Bellissima). Finally, the super yachts collection is represented by the flagship super yachts model Riva 50 Metri. In addition to the models already in portfolio, the Group has also recently announced: (i) the launch of another composite model, namely Riva 82' Diva, (ii) the launch of another flagship super yacht, namely Riva 54 Metri, expected for 2025 and (iii) a project for the development of the Riva Caravelle range, a made-to-measure fast-displacement yacht line ranging above 30 meters (approximately 98 feet).

Composite yachts are built in both Sarnico (Italy) and La Spezia (Italy) shipyards, made-to-measure yachts are built only in La Spezia shipyard and Riva super yachts are produced in Ancona (Italy) shipyard.

Wally



Founded in 1994, Wally changed the entire concept of cruising yachts and created groundbreaking sailing and motor yachts which are unmatched reference points in yachting and design fields. As a matter of fact, Wally is the only nautical brand to have won twice, in 2004 and in 2008, the “Compasso d’oro ADI”, which is among the most important awards in the world for design.

Part of the Group since 2019, Wally is a world leader in yacht innovation that combines the latest technologies with contemporary design, constantly looking at ways of improving on the water enjoyment with performance, comfort and style.

Every Wally model is the result of a functional approach to product development. This combination of form and function means that every technical solution is developed considering the overall aesthetic result. Every detail, every fitting and every space is carefully analyzed and designed to contribute to the iconic Wally appeal.

Wally product portfolio comprises: (i) seven motor yachts models from 13-27 meters (approximately 43 to 88 feet), namely Wallytender43, Wallytender43X, Wallytender48, Wallytender48X, Wallypower58, Wallypower58X and WallyWHY200; and (ii) three Wallywind sailing super yachts models ranging from 34 to 46 meters in length (approximately 110-150 feet), namely Wallywind110, Wallywind130 and Wallywind150. The Group has also recently unveiled the launch of the WallyWHY150 (launch expected in 2023), the WallyWHY100 (launch expected in 2023) and the Wallynano37.

Wally motor yachts are produced in Forlì (Italy) and Mondolfo (Italy) shipyards, while the production of Wally sailing super yachts is currently outsourced.

Ferretti Yachts



The Ferretti Yachts brand dates back to 1968, the year of its foundation. The brand is specialized in flybridge yachts ranging from 15-30 meters in length (approximately 50 to 100 feet).

The Ferretti Yachts brand has a “classical-contemporary” ethos combining timeless traditional elements with a cutting-edge approach to design and functionality. Ferretti Yachts vessels are characterized by luxurious cabins with spacious and elegantly designed interior layouts. The yacht provides a space that is personal, intimate, free and engaging. Each Ferretti Yachts model is thus a private and exclusive place for relaxing and feeling at home.

Ferretti Yachts boats are built in Forlì (Italy) and Cattolica (Italy) shipyards. Few units of selected Ferretti Yachts models are also assembled in Brazil by Okean Estaleiro LTDA (a local yachts maker based in Itajaí, Brazil) to serve the local Brazilian market. Ferretti Yachts’ product portfolio comprises eight models, namely FY500, FY580, FY670, FY720, FY780MY, FY860, FY920 and the flagship FY1000. Ferretti Yachts has also recently unveiled the launch of FY1000 Skydeck and InFYnito 90, both expected to come to market in 2023.

Pershing





Pershing was founded in 1985 and became part of the Group in 1998. Pershing has always been known for delivering the most powerful experience on the sea. The obsession for speed and perfect handling beats fast in Pershing customers as well as in anyone involved in the production of a Pershing yacht, which is the result of a supreme combination of aerodynamics, mechanics and materials, stemming from advanced racing technology. From the engine to the interior decor, there is no single item on a Pershing yacht that prevents the boat from reaching high speed on the sea in total comfort.

Over the years, Pershing has launched more than 30 models targeting a broad range of customers. It specializes in coupé and sportfly composite yachts ranging from 16-28 meters in length (approximately 54 to 92 feet), made-to-measure of 35 meters (approximately 116 feet), and alloy-hulled super yachts of 43 meters in length (approximately 140 feet). Pershing product portfolio comprises five composite models (namely Pershing 5X, Pershing 6X, Pershing 7X, Pershing 8X and Pershing 9X), one made-to-measure model (Pershing GTX116) and one super yachts model (namely Pershing 140).

Composite and made-to-measure yachts are produced in Mondolfo (Italy) shipyard, while super yachts are produced in Ancona (Italy) shipyard.

Itama

itama





Itama was founded in 1969 and became part of the Group in 2004. Itama is synonym of essential design, in the finest Italian tradition. This minimalism combines with the desire for harmony among the various elements, to create a refined, versatile, personalized travel experience on the water, the perfect expression of a sporty soul with an elegant spirit.

Itama open yachts offer optimal control, thanks to their excellent stability granted by a specifically-designed structure. The great maneuverability and balance are assured by the quality and solidity of the deep-V hull, allowing customers to revel in the power of the engines in full safety.

The Itama product portfolio ranges from 14-23 meters in length (approximately 45 to 75 feet), and comprises three composite models, namely, Itama 62RS (produced in Forlì shipyard, Italy) Itama 45S and Itama 75 (produced in Mondolfo shipyard, Italy).

CRN

CRN



CRN was founded in Ancona in 1963 and became part of the Group in 1999. CRN is specialized in alloy-hulled yachts ranging up to 95 meters (approximately 312 feet) in size and is known for the production of full custom yachts characterized by unmistakable “Made in Italy” elegance and style and advanced technical solutions, a marriage of technical mastery with passion for craftsmanship. Forged and modelled around the owner’s concept of cruising, each CRN yacht can be considered

as a unique one-off creation, the outcome of painstaking attention to detail, thanks to the intensive collaboration between the Group's internal design and engineering teams, and world-acclaimed designers and naval architects hired by the customer.

The production of CRN yachts is carried out exclusively in Ancona (Italy) shipyard. The Group relies upon the production plant in Scorzè (Italy) to manufacture tailor-made wooden furnishings and fittings of outstanding quality.

Custom Line



Custom Line was founded in 1996 to create a range of yachts for highly demanding clients, looking for a fully personalized yachting experience. The result is a fleet of planing and navetta (semi-displacement) yachts from 28 meters to 43 meters in length (approximately 93-140 feet), with an array of personalized solutions. Custom Line products are fully customizable in their internal layouts, furnishings, fittings and decorative elements. Accordingly, Custom Line customers typically play an active role in the design of these yachts and engage in extensive dialogues with naval architects and designers.

The Custom Line product portfolio comprises two product lines: the Planing line, with three planing hull models (CL 106', CL 120' and CL 140'), and the Navetta line, with four composite semi-displacement hull models (Navetta 30, Navetta 33, Navetta 37 and Navetta 42). The Group has also recently announced the launch of one alloy-hulled model, namely Navetta 50, expected to come to market in 2024. Technically, planing hulls are designed to rise up and glide on top of the water when sailing at higher speeds, while semi-displacement hulls are designed to move through water by pushing water aside in order to provide a smoother cruise although at slower speeds.

Custom Line yachts are all built in the Ancona (Italy) shipyard.

Other Businesses

As noted above, the Group offers a broad range of ancillary services to complement the sale of new yachts, comprising: (a) yacht brokerage, chartering and management services; (b) after-sales and refitting services; (c) brand extension activities, such as branded lounges, lifestyle merchandise, and boat restoration services; and (d) manufacturing and installation of nautical components such as wooden furnishings and kinetic systems and components; (e) trading of pre-owned yachts, offering trade-in opportunities to its customers as a lever to facilitate the sales of new yachts; and (f) the sale of coastal patrol vessels by Ferretti Security Division.

Through its offering, the Group is positioned as a "one-stop-shop" player to yacht purchasers, owners and users, enabling it to enhance customer satisfaction and loyalty, while providing the Group with real-time information about market trends and customer preferences. In addition, the Group's other businesses provide the Group with additional revenue, further

diversifying its business and increasing its resilience to changes in the business environment.

In addition, the Group has tapped into the global coastal patrol and rescue vessel industry with the launch of Ferretti Security Division, the Group's security vessel business division, in February 2016. This division makes for an additional revenue stream.

The Group's other businesses (which also includes revenue from the Wally sailing super yachts) collectively accounted for approximately 8.7%, 11.1% and 13.2%, respectively, of the Group's net revenue in 2022, 2021, 2020 and 5.4% and 10.1%, respectively, for the three months ended March 31, 2023 and 2022.

Yacht Brokerage, Chartering and Management Services

The Group's yacht brokerage, chartering and management services comprise:

- *Brokerage*: assisting customers in purchasing and selling new and pre-owned yachts in exchange for commissions
- *Chartering*: assisting customers in renting or leasing their yachts to third parties, including finding interested parties and preparing all required documentation in exchange for commissions; and
- *Management*: assisting yacht owners in recruiting, hiring and managing experienced crews in exchange for fees.

The Group provides these services through its subsidiary, Allied Marine Inc., which is a luxury yacht brokerage, management and charter company and has been the exclusive dealer for the Group's brands in the USA east coast market since 2008.

The Group's yacht brokerage, chartering and management services strategically allow the Group to maintain direct contact with customers to detect latest trends and purchasing drivers and continuously enhance customer engagement and loyalty.

Provision of After-Sales and Refitting Services

In addition to after-sales services provided to customers under warranty, the Group also offers post-warranty after-sale services in exchange for a payment, such as repair services, refitting services (such as ordinary and extraordinary maintenance), renovation and upgrade of the yachts, and spare parts distribution services. The Group has also a refitting facility in Fort Lauderdale (Florida, USA) to cover the AMAS market. For further information, see "*After-sales Services*."

The Group's after-sales and refitting services enable to collect information on yacht utilization and components performance (with the subsequent possibility to refine design or assembly), to strengthen overall yacht owners' engagement by establishing an additional point of contact, and to offer cash flow protection in the event of unfavorable macroeconomic conditions.

Brand Extension Activities

The Group has launched a lifestyle merchandise collection exclusively for Riva brand. To complement Riva offering, a restoration boat service for Riva classic models is also provided. In addition, as part of its brand extension activities, the Group has opened also branded lounges in exclusive locations. See "*Brand Promotion—Brand Extension Activities*."

Manufacturing and Installation of Wooden Furnishings and Kinetic Systems

The Group designs and manufactures luxury interior fittings and customized furnishings for its yachts through the subsidiaries Zago S.p.A. and Il Massello S.r.l. (acquired in 2004 and 2022 respectively) as part of its ongoing efforts to meet the demands for high-end customization and to further increase competitiveness. The Group believes that such strategic acquisitions can allow it to gain control over high-end carpentry, while providing options with additional flexibility to deal with customer requests or delays. The Group also supplies wooden furnishings for nautical interiors to third parties, including manufacturers of luxury cruise ships.

Furthermore, through its subsidiary Fratelli Canalicchio S.p.A. (acquired in 2022), the Group designs and manufactures nautical kinetic systems such as retractable balconies, dynamic stairways, railings and handrails. The same subsidiary also supplies specialized kinetic solutions to clients in the automotive, aerospace, telecommunications and renewables industries.

Purchase and Sale of Pre-Owned Yachts

As already mentioned, the Group also offers trade-in opportunities on pre-owned yachts as a lever to facilitate sale of new yachts. As such, the pre-owned yachts are carefully selected by the Group from customers who purchase a new yacht from the Group. With regards to the potential purchasers of pre-owned yachts, the Group aims instead to provide a simple and reliable purchasing experience. To support the trading of pre-owned yachts, the Group makes use of a dedicated online

platform.

Ferretti Security Division

Launched in 2016, Ferretti Security Division is the Group division specialized in composite planing coastal patrol vessels ranging from 16 to 32 meters (approximately 54-105 feet). As of December 31, 2022, Ferretti Security Division product portfolio comprises four models, including FSD 195, FSD N800, FSD 150, and 320, with a price range from €1.0 million to €30.0 million. The Group primarily develops Ferretti Security Division models from already existing naval platforms, such as Pershing and Itama models, due to their high performance and seaworthiness which make them particularly suitable to fulfill security and special mission requirements. However, given the complementarity and the high flexibility of the Group's portfolio, in the future the Group may also use other brands' models or newly designed models to develop Ferretti Security Division vessels. The Group sells Ferretti Security Division products primarily to national government bodies and international organizations and is generally required to submit a technical and commercial proposal through a tender process in relation to a potential sale. In particular, to export, import, ship or deal in armaments, Law no. 195/1990 requires Italian companies to obtain certain prior authorizations from the Italian Ministry of Defense and the Italian Ministry of Foreign Affairs, hence, as a precondition, the Group has obtained the registration in the national registry of companies, the R.N.I. For further information on this regard, please also see "*Certifications*" and "*Regulatory—Italian Regulations Applicable to Weapons Manufacturing*".

As of the Prospectus Date, Ferretti Security Division vessels are produced in Mondolfo shipyard.

Brand Promotion

The Group invests substantial resources in brand promotion with the aim of enhancing brand awareness and increasing customer loyalty. For the years ended December 31, 2022, 2021 and 2020 and the three months ended March 31, 2023 and 2022, the Group's investments in brand promotion were €20.0 million, €12.4 million, €9.4 million, €7.1 million and €5.2 million, respectively, representing 1.9%, 1.4%, 1.5%, 2.5% and 2.0% of the Group's net revenue for the same periods, respectively.

The Group's principal brand promotion activities include participation in boat shows and special events, sponsorships, brand extension activities, digital and social media marketing, and advertising in the magazine *Protagonist*. The Group carries out these brand promotion activities with a dedicated team of 27 employees as of March 31, 2023.

Boat Shows and Special Events

The Group participates in the world's major boat shows every year, located in Europe (Düsseldorf, Palma de Mallorca, Cannes, Monaco, Genoa and Venice), North America (Miami, Palm Beach and Fort Lauderdale), the Middle East (Dubai) and Asia (Singapore).

In addition, the Group frequently organizes exclusive, invitation-only VIP events to mark product launches and important celebrations, including the Group's annual private preview event held in Monaco, and world premieres where the Group presents new models to a group of hand-picked VIP guests.

Sponsorships

The Group's sponsorship activities represent a key lever for increasing brand awareness. The Group enters into such arrangements with Italian luxury brands such as the "Scuderia Ferrari" team (part of Ferrari S.p.A.) in Formula One Racing, whereby Riva is currently sponsoring the helmets and the race cars of Mr. Charles Leclerc and Mr. Carlos Sainz.

Brand Extension Activities

Lounges

The Group believes that opening branded lounges in exclusive locations enables the Group to promote its brands in association with the lifestyle they represent. The Group has opened lounges in Italy, Monaco, Greece, Croatia, Spain and France, including Riva lounges at the Gritti Palace Hotel in Venice (Italy), Monaco, Paris (France), Sardinia (Italy), Ischia (Italy), Croatia, Formentera (Spain) and Mykonos (Greece); Pershing lounges at the Seven Pines Resort in Ibiza (Spain); and a Wally lounge at the Phi Beach, the chic Mediterranean venue in Costa Smeralda, Sardinia (Italy).

Merchandising

The Group has also launched a lifestyle merchandise collection exclusively for the Riva brand, featuring high-quality, luxury clothing items, accessories, furnishings, and collectors' items that bring Riva's values to life for luxury yacht enthusiasts.

Restoration Boat Service for Riva Classic Models

The Group offers restoration boat services for Riva classic models (through its subsidiary, R.A.M. S.p.A.) to passionate Riva classic yacht owners. RAM applies its complete know-how and unique experience to its assistance services and the restoration of Riva classic boats to preserve the value of each creation.

The working methods are extremely precise and rigorous using a systematic approach implemented by a team of young craftsmen, carpenters, painters, mechanics and finishers, continuously trained by the “old” masters. With RAM, which has become the international reference for the Riva classic boat restoration having restored a total of more than 3,750 Riva yachts, the tradition of Riva maintains and perfects its legendary works of art.

In order to strengthen this dedicated offer to its clientele, in July 2022 R.A.M. S.p.A. has acquired a 100% stake in Ma.Ri.Na S.r.l., a company specialized in the production and sale of spare parts for Riva classic models. Through the transaction, the Group acquired a warehouse facility for spare parts and production molds and also all related know-how.

Digital and Social Media Marketing

The Group uses digital marketing channels to increase its visibility, brand awareness and share information about new products and special events, as well as to capture information about customer preferences and market trends. The Group manages its digital interactions with customers through its main corporate website (www.ferrettigroup.com, available in English, Italian and Chinese), the individual websites of each brand, and the Group social media platforms, which in aggregate registered more than 7.2 million visitors between January and December 31, 2022, and more than 2.0 million visitors between January and March 31, 2023. As of March 31, 2023, the Group had 42 active social media accounts on 10 third-party platforms (including Facebook, Instagram, LinkedIn, YouTube, Vimeo, Pinterest, WeChat, Weibo, Twitter and Youku) with more than 2.0 million registered followers and 3.3 million engagements (which is a measurement of user interaction such as likes and comments) between January and December 31, 2022, and 1.1 million engagements between January and March 31, 2023.

The visibility is also enhanced by the online advertisement which generated over 424 million impressions (according to Google AdWords), 22 open opportunities and 12 sold boats between January and December 31, 2022 and 105 million impressions, 5 open opportunities and 2 sold boats as of between January and March 31, 2023. The Group’s search engine ranking is strengthened not only by timely technical refinements but also through online public relations, featuring more than 2,000 publications on nautical and lifestyle web magazines and social media channels. The AVE (Advertising Average Equivalent), which is a measure of the theoretical economic value of the Group’s online presence, amounted to more than €14.4 million in the year ending December 31, 2022. In addition, the Group’s internal and external sales network is supported by B2B tools (website, iPad and iPhone apps) with 276 registered dealers and brokers as of March 31, 2023.

Protagonist Magazine



Protagonist is a periodic magazine established in 1987 that promotes the Group’s brands and products. Published in English, Italian and Chinese, it contains articles addressing themes such as yachting, luxury, design, culture and travel, together with special features covering the activities of the Group and its dealers around the world. Protagonist is distributed to the Group’s customers around the world by direct mail as well as through boat shows, special events and exclusive hotels.

Customer Relationship Management (CRM)

The Group makes extensive use of CRM system to gather, aggregate and process data for profiling analysis of potential new

customers and existing customers in order to generate actionable sales leads, identify market trends and new emerging needs, improve its after-sales services, and generate key performance indicators to help managing the business. As of March 31, 2023, the Group's CRM included approximately 206,000 leads and contacts, and the Group constantly feeds the database with new potential clients every year. For example, in 2020, 2021 and 2022, the Group identified on average approximately 6,200 leads and contacts per year, all sourced through various and complementary channels (such as boat shows and digital marketing).

Awards and Recognitions

The table below sets forth the Group's recent major awards and recognitions.

Year	Brand	Model	Award	Category	Issuing Authority
2022	Ferretti Group	N/A	Hong Kong SAR Special Award	Capital elite	Italy China Council Foundation e Class Editori
2022	Riva	Riva 68' Diable	Oceanway Yachting Awards	Yacht Of The Year 60ft-80ft	Oceanway Magazine
2022	Riva	Riva 88' Folgore	Oceanway Yachting Awards	Best Exterior Design 24m-30m	Oceanway Magazine
2022	Riva	Riva 50 Metri Race	Oceanway Yachting Awards	Most Popular Yacht 40m-70m	Oceanway Magazine
2022	Ferretti Yachts	Ferretti Yachts 780MY	Oceanway Yachting Awards	Best Interior Design 60ft-80ft	Oceanway Magazine
2022	Ferretti Yachts	Ferretti Yachts 500	Oceanway Yachting Awards	Most Popular Yacht 45ft-60ft	Oceanway Magazine
2022	CRN	CRN 62m Voice	Oceanway Yachting Awards	Best Interior Design 40m-70m	Oceanway Magazine
2022	Pershing	Pershing 140	Oceanway Yachting Awards	Best Exterior Design 40m-70m	Oceanway Magazine
2022	Wally	WallyWHY200	Oceanway Yachting Awards	Best Interior Design 24m-30m	Oceanway Magazine
2022	Ferretti Yachts	Ferretti Yachts	Hurun Best of the Best Awards 2021	Best Luxury Yacht Brand	Hurun China Research Institute
2022	Riva	Gian Paolo Vertua	Pionieri della Nautica	Categoria Maestranze Motor Yacht over 10 meters	Confindustria Nautica
2022	Ferretti Yachts	Ferretti Yachts 860	Innovation Awards	LH	Confindustria Nautica
2022	Ferretti Yachts	N/A	Asian Marine & Boating Awards	Boat Industry Brand Award	CIBS Yachts
2022	Custom Line	CL 140'	World Yacht Trophies	Best Layout Trophy	France Yachts
2022	Riva	Riva 102' Corsaro Super	World Yacht Trophies	Most Achieved Yacht	France Yachts
2022	Ferretti Yachts	Ferretti Yachts 860	World Yacht Trophies	Best Layout Trophy (under 30 meters)	France Yachts
2021	Pershing	Pershing 140	Design & Innovation Awards	Best Naval Arc.	Boat International
2021	Riva	Riva 88' Folgore	Design & Innovation Awards	Best New Series	Boat International
2021	Ferretti Yachts	Ferretti Yachts 1000	World Yacht Trophies	Best Layout	SG Publication
2021	Pershing	Pershing 6X	World Yacht Trophies	Best Exterior Design	SG Publication
2021	Wally	WallyWHY200	World Yacht Trophies	Best Avant-garde	SG Publication
2021	Custom Line	Navetta 30	World Yacht Trophies	Best Layout	SG Publication
2021	Ferretti Yachts	N/A	Hurun Best of the Best Awards	Best Luxury Yacht Brand	Hurun China Research Institute
2020	Custom Line	CL 106'	World Super yachts Awards	Best Semi-Displacement or Planing Motor Yachts Below 500GT 30 Meters to 34.9 Meters	Boat International Media
2020	Riva	Riva 50 Metri	Design & Innovation Awards	Outstanding Exterior Motor Yacht	Boat International

Year	Brand	Model	Award	Category	Issuing Authority
2020	Ferretti Yachts	Ferretti Yachts 500	World Yacht Trophies	Best Interior Design Trophy, Category 45 to 64 Feet (13.70-19.50 Meters)	Yachts France
2020	Pershing	Pershing 7X	World Yacht Trophies	Best Exterior Design Trophy, Category 64 to 80 Feet (19.50-24 Meters)	Yachts France
2020	CRN	CRN M/Y 62m Voice	World Yacht Trophies	Best Exterior Design Trophy, Category 164 to 270 Feet (50-82 Meters)	Yachts France
2020	Ferretti Yachts	N/A	Hurun Best of the Best Awards	Best Luxury Yacht Brand	Hurun Report

Customers and Suppliers

Customers

The Group's primary customers consist of, in order of importance: (i) end customers, mainly VHNWIs and UHNWIs, served via its direct salesforce (after initial contacts are generated by dealers or brokers); (ii) dealers to which the Group sells its yachts; (iii) national government bodies and international organizations that purchase coastal patrol vessels from Ferretti Security Division, and (iv) customers of the Group's other businesses.

The Group has a low-risk sales strategy aimed at maximizing customer reach and distribution based on three pillars: (i) exclusive dealers for yachts under 30 meters (approximately 100 feet); (ii) brokers for yachts above 30 meters (approximately 100 feet), given higher level of personalization and uniqueness; and (iii) an internal sales team supporting dealers and brokers but also directly engaging with customers (*e.g.*, for Wally yachts, the Group currently relies exclusively on its internal sales force, to retain control over communication and promotion activities). When selling to dealers, in almost all cases the Group accepts an order from a dealer only if backed-up by a sale contract with the end customer. As such, the Group is able to: (i) minimize exposure to stock unsold in the market; and (ii) protect the brand identity by a thorough monitoring of the sale process.

Set out below is net revenue for the years ended December 31, 2022, 2021 and 2020 and for the three months ended March 31, 2023 and 2022, for the Group's largest customer, top 5 and top 10 customers, by contribution to total net revenue.

Customer	As of December 31,			As of March 31,	
	2022	2021	2020	2023	2022
	<i>Net revenue</i>				
Top 1	3.4%	4.5%	3.8%	6.9%	5.8%
Top 5	13.0%	17.8%	16.9%	20.6%	18.5%
Top 10	20.9%	27.2%	27.4%	33.1%	29.5%

Suppliers

The Group's primary suppliers are: (i) suppliers and contractors of production inputs; (ii) naval architects and designers to whom the design of new models (strictly following the style of each of the Group's brand) is outsourced; and (iii) after-sales and G&A service providers.

The Group has a fragmented supplier base, mitigating any potential risk of: (i) suppliers not being fully able to absorb production increases; and (ii) suppliers going out of business. For the year ended December 31, 2022, the Group had a network of approximately 2,700 suppliers, including suppliers of production inputs, sub-contractors, naval architects and designers and providers of after-sales and G&A services.

In particular, the Group relied on approximately 1,200 different suppliers for the provision of production inputs used in the yacht manufacturing process, including raw materials, consumables and sub-assemblies and on approximately 1,040 contractors.

For the years ended December 31, 2022, 2021 and 2020 and for the three months ended March 31, 2023 and 2022, set forth in the table below are the Group's largest, top 5 and top 10 suppliers by share of the total consolidated expenses for supplies and services, which comprise the following expenses as reported in the Group's consolidated income statement: (i) raw materials and consumables used; (ii) contractors costs; (iii) costs for trade shows, events and advertising; (iv) other service costs and (v) rentals and leases costs.

	As of December 31,			As of March 31,	
	2022	2021	2020	2023	2022
Total suppliers	<i>Total consolidated expenses for supplies and services</i>				
Top 1	4.0%	3.6%	3.5%	5.5%	4.7%
Top 5	12.6%	12.5%	11.8%	13.7%	12.0%
Top 10	18.6%	18.9%	18.3%	20.6%	18.4%

The Group's largest suppliers during the Track-Record Period were suppliers of engines and other mechanical components, interior furnishings, fiberglass and kinematics and steel components.

In addition to its diverse supplier base, the Group has developed long-lasting relationships with certain key suppliers. As of March 31, 2023 its relationships with its top 5 suppliers range from 5 years to more than 20 years. It has also successfully acquired and vertically integrated selected suppliers of key production inputs (*e.g.*, Zago S.p.A., Il Massello S.r.l., Fratelli Canalicchio S.p.A.).

Business Model

The Group's business model enables it to safeguard and promote the distinctiveness of each of its brands while capturing significant operational synergies and cost efficiencies and enabling the sharing of best practices across the Group. The Group's business model for the production of new yachts comprises four principal phases: (i) product development and innovation; (ii) production; (iii) sales and distribution; and (iv) after-sales services. Although all stages are covered for every yacht, there are some differences between composite and made-to-measure yachts compared to super yachts.

For composite and made-to-measure yachts, new models are first developed following a rigorous product development process leading to the creation of plugs and molds for the serial production of composite hulls and superstructures. The second stage involves the mobilization of supply chain for the production of all components and assembly of the boat; the latter is typically organized as a "one-piece-flow" process and last from 2 to 8 months for composite yachts and from 7 to 15 months for the larger made-to-measure yachts. The third stage (which can actually take place before, during or after boat production) concerns the marketing and sale of the yacht. Lastly, after the boat is delivered, the Group offers an array of after-sales services including, but not limited to, maintenance and refitting. More details on each stage are presented in the following sub-chapters.

The overall process for composite and made-to-measure yachts can be summarized by the below flow chart:



For super yachts, the above process differs with reference to the "sales and distribution" stage which comes first in this case. Indeed, given the uniqueness of each product, boat engineering and blueprint development begin with a direct request from the customer, only once a contract has been signed. In addition, the Group adopts a different production process for alloy-hulled super yachts, as well as a dedicated sales strategy. For super yachts, a "one-piece-flow" process is not feasible given the size of the boats and each yacht is built in a single station, with production lead time ranging from 28 to 48 months; as for the sales strategy, while dealers are typically involved for composite and made-to-measure yachts (brokers only for yachts >30 meters / approximately 100 feet), sales for super yachts are placed either through a broker or through the Group dedicated salesforce. More details on each stage pertaining super yachts are presented in the following sub-chapters.

The overall process for super yachts can be summarized by the below flow chart:



Product Development and Innovation

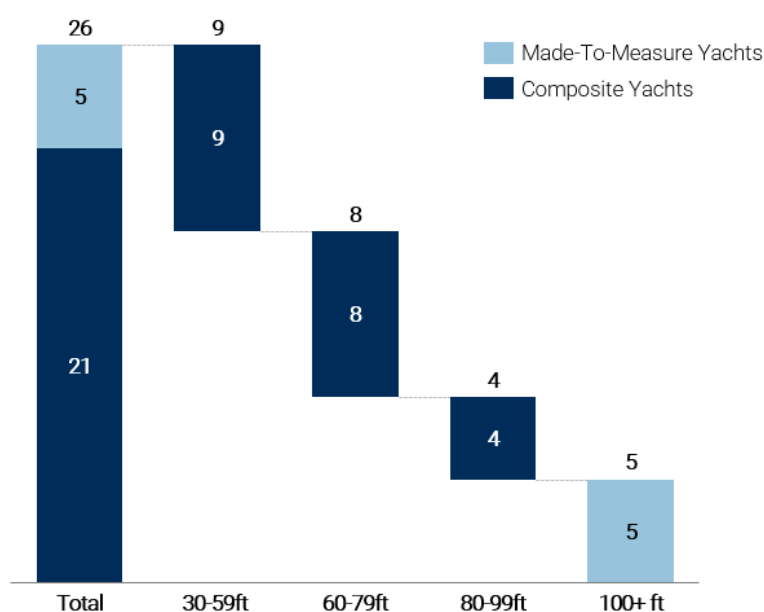
The Group believes that a constant technological and design innovation leading to frequent new product launches is a crucial competitive factor in the yacht industry. For this reason, the Group has dedicated a substantial amount of resources to the

Research and Development team, comprising 183 employees as of March 31, 2023 across all Engineering and Project Management departments. For the years ended December 31, 2022, 2021 and 2020, and for the three months ended March 31, 2023 and 2022, the Group incurred research and development investments of €33.3 million, €31.4 million, €35.4 million, €7.4 million and €7.3 million, respectively.

New Product Models

The Group has been continuously renewing and expanding its product portfolio, which the management believe is a key driver to sustaining the growth of Group's business. During 2020, 2021, 2022, and the first quarter of 2023 the Group developed and launched 26 new models, meaning that approximately 50% of the Group total product portfolio (comprising 50 composite, made-to-measure and flagship alloy super yachts models as of March 31, 2023) is less than three years old. These new models collectively accounted for approximately 43% of Group's order backlog as of March 31, 2023.

The diagram below sets forth the new models that the Group launched from December 31, 2020 to March 31, 2023¹⁰:



Thanks to the Group's focus on renewing its product portfolio under the guidance of the new management, the average age of Group's models has been lowered from approximately 4.7 years in 2016 to 3.5 years as of March 31, 2023 (or 3.8 years without taking into consideration Wally models and super yachts flagship models launched after 2019). The Group intends to continue investing in renewing and expanding its product portfolio in the coming years, to also expand in the untapped "green" segment. For specific details on the "green" models already launched by the Group, see "*Strengths—Innovation, sustainability and E-luxury.*"

The table below sets out the number of models that the Group plans to launch from the Prospectus Date to 2025:

¹⁰ The Group's two flagship super yacht models, Pershing 140 and Riva 50 Metri, were launched in 2019.

Composite/Made-to-measure and Super yachts	Size Range	Number of Models	Planned Launch Year
Composite yachts	9-18 meters (30-59 feet)	1	2023
Composite yachts	18-24 meters (60-79 feet)	2	2023
Composite yachts	24-30 meters (80-99 feet)	3	2023
Total 2023.....		6	
Composite yachts	9-18 meters (30-59 feet)	3	2024
Composite yachts	18-24 meters (60-79 feet)	4	2024
Made-to-measure yacht	Over 30 meters (Over 100 feet)	1	2024
Super yachts	Over 30 meters (Over 100 feet)	1	2024
Total 2024.....		9	
Composite yachts	9-18 meters (30-59 feet)	2	2025
Composite yachts	18-24 meters (60-79 feet)	1	2025
Composite yachts	24-30 meters (80-99 feet)	2	2025
Made-to-measure yachts.....	Over 30 meters (Over 100 feet)	3	2025
Total 2025.....		8	

Proprietary Technologies and Applications

The Group is also committed to develop proprietary technologies and applications and integrating them into its models to further enhance the technological competitiveness of Group's products. During the product development process, the Group's various departments work closely together to bring the concept of a new product into a technically and architecturally feasible product. For further information, see "—Product Development Process." In its effort to achieve a specific design or enable a certain functionality, the Group may develop its own proprietary technologies, solutions or applications, or proactively collaborate with external suppliers or contractors to co-develop those. When the Group collaborates with suppliers or contractors to co-design or co-develop certain innovations, the intellectual property rights associated with the co-developed technologies, solutions and applications will belong to the Group to the extent that the idea is entirely developed by its internal engineering department.

Some of the most relevant technologies, solutions and applications the Group has developed or co-developed with suppliers and contractors in recent years since 2016 are described below:

- *Riva El-Iseo (2022)*. It is the first Riva yacht (and first Group's yacht) powered by a fully electric propulsion system;
- *Selective Catalytic Reduction (2022)*. System mounted on yacht engines allowing for substantial reduction in carbon emissions. This system currently comes with the 16-cylinder MTU engines Series 2000, featuring IMO Tier III approval, and the CL 106' is the first among the Group's models equipped with this power unit;
- *X-AID: Adaptive Integrated Docking (2022)*. This is the Group's innovative integrated self-docking system, which allows for assisted and advanced positioning and docking. It was first installed on two models: Pershing 6X and Ferretti Yachts 670;
- *Anti-grounding Navigation Aid System (2022)*. Equipped with GPS sensors and navigation helm instruments, this alerting system helps avoiding collisions due to shallow water or obstacles. This system is inspired by the enhanced ground proximity warning system in the aircraft industry and the advanced driver assistance systems in the automotive industry;
- *Stern Platform with Integrated Steps (2020)*. A revolutionary design that converts the yacht into a gateway to the ocean by opening up three steps on either side of the swim platform as it is lowered, continuing the stairway down from the cockpit;
- *Music Hull (2019)*. This innovative system integrates high-definition loudspeakers into the hull and makes it possible to listen to music underwater during dive sessions or while swimming. The system can also be controlled remotely;

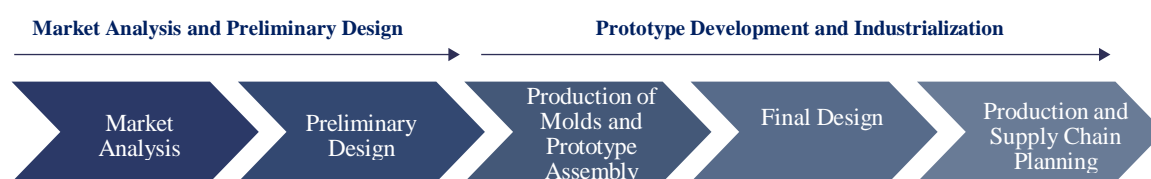
- *Joystick Yacht Control on Yacht with Surface Drive (2018)*. The application eases navigation (especially at high speed) and docking maneuvers since it syncs propeller movements to let the yacht maintain a fixed position in the water; and
- *Light Composites Design and Construction: Carbon Fiber + Epoxy (2017)*. The carbon-epoxy ultra-light superstructure and deck reduce the weight of the yacht by up to 30%.

Product Development Process

The Group has established a highly structured process to develop and launch new products, centered around multiple key decision points.

The process begins with a market analysis conducted by the product marketing department to set the macro-requirements for the new model to be developed. It is followed by a preliminary feasibility study of the required investment, which determines the go/no go decision for concept development (the “**DR0 Meeting**”). The concept will then be technically and architecturally developed by the Product Operating Committee, supported by external naval architects and designers and Group’s technical team. Afterwards, the Strategic Product Committee members proceed with the concept final approval, carrying on an economic assessment on the investment needed to develop the model (the “**DR1 Meeting**”). After the DR1 Meeting, there is the development of the prototype and the final design, keeping track of the costs and times needed during the whole process. After the prototype has been built and tested and the cost of industrialization is crystallized, a final meeting determines whether to give final production approval with a consequent decision on model serial number (DR2 Meeting).

The flow chart below illustrates the major phases of the Group’s product development process:



The Group collaborates with a pool of internal and external professionals to develop the layout of new products. Specifically, external naval architects and designers and Group’s in-house design team carry out the design development, whereas Group’s engineering department (in collaboration with project managers and/or project architects), handles the technical layout of the new products. The internal engineering department and project management department are responsible for conducting the operative analysis, monitoring the product development, and running constant checks on progress. The Group’s finance department is instead an independent contributor responsible for assessing and ensuring that all new products meet profitability expectations and targets.

Market Analysis and Preliminary Design

Market Analysis

The Group’s marketing team plays a crucial role in the product development process. It is responsible for identifying potential market opportunities and new customers, estimating the potential sales volumes associated with these opportunities, and monitoring and analyzing the activities of the Group’s competitors. The marketing team also develops communication strategies, oversees the marketing activities of Group’s individual brands, and evaluates the actual performance of the Group’s products and services compared to their targets, in order to identify areas of improvement for products and customer experience. In performing these activities, the marketing team interacts closely with the Group’s current and potential customers, sales network, after-sales service team and communication teams.

Group’s marketing team compares existing models positioning to areas of emerging customer demand in order to identify potential gaps in Group’s product portfolio. This approach helps the Group to ensure that product portfolio covers all areas of identified demand, while minimizing product overlaps both within and across Group’s brands. Group aim is to provide existing customers, who may be planning to change yachts, with attractive solutions within its own product portfolio, thus avoiding its customers to switch to competitors.

The marketing team also regularly monitors the product offerings and activities of Group’s competitors in order to provide with early warnings of product innovations or other actions that may threaten Group’s competitive position. Group’s management believes this helps the Group to continue offering customer value propositions characterized by high quality, refined design solutions and excellent technical performance.

Based on analyses of (i) general market trends, (ii) brand and product positioning, and (iii) the actions of competitors, the Group periodically updates its product portfolio plan, which determines the design models that will be developed and

launched in the coming years.

Preliminary Design

Once a preliminary decision to proceed with the development of a new model is made, the Group carries out design development to find innovative aesthetic solutions for its exterior profile and interior layout, in close coordination with the project manager of the brand and in compliance with the technical parameters determined in the DR0 Meeting, the SPC and the POC. The Group generally outsources the design development, and this has to strictly follow the style of its brand and innovative solutions developed internally (except for Itama models, for which the Group generally relies on its internal design team for their design development). The Group is very selective when choosing these partners, targeting external naval architects and designers who are specialized in the yacht industry, since it believes that this aspect can clearly differentiate its brands and products from those of competitors.

The Group typically works with internationally renowned “archistars”, such as Mr. Antonio Citterio and Ms. Patricia Viel (collectively, the co-founders of “Citterio-Viel & Partners Interiors S.r.l.”), Mr. Rodolfo Dordoni, Mr. Filippo Salvetti, Mr. Andrea Vallicelli (founder of “Vallicelli Design”), Mr. Mauro Micheli (founder of “Officina Italiana Design” jointly with Sergio Beretta), Mr. Fulvio De Simoni (founder of “Fulvio de Simoni S.r.l.”), Francesco Paszkowski Design S.r.l., Mr. Carlo Nuvolari and Mr. Dan Lenard of “Nuvolari Lenard”, Studio Laura Sessa and Omega Architects.

The following table summarizes the current collaborations between Group’s brands and external naval architects and designers.

Brand	Exterior Designers	Interior Designers
Ferretti Yachts.....	Filippo Salvetti	IdeaEItalia
Custom Line (Navetta line)	Filippo Salvetti	Antonio Citterio, Patricia Viel
Custom Line (Planing line)	Francesco Paszkowski Design S.r.l.	Francesco Paszkowski Design S.r.l.
Riva	Officina Italiana Design	Officina Italiana Design
Pershing	Fulvio De Simoni, Vallicelli Design	Fulvio De Simoni, Vallicelli Design
Wally	Luca Bassani Antivari	Vallicelli Design
CRN.....	Nuvolari Lenard, Omega Architects, Vallicelli Design, Vripack, Francesco Paszkowski Design S.r.l.	Winch Design, Nuvolari Lenard, Droulers Architecture, Francesco Paszkowski Design S.r.l., Gilles & Boissier, Laura Sessa, Massari Design, Nauta, Pinto, Pulina DNA

Pursuant to agreements in place with external naval architects and designers, during the concept development of a new model, the Group is required to pay a fixed consideration in installments, based on pre-agreed milestones. When the new model is sold, the intellectual property rights associated with its design are exclusively owned by or licensed to the Group, while the external naval architects and designers are entitled to royalties on the sales of the yachts. The Group has established exclusive collaborations with some of its design partners in order to prevent them from working with competitors. The Group believes this helps to strengthen the image of its brands and to preserve the distinctive characteristics of its products. The Group does not believe it has significant reliance on any of these external naval architects and designers.

For the design of certain bespoke yachts under the CRN brand, the external naval architects and designers are contracted directly by the shipowner and/or end customer and, consequently, the associated intellectual property rights are governed by the relevant contracts, to which the Group is not a party.

Prototype Development and Industrialization

Once a design model is approved, then the prototype development and industrialization phase begins. The Group uses a 3D design mock-up system incorporated in a unique platform, which is based on Siemens NX product development software and allows to prepare integrated blueprints that link design, supply chain and manufacturing requirements in a single plan. With this platform, multiple tools can be leveraged, including Computational Fluid Dynamics for hull design, Finite Element Modelling for the design of superstructures and computer numerical control five-axis machining for the construction of 1:1 scale design models.

Production of Molds and Prototype Assembly

Once all engineering calculations are completed, the molds required to produce the fiberglass components of the prototype are designed and built, using highly qualified workforce with specialized skills. Then these molds are polished and waxed and special resins and gel-coats, that can tolerate shrinkage and mechanical stress, are applied in order to increase the quality

of the finished prototype. Afterwards various drying treatments are performed to prepare for the initial production and prototype assembly. In the meantime, a lamination table is set up and the technical specification document is issued. After assembly, the prototype is tested for compliance with all technical and financial parameters and regulatory and certification requirements.

Final Design

In parallel to the prototype manufacturing process, planning for full-scale production begins. Group’s industrial engineering team charts and optimizes all the steps required for production and assembly, defines the bill of materials (*i.e.*, the list of all raw materials, components and sub-assemblies required to produce a model), and organizes a dedicated supply chain within the overall production process.

Compared to composite yachts, the larger sizes of made-to-measure yachts allow customers to personalize their interior layouts and furnishings to a much greater degree. Customers can choose from a wide range of optional features and incorporate one-off custom requirements to their yachts, subject to specific feasibility analysis carried out by the Group.

Production and Supply Chain Planning

In the final phase, the Group starts the production of the molds, which are assembled at Group’s shipyards, and finalizes the industrialization of the new models. Given its commitment to excellence, the Group selects only suppliers and contractors that are able to meet Group’s high standards of quality and reliability. If possible, the Group seeks to develop synergistic relationships with key suppliers, in order to ensure that they are fully able to meet the distinctive requirements of each of Group’s brands. It is customary to send the supplier a detailed list of specifications defined after an in-depth integration study of the needed component/part on the vessel. For further information on the Group’s suppliers and procurement, see “—Production” and “—Suppliers and Procurement.”

Development of Super Yachts

Group’s super yachts comprise: (i) fully-customizable yachts each of which is a one-off creation, designed and built to comply with the customer requirements for both exterior and interior designs; and (ii) branded super yachts flagship models with fully-customizable interiors, but reflecting the distinctive exterior design of the respective brands. During the preliminary design phase, Group’s Ancona shipyard carries out the evaluation of the customer requests and validates the technical feasibility of the proposed design, providing a price quotation and a technical and design proposal to the customer. Once a contract with a customer is signed, the Group commences the detailed design phase, which is typically shared and performed together with the customer’s representatives and designers (except for Riva and Pershing branded super yachts whose exterior designers are chosen by Group’s Ancona shipyard). Prior to this phase, which often overlaps with the production phase, the Group defines the hydrodynamic parameters of the vessel (based on the desired performance, stability and trim characteristics), designs the external lines of the hull and superstructure and defines the interior layouts of all residential, technical and mechanical spaces. All the design and the construction phases are verified by one of the main classification societies, which certifies that the yacht design and construction comply with relevant technical standards.

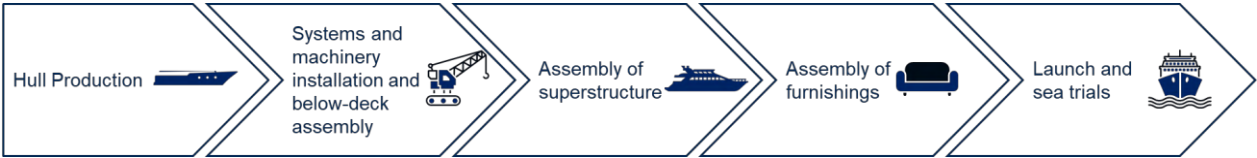
Production

Production Planning and Production Process

Production of Composite and Made-to-measure Yachts

The Group monitors and manages risks associated with its production cycle, and follows a cautious approach whereby the production of composite and made-to-measure yachts usually starts in the presence of a confirmed customer order, but may also be launched in the absence of the same to manage and match production lead times with seasonal demand peaks. According to de-risked production planning, in the absence of a confirmed customer order, the Group only starts production of a new composite yacht after a stringent internal approval and authorization process. A highly disciplined and systematic market analysis on the number of similar boats that are currently in stock, in production or available in the pre-owned market is conducted once a month, minimizing production risks and preserving working capital.

The diagram below sets forth the standard production cycle for Group’s composite yachts:



The Group has adopted a “one-piece flow” production process, namely, one workpiece at a time is moved between the

various stations in the production line. The Group believes this helps to keep work-in-progress at the lowest possible level while reducing inventory levels and improving quality control. The start of each production step is scheduled to maximize the Group’s overall production capacity with continuous monitoring of work-in-progress levels and precise planning, considering the time required for each model to be manufactured.

The cadence of the Group’s production cycle depends on the production capacity of fiberglass molds. In general, production lead times for composite models vary between two and eight months, depending on yacht size. Lead times for the sourcing of production inputs such as engines and fiberglass hulls are on top of this estimate and can be up to six months. The Group relies on outsourcing to optimize efficiency and smooth peaks in its workload and have the flexibility to adjust production cadence and lead times in response to market demand by adding extra production shifts. See “—Production” and “—Suppliers and Procurement.” By way of example, for the production of an 18 meter yacht (approximately 60-feet), hull construction represents approximately 35% of the total production time, the intermediate assembly phases represent approximately 55%, while the remaining production time is dedicated to final testing.

For made-to-measure yachts, the production process is typically only launched after a sales contract is signed. The production process is similar to the one described above for composite yachts, with some differences that reflect the higher degree of customization, sophistication and the larger size of the yachts (namely, working stations are located around the yacht). For this reason, made-to-measure yachts require longer lead times for both production (ranging from seven to fifteen months) and sourcing (up to ten months).

Production of Super Yachts

Due to the unique nature of a super yacht, the Group always starts the production only after a contract has been signed. The production process, which starts once the hull design is completed, follows these phases:



Hulls and superstructures are partly built in Ancona shipyard (using both internal and external workers dispatched by contractors) and partly on an outsourcing basis, depending on the specific features of the vessel and the available production capacity. The process starts with cutting, welding and assembling sheet metal components to form “blocks”. These blocks are then welded together to form sections, which are in turn positioned in a precise sequence and welded together. This work takes place at a single workstation, to which all material is transported for assembly.

Then, the process continues with the completion of the engine room and sub-deck environments first, and then the assembly of the engines, electric generators and all mechanical parts. Next, external workers install the electrical, water and HVAC systems and carpenters build the interior floors, ceilings, walls and wooden fixtures. Concurrently, the applicators proceed with the outside painting cycle. Once the cabins are built, all furniture and decorations (such as carpeting, lights and lamps, and marble, fabrics and leather) are shipped to the shipyard in a pre-set sequence and are then installed on the yacht by highly skilled artisans. The final phase involves painting the submerged part of the hull, caulking, finishing the teak and installing antennas and masts.

This entire process requires from 28 to more than 48 months, depending on the size of the yacht. The first few months are devoted to the construction of the hull, which as an indication takes up to approximately 30% of the total production lead time and during which it is not possible to carry out other production activities. After the hull is completed, multiple activities are carried out in parallel (which require careful planning and engineering) in order to compress the critical path as much as possible. The intermediate assembly phases correspond to approximately 60% of the total production lead time, while the final testing requires the remaining 10%.

Production Facilities

The Group produces its yachts in six shipyards located at the heart of the world-famous Italian nautical district.

The table below summarizes the key characteristics of each shipyard as of the Prospectus Date:

Shipyards	Brands	Model Size	Approximate Total Site Area of Shipyard (sq. m.)	Approximate Total Site Area of Indoor Facilities (sq. m.)	Production Stations no.
Forlì	Ferretti Yachts, Itama, Wally	13-22 meters (43-72 feet)	51,524	23,251	26
Ancona	Custom Line, CRN, Riva/Pershing (super yachts only)	28-95 meters (93-312 feet)	76,945	32,704	20
Cattolica	Ferretti Yachts	24-30 meters (78-100 feet)	12,212	6,757	13
Sarnico	Riva	8-21 meters (27-68 feet)	43,378	16,986	18
La Spezia....	Riva	23-40 meters (76-130 feet)	39,025	17,640	21
Mondolfo....	Pershing, Itama, Wally	14-35 meters (45-116 feet)	83,377	21,219	25

The table below sets forth the maximum value of production, actual value of production and utilization rate of shipyards during the Track-Record Period:

	As of									As of March 31,					
	December 31,														
	2022			2021			2020			2023			2022		
	Max Value of Production	Actual Value of Production	Utilization rate ⁽¹⁾	Max Value of Production	Actual Value of Production	Utilization rate ⁽¹⁾	Max Value of Production	Actual Value of Production	Utilization rate ⁽¹⁾	Max Value of Production	Actual Value of Production	Utilization rate ⁽¹⁾	Max Value of Production	Actual Value of Production	Utilization rate ⁽¹⁾
(€ in millions, except percentages)															
Forlì	92	83	90.7%	69	69	99.4%	60	48	79.3%	28	25	91.0%	25	21	83.0%
Cattolica	80	80	100.6%	75	70	93.7%	75	54	71.7%	25	25	101.7%	20	18	88.3%
Sarnico	51	46	91.0%	60	45	74.4%	50	32	64.6%	13	13	98.1%	13	12	91.5%
Ancona	150	159	105.8%	140	123	87.8%	140	89	63.4%	44	44	101.0%	38	39	102.2%
La Spezia	148	148	99.7%	120	118	98.3%	120	81	67.1%	46	46	99.0%	36	37	101.7%
Mondolfo	120	125	104.1%	90	86	95.4%	90	60	66.9%	35	35	99.9%	28	28	99.5%

- (1) Actual value of production is calculated as the actual production costs incurred by the shipyard. Maximum value of production is calculated as a function of the maximum number of composite or made-to-measure yachts the shipyard can produce and the estimated production costs that would be incurred based on the Group's past experience, assuming five days a week and two shifts per day. Utilization rate is calculated by dividing actual value of production by the maximum value of production. Cattolica, Mondolfo and Ancona shipyards have a utilization rate of over 100% in 2022 due to: (i) some boats exceptionally completed in service areas and not at the dedicated stations due to a fire incident in the Cattolica shipyard; (ii) delays in the conversion of some areas in the Mondolfo shipyard into additional work stations; and (iii) production of a boat with a higher value compared to original production plan in the Ancona shipyard.

In addition to the above-mentioned six shipyards, on March 20, 2023, the Company purchased a shipyard, the “Cantiere San Vitale”, of approximately 53,000 sq.m. located in Ravenna by Rosetti Marino S.p.A., for further information see “—Material Agreements—Corporate transactions—Acquisition of Cantiere San Vitale.”

Some of Group's shipyards had relatively lower utilization rates in 2020, primarily due to the outbreak of COVID-19 pandemic in that year. In particular, the operations of Group's six shipyards were temporarily and partially suspended for two months in 2020, as imposed by the Italian government (emergency statutory provisions adopted to cope with the pandemic).

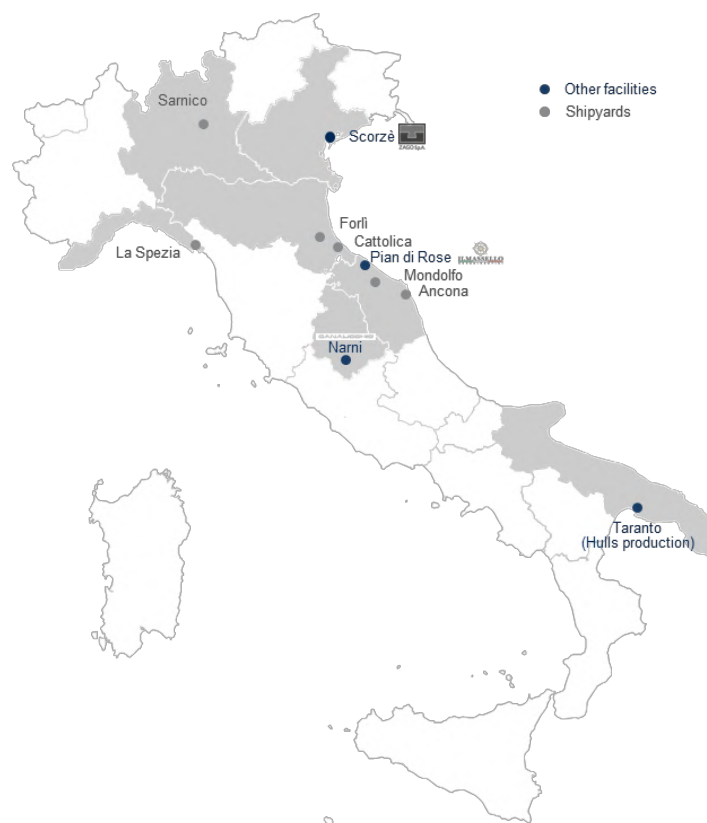
Despite the intrinsic nature of the yacht industry, which requires the majority of production activities to be carried out by skilled workforce and craftsmen in order to guarantee high quality standard, moreover, the Group always strives to endow its production process with the highest degree of industrialization possible. Every shipyard is equipped with cranes and handling trailers, enabling a “one-piece flow” production process and easing overall movements among working stations.

Since 2016, under the guidance of the new management team, significant investments have been strategically made ahead of the industry to expand and modernize Group's shipyards. Indeed, total shipyards indoor areas has increased by approximately 32% between December 31, 2016 and March 31, 2023. The Group's recently both refurbished and expanded the La Spezia, Ancona, Forlì and Mondolfo shipyards by adding new hangars and working stations.

In addition to the seven shipyards, through its subsidiaries, the Group also operates the following manufacturing facilities in Italy: (i) a production plant in Scorzè (through Zago S.p.A.), specialized in the production of high-quality wooden furnishings and fittings; (ii) a production facility in Pian di Rose (through Il Massello S.r.l.), also dedicated to wooded interiors for nautical purposes; and (iii) a production site in Narni (through Fratelli Canalicchio S.p.A.), for kinetic systems and

components. In addition, the Group has begun work on a project to internalize a strategic portion of its fiberglass and carbon-fiber hull production through the construction of a production facility located in Taranto (Italy), with the aim of reducing costs, increasing control on production steps and ultimately ensuring the highest end-to-end product quality. As of the Prospectus Date, the Group has obtained the concession from the local municipality, but the construction works have not started yet. Moreover, as part of its ancillary businesses, the Group also operates a refitting facility in Fort Lauderdale (Florida, USA), covering the AMAS market.

The following map shows the locations of the Group's shipyards and other facilities within Italy:



Suppliers and Procurement

The Group sources a wide range of raw materials, components and sub-assemblies from third-party suppliers. Typically, the production and construction of some more complex parts, components and systems of yachts (such as the assembly of fiberglass hulls and superstructures as well as the construction and installation of electrical parts and other systems) are outsourced to third-party contractors, which the Group believes afford greater scalability and flexibility. However, the Group generally retains production in-house whenever it has an interest in preserving or developing technological know-how or believes that outsourcing would impair the efficiency and flexibility of its production process.

The main production inputs used by the Group comprise fiberglass hulls and superstructures, interior furnishings and mechanical components such as engines, generators, stabilizers and propellers. Group's suppliers and contractors are primarily located in Italy, while engines and teak are sourced mainly from Germany and mechanical components mainly from the United States.

The Group adopts stringent procedures for supplier and contractor selection. The purchasing department manages the entire process at the Group level, working in close coordination with the relevant brand-level project managers and project engineers. Specific screening criteria and key performance indicators have been established for suppliers and contractors including, *inter alia*, technical skill and reputation, business scale, financial solidity, production capacity and flexibility, geographic location and logistics, and pre-sales and after-sales service capabilities. The Group final selections are generally made among all the suppliers and contractors satisfying these screening criteria pursuant to competitive tender procedures. In addition, the Group routinely monitors and assesses the performance of suppliers and contractors concerning all relevant key performance indicators and meetings are regularly organized with them with the aim to mitigate production bottlenecks and identify areas for further efficiency gains. As of the Prospectus Date, the Group had an average of more than 10 years of business relationships with its contractors.

For most important strategic inputs, the Group enters into long-term framework agreements with suppliers and contractors,

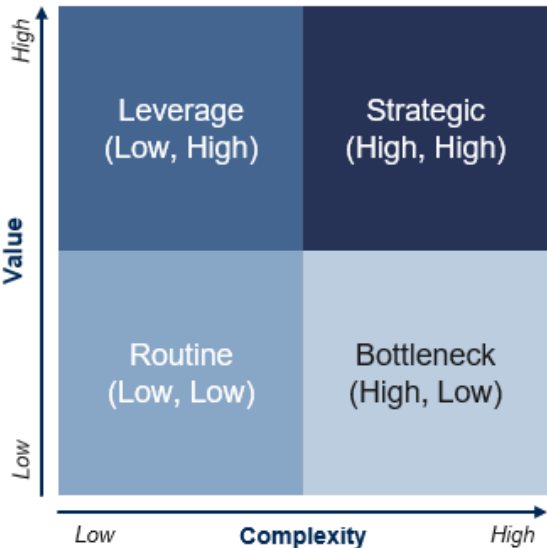
which generally remain in force up to three years or on a yearly basis, subject to automatic renewal and written notice for termination. The framework agreements set forth the general terms and conditions, pursuant to which the Group enter into a specific agreement with the supplier or contractor with the payment terms for each purchase. The prices in the relevant specific agreements are fixed, unless otherwise agreed in writing between the parties. Usually, the agreement requires the Group to pay its suppliers and contractors in instalments according to pre-agreed milestones. The Group’s suppliers and contractors must meet all the Group’s requirements and specifications and are responsible for liabilities caused by product or work defects. In addition, they have agreed to provide warranties that typically match the terms of warranties provided by the Group to end customers. Agreements provide for the Group’s right to conduct on-site inspections of suppliers and contractors to ensure they are on schedule to meet agreed deliveries. In the event of a delay in delivery, the supplier or contractor is liable for penalties agreed in the relevant agreement. In the event that the supplier or contractor commits any breach of the agreement, the Group shall be entitled to suspend all scheduled payments and to offset the amount of the related damages with the amount of the invoices issued by the supplier or contractor for the works carried out under the relevant specific agreement.

The Group has co-developed several technologies, solutions and applications with its suppliers and contractors. See “—*Product Development and Innovation—Proprietary Technologies and Applications.*” In these cases, the intellectual property rights associated with the co-developed technologies, solutions and applications will belong to the Group to the extent that the idea is entirely developed by its engineering department.

While the Group generally enters supply contracts that fix the prices for key production inputs in advance, the following additional steps are taken to mitigate the Group’s price risk:

- when a new composite or made-to-measure model is launched, the Group requires suppliers to provide quotes covering unit prices for up to four years, while in other cases, the prices are subject to renegotiation; and
- when a super yacht production is planned, the Group requires suppliers to provide price quotations that will remain in effect for several months. Based on these quotes, the sales price of the yacht is negotiated with the customer. After the final agreement with the customer is reached, the Group contracts with such suppliers based on the prices already quoted. This process allows the Group to obtain advanced visibility of the margins earned from each super yacht produced

The Group constantly seeks to diversify its supplier base to mitigate the risks associated with potential dependence on individual suppliers. In addition, Group vendor base is segmented according to the matrix set out below:



Inputs characterized by low supply risk and low profitability impact (such as standard parts) are classified as “routine inputs”. In general, for this category, the Group seeks to achieve cost reductions and rationalization of its sourcing arrangements. Inputs characterized by low supply risk and high profitability impact (such as glass, steel and fiberglass components) are classified as “leverage inputs” due to the high number of suppliers in the market. For this category, the Group invests time to select each supplier carefully. Inputs featuring a high supply risk and low profitability impact (such as teak components) are classified as “bottleneck inputs”. As there are typically few suppliers for such materials, the Group has limited negotiating power. Finally, there are strategic inputs (such as engines, kinematics components, mechanical components and “Made in Italy” branded interior furnishings), which are characterized by high supply risk and high profitability impact. For this category, the Group seeks to establish long-term relationships with the suppliers through frequent interactions and joint research projects. At the same time, the Group systematically searches for potential alternative sources, also outside the

yacht industry boundaries.

During the Track-Record Period, and more specifically, since the onset of the COVID-19 pandemic and the challenging global macroeconomic environment that followed, the Group has experienced shortages and delays in the delivery of certain production inputs. The most heavily impacted product categories are those featuring electronic components, in particular powertrains, generators, steering systems, and all systems with microchips, as well as fittings for hydraulic connections, as a result of temporary foundry shut-downs due to high energy costs.

The Group has in place a series of measures to address delays and mitigate impacts on production. For example, (i) supply deadlines for key components have been renegotiated and in most cases extended; (ii) orders have been advanced up to twelve months to preempt and prudentially account for potential delays; (iii) production plans have been shared with suppliers more often to grant them more visibility and allow for more thorough planning; (iv) supplier visits have been increased to ensure close contact with critical suppliers and directly monitor their ability to deliver on time; (v) financial support has been provided by the Group to suppliers, where necessary, to support their purchases of raw materials and components; (vi) guaranteed volumes have been adjusted; and (vii) alternative suppliers have been identified and engaged to reduce supply risk. Thanks to these measures, the Group believes that, subject to a limited number of exceptions, the supply shortages or delays experienced do not pose a material threat to its overall ability to meet its contractual obligations and deliver sold boats; keep its production lines working according to production plans; or support sales efforts to generate new orders.

Following the above considerations about production approach and supply chain management, the Group is thus exposed to the risk of joint and several liability under applicable Italian labor laws if its contractors fail to pay the wages and make the required social security contributions for their employees involved in performing contractual obligations for the Group. In addition, the Group faces the risk that employees of its contractors may seek to requalify their relationships with the Group as one of permanent employment, which, if successful, would cause the Group to be responsible for the related wages, contributions and indemnities or subject it to administrative sanctions. Nevertheless, the Group believes its exposure to such risk to be limited and hedged through appropriate provisions.

During the Track-Record Period and up to the Prospectus Date, the Group did not experience any of these aforementioned events that resulted in material claims against the Group.

Quality Control and Assurance

The Group's quality control function is responsible for ensuring the quality and reliability of products through a team of 104 employees as of March 31, 2023. As a proof of its willingness to position itself as an industry benchmark for quality, in 2006 the Group obtained the Quality Management System certification, ISO 9001:2015, attesting that all the processes impacting product quality meet the highest standards regarding customer satisfaction. For further information, see "*Certifications*."

To ensure excellence in the management of all product workflows, before the final delivery to the customer, each yacht goes through several quality assessments, strategically placed across the entire production value chain (from raw material inspection and quality check through final product assembly to sea trials). The Group has adopted a uniform quality system across all brands of composite and made-to-measure models, which enables management to monitor production activities against a number of key performance indicators and to take prompt corrective action whenever necessary. The Group believes that this approach facilitates sharing of know-how and best practices across brands and products. At the same time, the Group has developed tailored manuals, procedures, and operating instructions for each brand in order to protect their distinctive characteristics.

The quality control process comprises five principal phases. The first phase involves the testing and inspection of the raw materials used in the production cycle (including resins, fabrics, wood, steel, and gel-coats) as well as the rigorous evaluation of all suppliers of these materials. The second phase involves process and product inspections of the fiberglass assemblies, glass, furniture, fittings and sub-assemblies used in the production cycle (including checks carried out directly at the facilities of the Group's key suppliers) to ensure that they comply with Group's specifications before delivery is accepted. The third phase involves the monitoring of each step of the Group's own production processes based on detailed assessment plans, with re-verification of all materials prior to their installation on a yacht and additional testing of certain critical processes and components. The fourth phase confirms the correct assembly and operation of all mechanical components and interior fittings before the yacht leaves the shipyard. On super yachts, this phase is performed under the supervision of the relevant classification entity. The fifth and final phase involves sea trials based on detailed checklists that are regularly updated based on customer feedback collected by Group's after-sales assistance team. The Group also uses this feedback to recalibrate the production processes to rectify any manufacturing defects that may have emerged.

Outsourcing

During the course of the business, the Group outsources certain activities to third-party service providers, which mainly include contractors, external naval architects and designers and authorized service points.

In connection with the production of the yachts, the Group typically outsources to third-party contractors the production and construction of some more complex parts, components and systems of yachts (such as the production and assembly of fiberglass hulls and superstructures as well as the construction and installation of electrical parts and other systems). See “—Production” and “—Suppliers and Procurement.”

In connection with the development of new models, their design is generally outsourced and must strictly follow the relevant brand style and innovative solutions developed by the Group. See “—Product Development and Innovation—Product Development Process” and “—Product Development and Innovation—Market Analysis and Preliminary Design—Preliminary Design.”

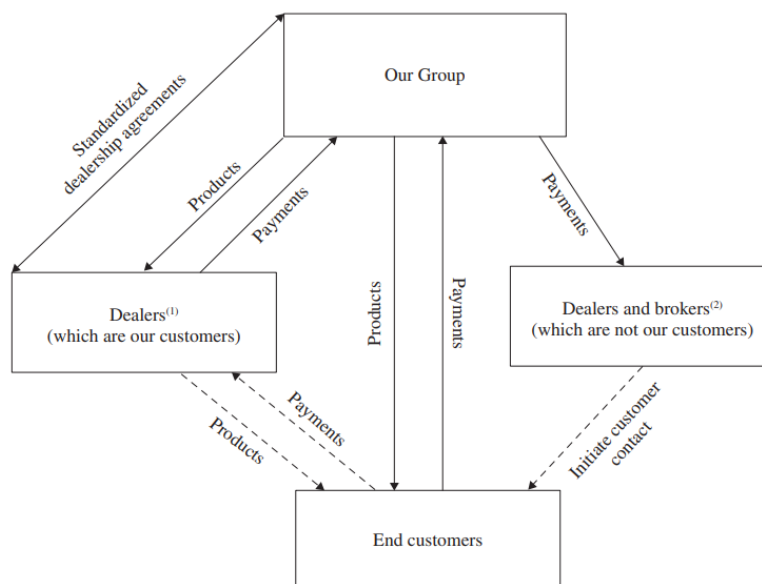
In connection with after-sales services, the Group maintains a network of authorized service points, which are operated by dealers or other third parties, to assist the Group’s in-house after-sales assistance team. See “—After-sales Services.”

Sales and Distribution

Overview

The Group has based its sales model upon: (i) maintaining a direct presence in strategic geographical markets; and (ii) maximizing market coverage through a solid and extensive network of dealers and brokers which are mostly corporates. The Group has an established sales presence in more than 70 countries in EMEA, AMAS and APAC, enabling the Group to reach customers globally. In particular, the Group has built an in-house sales team in each region through a network of sales offices strategically located in: (i) Milan (Italy), London (England), Monaco (Principality of Monaco) and Palma de Mallorca (Spain) for the EMEA market; (ii) Fort Lauderdale (Florida, USA), Palm Beach (Florida, USA), Naples (Florida, USA) and Sag Harbor (New York, USA) for the AMAS market; and (iii) Hong Kong (Hong Kong Special Administrative Region of the People’s Republic of China) and Shanghai (People’s Republic of China) for the APAC market. As of March 31, 2023, the Group’s sales network consisted of in-house sales team comprising 75 employees, 55 dealers and a network of 279 brokers. Sales model varies according to yacht size: yachts under 30 meters (approximately 100 feet) in size are mainly sold via Group’s dealer network, namely, either sold through dealers or sold directly to end customers after initial contacts generated by dealers; while sales of yachts above 30 meters in size (approximately 100 feet) are generally managed directly by the Group after initial contacts generated by brokers. In addition, the Group relies also on an internal sales team supporting both dealers and brokers and also directly engaging with customers. When relying on dealers, sales are almost always made “through dealers” (*i.e.*, sale to end customers through the intermediation of dealers), and not “to dealers” (*i.e.*, sale to the dealer who in turn almost always has sale contracts with the end customer on a back-to-back basis). For the years ended December 31, 2022, 2021 and 2020 and for the three months ended March 31, 2023 and 2022, 78.6%, 77.4%, 79.7%, 81.7% and 76.8%, respectively, of the Group’s net revenues invoiced after final delivery were from sales made directly to end-customers through dealers.

The diagram below illustrates the relationships and arrangements among the Group and its dealers and brokers:



(1) When the Group sells to a dealer, it enters into a seller-buyer relationship with such dealer, who is its customer.

(2) Under the Group’s direct sales model, the Group may sell directly to end customers after an initial customer contact generated by one of its dealers or a third-party broker. In this case, such dealer or broker is not the Group’s customer. The Group only enters into a commission agreement with

such dealer or broker after the execution of a sales contract with the customer.

The Group supports its dealers and brokers by keeping them up-to-date about the evolution of the Group's product lines. For example, the Group operates a "Dealer Sales Academy" that provides a constant flow of information about product offerings and strategies and organizes periodic refresher courses for dealers (semi-annually) and brokers (annually). All brokers are also invited to an annual event in Italy that includes, among other things, a two-day visit to Group's Ancona shipyard.

Key Terms of Sales Contracts

When the Group sells directly to end customers, a sales contract is entered into directly with each end customer, while when the sales occur to dealers, the sales contract is entered into with the relevant dealer, which executes the same with the end customer on a back-to-back basis.

The Group's standard sales contracts generally require that customers make a minimum down payment at the time the contract is signed of approximately 10% of the total price, followed by a certain number of milestone payments depending on yacht type and the progress of the production process. For yachts sold during the construction phase, the Group records a portion of net revenue (i.e., revenue net of commissions) based on the net sale price and the construction progress achieved on the yacht, while all the costs incurred during construction are recorded in the financial statements, as incurred. Typically, the milestone payments cover the majority of net revenue accrued for composite and made-to-measure yachts and all net revenue accrued for super yachts. Before the Group delivers or transfers the yacht, the customer is required to pay all amounts due. The Group will retain possession and ownership of the yachts until the customer has notified its acceptance of the yacht and paid all amounts due.

The Customer will only be entitled to reject the yacht in presence of defects which render the yacht unseaworthy and/or prevent the safe and proper operation of the yacht's main systems and machinery. The sole presence of minor non-conformities (which shall be rectified by the Group as warranty items) will not exempt the Customer from the obligation of purchasing the yacht and paying all the amounts due. Under Group standard sales contracts, if a customer fails to pay a milestone payment, the Group may charge interests and suspend work on the yacht until such sum and all accrued interest thereon are paid in full. Always in the event that a customer fails to pay a milestone payment, after a grace period of generally 14 days, the Group has the contractual right to terminate the contract and retain all advance payments received; the same applies when a customer cancels an order; the purpose of retaining the advance payments is to cover Group's net revenue accrued until the order cancellation date, in line with the applicable Italian laws. In both cases, the Group retains the yacht's ownership with the possibility to sell it to another customer. Due to the nature and uniqueness of the luxury yacht industry, the Group did not experience in the past, nor it expects to face in the future, any material difficulty in reselling its yachts to other customers. During the Track-Record Period and up to the Prospectus Date, the Group have not experienced any material delay in payments from customers (other than in connection with the cancelled orders).

During the Track-Record Period and up to the Prospectus Date, the Group experienced 8 order cancellations. These cancellations were primarily attributable to: (i) financial difficulties experienced by customers, in which case the advance payments were retained by the Company; (ii) cancellation by customers in order to opt for a different model (normally larger in size than that originally ordered), in which case the deposits were transferred to the new order placed; and (iii) destruction or serious damage of work-in-progress yachts due to a fire that occurred in the Cattolica shipyard on January 11, 2022. The total contract value of cancelled orders was €21.9 million (of which €16.6 million were related to the fire in the Cattolica shipyard), €2.0 million, €19.2 million and €1.1 million for the years ended December 31, 2022, 2021 and 2020 and for the three months ended March 31, 2023. These cancellations resulted in a decrease in net revenue (namely, net revenue recognized in line with construction progress till the time of order cancellation) of €11.9 million, €1.9 million, €17.0 million and nil, respectively, for the years ended December 31, 2022, 2021, 2020 and for the three months ended March 31, 2023, respectively. The advance payments received were not always sufficient to offset the production costs. However, the Group did not incur any actual loss in connection with order cancellations during the Track-Record Period as the yachts were resold to other customers or, for the boats damaged in the fire at the Cattolica shipyard, a claim was made and the loss was fully insured.

If the Group delays in delivering a composite yacht, although no penalty is due, the customer has the right to terminate the contract and receive a full refund if such delay extends for more than 90 days, with the exclusion of Group's liability for any further direct and/or indirect damages. If the Group delays in delivering a made-to-measure yacht or a super yacht, the payment of liquidated damages for each day of delay after the expiration of a grace period (usually 30 days) is typically provided, along with the provision that the maximum aggregate liability for liquidated damages will be an amount equal to 5% of the purchase price. The amount of liquidated damages varies on a case-by-case basis, and if the delay continues beyond a certain period (typically 210 days), the customer has the right to terminate the contract and receive a full refund of all amounts paid to the Group all accrued interest thereon, with the exclusion of Group's liability for any further direct and/or indirect damages. During the Track-Record Period and up to the Prospectus Date, the Group paid penalties and liquidated damages for delay in delivery to customers with a net aggregate amount, partially offset from insurance reimbursements, of nil in 2022, nil in 2021, €1.7 million in 2020 and nil for the three months ended March 31, 2023. Such delays were mainly attributable to: (i) production delays caused by a supplier which went into bankruptcy proceedings; and (ii) production delays

caused by the suspension of shipyards operations in 2020 due to COVID-19 lock-down restrictions.

In addition, the Group's contracts with customers (some of which involve significant amounts) are usually longer than one year and have payment terms connected to the achievement of contractually agreed milestones, therefore cash flows under the contract can only be properly evaluated only as the contract progresses (since the beginning of the contract) or over the total duration of the contract. As a result, the Group's recognition of operating cash flows, which mainly include the cash flows from contracts with customers, may vary significantly from quarter to quarter depending on the achievement of contractually agreed milestones and it is representative only when carried out over a period of time longer than 6 months. The Group's results are not subject to seasonality, except for the concentration of deliveries in the northern summer season (May-August) and, to a lesser extent, in the southern summer season (November-January), especially for composite yachts. As a consequence of this variability, the Group monitors its operating performance on a short-term basis, using Adjusted EBITDA and order backlog, consistent with practice in its industry.

The Group's standard sales contracts generally do not provide any specific price adjustment clause (e.g., to cover for price increase of raw material, components, or semi-finished goods). In some instances however, following specific customization requests from the clients or when the production lead-time extends over multiple months or years (e.g., for made-to-measure or super yachts), the Group may, after technical and commercial assessments, agree with the customer to include a specific price adjustment clause in the sales contract. In particular, such price adjustments are typically tied to inflation and are triggered if the Italian consumer price inflation increase at an annual rate of more than an agreed rate; in this case the contract price will be increased accordingly and the amount of such increase will be apportioned pro-rata over the remaining instalments thereof.

In general, sales prices for composite and made-to-measure yachts are based on official pricelists released by the Group, which are updated and adjusted multiple times per year to reflect the general macro-economic environment, trends in the cost of production inputs and exchange rates, competitors' moves, customer waiting lists, the age of each specific yacht model, and the availability of stock (if any). Such updates and adjustments allow the Group to ensure that prices appropriately cover production costs and provide for adequate operating profits. For super yachts, sales prices are not based on any pricelist given the fully customized nature of each vessel; rather sales prices are set to reflect the quotations received from all suppliers and contractors involved in the production of a given yacht, thus ensuring appropriate coverage of production costs and adequate operating profits. See "*Production—Suppliers and Procurement*" for additional information.

Dealers

When the Group sells to a dealer, it enters into a seller-buyer relationship with such dealer, who is its customer. In most instances, the dealer already has a sales contract in place with a customer. Under the Group's direct sales model, the Group may also sell "through" a dealer, *i.e.*, selling directly to end customers after an initial contact generated by one of its dealers or a third-party broker. In this case, such dealer or broker is not the Group's customer, and the Group enters into a commission agreement with such dealer or broker after the execution of a sales contract with the customer.

As of March 31, 2023, the Group had 55 dealers. The table below sets forth a geographic breakdown of Group's dealers as of March 31, 2023:

Region	Number of dealers	Percentage
EMEA	34	62%
AMAS	10	18%
APAC	11	20%
Total.....	55	100%

The Group enters into standardized dealership agreements with its dealers. Individual sales contracts are separately entered into for each purchase with fixed sales price and agreed commissions. Key terms of dealership agreements include:

- *Term.* One to three years (mainly three years), renewable subject to the attainment of agreed targets.
- *Designated distribution area.* Dealers are not allowed to actively promote or distribute Group's products outside of their designated geographic areas.
- *Exclusivity.* Dealers are granted the exclusive dealership of specific products/brands in their designated geographic areas. Should the dealer not adequately cover one or more geographic areas, the Group shall be entitled, at its sole discretion, to reduce the extent of the territory and/or to reduce the list of yachts covered by exclusivity.
- *Sales target.* Annual sales targets for dealers are set, which are used to monitor dealer performance and market evolution. If dealers reach or exceed such targets, they are entitled to a bonus. Should the dealer fail to achieve

the agreed minimum sales targets by the end of each contractual year, the Group shall be entitled to terminate the whole agreement or to terminate the exclusivity granted to the dealer.

- *Payment conditions.* Balance shall be paid before the delivery of each yacht.
- *Resale price management.* A manufacturer suggested retail price is set for each model; dealers can either resell at that price or at a lower one, but never at a higher one.
- *Confidentiality.* Each of the parties undertakes not to disclose the other party's trade secrets or other business information to any third party.
- *Termination.* The dealership agreements may be terminated, among others, (i) by the non-defaulting party in the event of a material breach; (ii) by the Group in the case of winding up, liquidation, bankruptcy or insolvency of the other party; or (iii) by the Group in the event of certain circumstances which may adversely affect the business and reputation of the dealer.

Dealer and Broker Commissions

Under its direct sales model, the Group sells directly to end customers after an initial customer contact generated by one of the dealers or a third-party broker. The Group only enters into a commission agreement with such dealer or broker after the execution of a sales contract with the customer. Pursuant to the commission agreement, the dealer or broker is entitled to commissions calculated as a fixed percentage of the relevant contract value that are generally payable (i) (for composite and made-to-measure yachts) 30 days upon settlement of the final payment and acceptance of the yacht by the customer; or (ii) (for super yachts) in installments after the Group receive each progress payment from the customer. The average rate of commissions paid to dealers and brokers was relatively stable during the Track-Record Period, being 4.2%, 4.9%, 4.8%, and 4.3%, in 2022, 2021 and 2020 and the three months ended March 31, 2023, respectively.

Logistics Arrangement

The Group delivers its products to dealers and direct customers at Group's own docks under Ex Works conditions, or, to a lesser extent, at an agreed location outside of Italy. The Group generally uses third-party logistics service providers to transport the yachts to the designated locations. With such providers specific agreements are in place pursuant to which they are responsible for any damage and loss caused by their negligence during the course of their logistics services.

After-Sales Services

The Group's after-sales service department comprises two divisions, namely: (i) the global technical support, customer care and warranty division; and (ii) the after-sales services and spare parts division.

The global technical support, customer care and warranty division is responsible for under-warranty services such as maintenance, technical support and repair. The service team is specialized by brand and each member covers a limited number of design models and customers. The Group believes this approach ensures timely and effective responses to customer requests and allows to quickly adjust production and quality control processes if needed.

The after-sales services and spare parts division is responsible for the post-warranty repair, refitting services (such as ordinary and extraordinary maintenance, renovation and upgrade of the yachts) and spare parts distribution services provided in exchange of an extra fee. Thanks to its experience and know-how, the team provides customers with unique services ranging from maintenance plans, refit activities, repairs, technical consultancy, dedicated surveys and original spare parts supplies. These services are available for both brand-new yachts and pre-owned yachts.

The Group manages spare parts distribution services through a central warehouse located in Forlì. In addition, a spare parts warehouse is also operated in Florida. See “—Other Businesses—Provision of After-Sales and Refitting Services.”

Overall, Group's after-sales team mainly comprises: (i) central after-sales assistance office in Italy; (ii) EMEA, AMAS and APAC regional after-sales centers; and (iii) a network of outsourced authorized service points, which are operated by dealers or other third parties pursuant to service contracts entered into with the Group. The Group maintains a service hotline to ensure that customer complaints and requests are handled promptly. The central office manages all complaints and requests for assistance received from customers and dealers, and coordinates with regional after-sales centers and outsourced authorized service points in responding to these requests.

In conjunction with some of its key suppliers, the Group also operates a “Service University”, a training program that aims to develop the technical skills of dealers and service points. Training sessions are held three times a year across all regions (one session in EMEA, one in AMAS and one in APAC).

As of March 31, 2023, the Group had a network of 90 outsourced authorized service points, providing after-sale support on a recurring basis to all Group's customers in EMEA (45 service points), in AMAS (24 service points) and in APAC (21

service points).

The Group's product warranties on new yachts are valid for 12 to 24 months after delivery (excluding batteries, anodes, paints and other parts subject to wear and tear, and excluding accessories and components manufactured by third-party suppliers, although installed by the Group during assembly process). Typically, the Group provides after-sales services under warranty directly at its own docks (where yachts are delivered to customers) or at the facilities of outsourced authorized service points. For super yachts, customers are also provided with performance warranties covering specifications such as maximum speed, operating range and noise/vibration levels. The Group made provisions for product warranties of €26.1 million, €18.8 million and €15.1 million in 2022, 2021 and 2020 and of €11.2 million for the three months ended March 31, 2023, respectively.

During the Track-Record Period and up to the Prospectus Date, the Group did not experience any product return, nor any material product liability or other material legal claims from customers due to problems associated with the quality of its products.

Markets And Competition

Introduction

The Group believes that there is currently no single independent, third-party source that analyses the global yachting market in an exhaustive and consistent manner. Therefore, the Group monitors its target markets and determines the Group's market share and competitive position on the basis of studies by third-party sources that the Group believes to be reliable. These calculations and assessments are made directly by the Group and are therefore subjective and may not be accurate. As a result, the Group's actual market position and trends in the market segments served by the Group may be different from that represented.

The historical and forecast data related to the recreational boating market are the result of calculations of the Group based on third-party sources, such as: the report *Recreational Boat Market, Global Outlook and Forecast 2022-2027* issued by Arizton Advisory & Intelligence, the database issued by the boating experts from the company Phil Draper & Associates, the report prepared in 2022 by China Insight Consultancy describing the recreational boat market. Similarly, the Group's statements concerning its competitive position are the result of calculations carried out by the Group based on the database issued by the boating experts from the company Phil Draper & Associates.

The methodology used is also based on a wide range of sources such as, but not limited to, sector reports, information and data from the financial statements and websites of the main companies operating in the sector, proprietary and public databases (for example of government institutions), publications of industry associations and other public information available (*e.g.*, trade journals and articles).

Market overview

Global luxury industry highlights

As indicated in the Bain & Company and Altagamma, the luxury yacht market is part of the more extensive global luxury markets, which is comprised of three main segments: (i) luxury products (*i.e.*, high-quality design furniture and personal luxury goods), (ii) luxury experiences (*i.e.*, luxury hospitality, cruises and fine dining), and (iii) experience-based luxury goods which includes, together with luxury yachts, also luxury cars, private jets, fine wines & spirits and gourmet food. According to Bain & Company and Altagamma, all three market segments are expected to grow steadily until 2025. In particular:

- after the hit of 2020 caused by the COVID-19 pandemic, the luxury products market has recovered and exceeded 2019 levels already in 2021, rebounding from the COVID-19 pandemic effects faster than other luxury markets. The luxury products market is expected to continue its upward trend in the coming years, growing at approximately 5% CAGR from 2021 until 2025;
- the experience-based luxury goods market experienced drop in 2020 and was forecast to return to 2019 levels in 2022, still to be confirmed. Bain & Company and Altagamma forecasts that this *luxury* segment will grow at approximately 6% CAGR from 2021 to 2025;
- the luxury experiences market was the most heavily impacted by the COVID-19 pandemic, while it is expected to strongly grow from 2021 until 2025 at approximately 20% CAGR, outpacing all other luxury segments. This market is forecast to return to 2019 levels by the beginning of 2025.

The strong growth that the three luxury market segments are expected to experience in the upcoming years, is sustained by specific growth drivers:

- surging willingness to secure “*intimate*” luxury experience, especially relevant for the experience-based luxury goods market, which includes, among others, luxury cars, private jets and luxury yachts;
- new pivotal role of home, with intermingling spaces between private and working life fostering the willingness to invest into high-end *products* and higher customization of living spaces, fueling the demand for, among others, high-quality design products market and luxury goods that can be used for both private and business purposes (e.g., private jets, luxury yachts);
- increased interests into luxury experiences such as fine dining, also fostered by a stronger quest for conviviality and the rise of new *paradigms* such as high-end pantry meals at home and ghost kitchens.

Definition and categorization of yachts

A yacht is a sailing or power vessel used for leisure and recreation in the water. The introduction of yachts can be traced back to the mid-1600s while the modern global yacht industry emerged in the 1950s. The industry experienced rapid growth in the 1970s and entered a mature period of development in the 1990s. At present, the purchase of yachts is concentrated in developed countries in EMEA, and AMAS as indicated in the Recreational Boat Market, Global Outlook and Forecast 2022-2027 Report issued by Arizton Advisory & Intelligence.

Yachts can be categorized into the following categories by propulsion means:

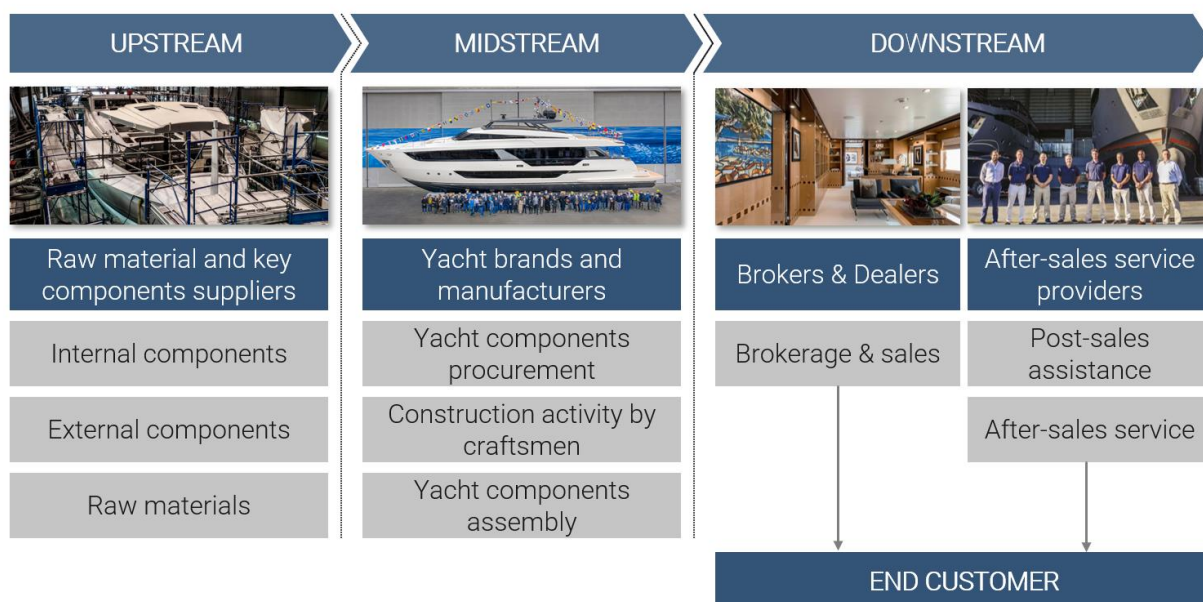
- *inboard yachts*: Inboard yachts use engines mounted inside the boat’s hull and connected with propellers through shafts penetrating the hull. The steering wheel is linked to a rudder *system* that is separate from the propulsion system;
- *outboard yachts*: Outboard yachts have the engine(s) placed outside of the *boat’s* hull and with the propeller integrally attached to it. This category also includes inflatables, which are also known as lightweight watercrafts, with sides and bow made of a flexible inflatable tube, containing pressurized gas;
- *sailing yachts*: Sailing yachts utilize sails as the primary mean of propulsion – while engines are installed as a secondary propulsion system for safety and to maneuver the boat while in *marinas*.

Although present in all the above-mentioned market segments, the Group is largely focused on the inboard yachts market, its core reference market, which represented approximately 98% of total Group’s new yacht sales revenues for the year ended December 31, 2022.

Yachts can be further classified into the following segments according to their length and level of personalization:

- *composite yachts (<30 meters, approximately <100 feet)*: yachts with composite (typically fiberglass or carbon-fiber) hull and characterized by a pre-determined set of features, *which* vary according to the models. Degree of customization is limited to the configurations available for each model;
- *made-to-measure yachts (>30 meters, approximately 100 feet and above)*: yachts starting from pre-defined hulls and models, whose internal layout and fittings can be completely adapted and customized. Composite (typically fiberglass or carbon-fiber) hulls and superstructures are mainly used in their production;
- *super yachts (>30 meters, approximately 100 feet and above)*: Custom-made creations fully designed and tailored to the specifications required by the customers. Metal hulls are typically used in their production.

Value chain analysis of the yacht industry



Source: Group's representation.

- upstream:** The upstream segment is represented by suppliers, which primarily provide raw materials and internal and external components to yacht manufacturers. In order to ensure that suppliers are fully capable of meeting specific requirements, yacht manufacturers select them based on technical skills, reputation, and production capacity. Yacht manufacturers often seek to develop synergistic relationships with key suppliers to improve the quality of supplies and the overall reliability of their partners.
- midstream:** Building a yacht is an extremely complex business, involving many parties and substantial investments. The manufacturing process of a yacht starts with model design. For the development of both interior and exterior boats' designs, yachts manufacturers involve several naval designers as well as interior designers in order to characterize specific product ranges or specific brands. Once the design is finalized, yacht manufacturers proceed with the procurement of required components from suppliers and the construction of the hull and the superstructure(s). After that, yacht manufacturers begin the assembly phase. Given the intrinsic complexity and challenges of yacht manufacturing process, midstream yacht brands and manufacturers leverage the expertise of specialized operators and craftsmen. For this reason, yacht manufacturers tend to locate their shipyards in districts offering all the skills needed for yacht manufacturing. Most of these districts are in Europe, and Italy in particular stands out for the globally recognized excellence of its nautical districts located in the northern part of the country on both shores (Tyrrhenian and Adriatic). Such level of expertise and specialization allows these craftsmen to serve not only the yachting industry, but also other industries.
- downstream:** The downstream segment includes yacht sales and after-sales services. Yachts sale process is mainly entrusted to dealers and brokers. Dealers typically carry out sales of yachts smaller than 30 meters (or approximately 100 feet), while brokers assist customers in purchasing larger yachts (greater than 30 meters, or approximately 100 feet and above). Customers can also approach yacht brands directly. After completing the sale, the after-sales services providers, who could be the yacht manufacturers themselves or professional third-party companies, can provide after-sales assistance and offer maintenance, refitting, and trade-in services, as well as chartering and crew management services to the end customers.

Sales channel analysis of the global yacht industry

Yacht customers can make a purchase through dealers, brokers or directly with the salesforce of yacht companies. Since the majority of yacht sales are executed through brokers or dealers, it is important for a yacht company to cover all three channels to maximize sales.

Dealers: A yacht dealer can represent various brands or a specific one. Most dealers maintain an exclusive relationship with the yacht company they represent. A dealer is the main sales channel for smaller yachts (<30 meters, approximately <100 feet).

Brokers: Professional brokers work either for a brokerage house or independently and earn a commission for handling the sale processes (including selecting a suitable yacht, negotiating prices, and documentation). Yacht companies usually cooperate with brokers for the sale of larger yachts (>30 meters, approximately 100 feet and above).

Direct salesforce: Group's salesforce is involved in the selling process if contacted directly by the end customer or, alternatively, if involved by dealers or brokers to support the sale.

The market size of the global yacht industry

The global yacht market experienced stable growth between 2016 and 2019, declined in 2020 in the aftermath of the COVID-19 pandemic, and rebounded starting from 2021, and is expected to exceed 2019 levels in 2022. In particular, the global pandemic brought production to a temporary halt in most of the shipyards; for example, Ferretti Group suspended operations in its 6 shipyards for 60 days between March and May 2020. In addition, the COVID-19 pandemic prevented participation in the main boat shows, thus limiting sale opportunities for yacht manufacturers. Starting from the end of 2020, however, the global yacht market has bounced back, growing by 19% in 2021 over 2020 across all regions (EMEA, AMAS and APAC) and was forecast to surpass 2019 levels by the end of 2022, still to be confirmed, according to Group calculation based on data from China Insights Consultancy and from Arizton Advisory & Intelligence. The reported analysis on the global luxury yacht market reflects the latest available data, industry reports and industry information as of the Prospectus Date.

The luxury yachting industry's client base is primarily comprised of Very High Net Worth Individuals (VHNWIs) and Ultra High Net Worth Individuals (UHNWIs). According to Credit Suisse, an individual is considered to be Very High Net Worth if his/her personal wealth is between \$5 million and \$50 million. An individual is considered to be Ultra High Net Worth if his/her wealth exceeds \$50 million.

The global pandemic brought most outdoor activities to a halt, thereby changing the way VHNWIs and UHNWIs live and increasing their willingness to spend on yachts. During the pandemic, more VHNWIs and UHNWIs became keen to experience yachting lifestyles since social distancing was encouraged and yachts could offer privacy and comfort, while new technologies for connectivity facilitated remote working therefore increasing time spent on board. In addition, the pandemic made VHNWIs and UHNWIs more willing to make the most of the present time, increasing their propensity to spend on luxury.

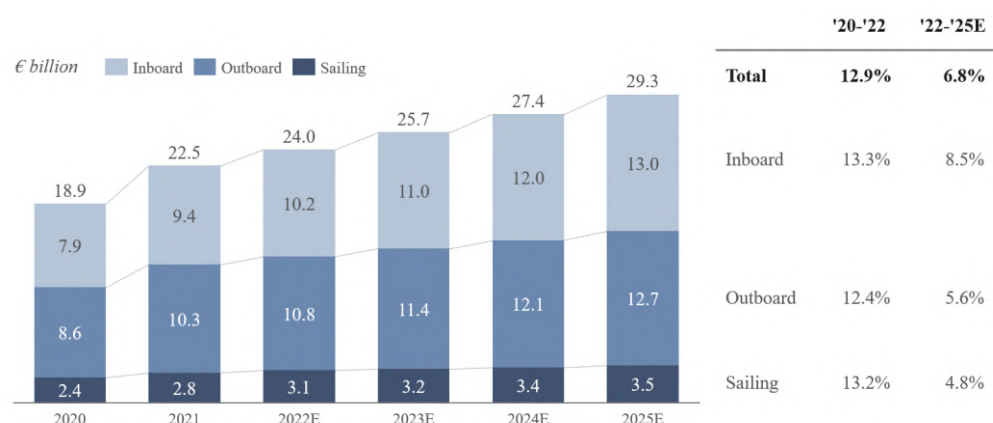
Fast-growing demand by VHNWIs and UHNWIs for yachts during the post-pandemic period and emerging countries catching up has meant that the global yacht market has been experiencing strong momentum since the end of 2020 and is expected to surpass pre-pandemic levels already in 2022. As the number of VHNWIs and UHNWIs is expected to grow steadily in the future, the global yacht market is forecast to reach €29.3 billion in 2025, implying a CAGR of 6.8% between 2022 and 2025. The luxury products market which is forecast to grow at approximately 5% CAGR between 2021 and 2025.

In terms of growth in market size by category, revenues for the global inboard market grew at a CAGR of 13.3% between 2020 and 2022, from €7.9 billion in 2020 to €10.2 billion in 2022, and it is expected to grow at a CAGR of 8.5% between 2022 and 2025, reaching €13.0 billion in 2025. The global outboard yacht market size grew at a CAGR of 12.4% between 2020 and 2022, from €8.6 billion in 2020 to €10.8 billion in 2022, and is forecast to grow at a CAGR of 5.6% between 2022 and 2025, reaching €12.7 billion in 2025. The global sailing yacht market grew at a CAGR of 13.2% between 2020 and 2022, from €2.4 billion in 2020 to €3.1 billion in 2022 and is forecast to grow at CAGR of 4.8% between 2022 and 2025, reaching €3.5 billion in 2025. The Group's net revenue grew at a CAGR of 29.8% between 2020-2022, without any significant impact from acquisitions.

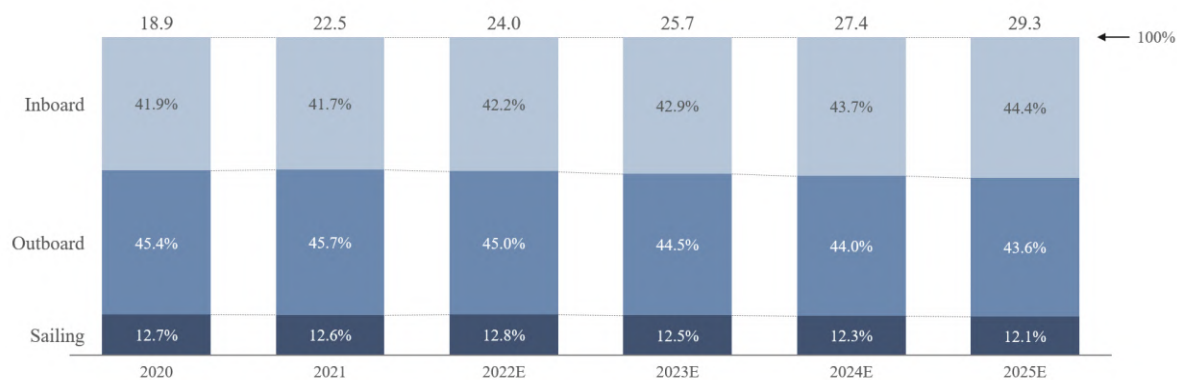
The Group recorded 29.8% CAGR for net revenue between 2020 and 2022 (almost entirely driven by organic growth), hence outperforming the overall luxury yacht market by 16.9% and more specifically the inboard market by 16.5%.

The following chart illustrates the global yacht market in terms of revenue by propulsion means.

Global yacht market size, in terms of revenue, by propulsion means, 2020-2025E



Breakdown of global yacht industry, by propulsion means, 2020-2025E



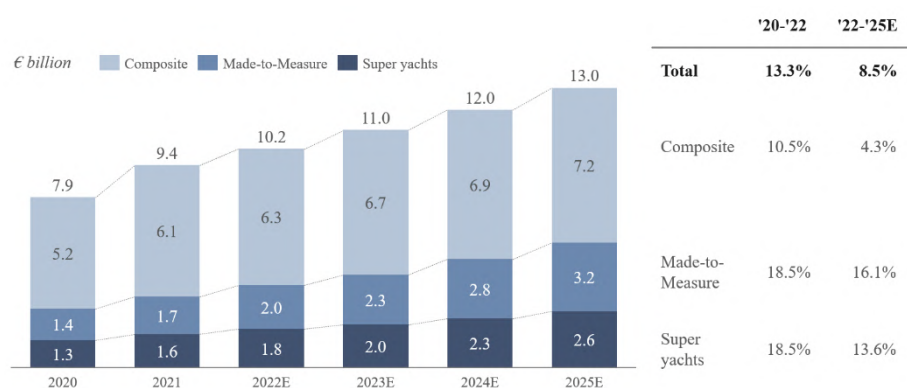
Source: Group calculation based on data from China Insights Consultancy and from Arizton Advisory & Intelligence.

In terms of market breakdown by level of customization, made-to-measure and super yachts are expected to become more popular in the coming years given the growing portion of young generation millionaires showing interest in customized yachts.

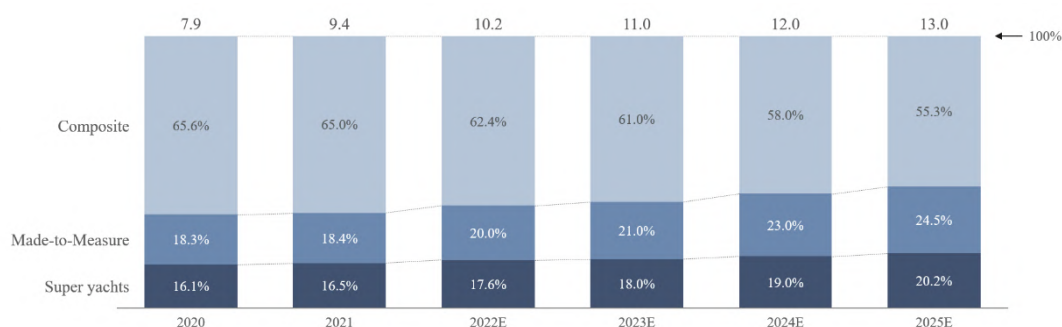
Within the inboard segment, the composite category has always accounted for the largest share of the market, followed by made-to-measure yachts. Composite inboard yachts are expected to generate €6.3 billion revenues in 2022, representing approximately 62.4% of the global inboard yacht market. It is forecast to grow at a CAGR of 4.3% from 2022 to 2025, reaching €7.2 billion in 2025.

The made-to-measure and super yachts segments are expected to grow at CAGRs of 16.1% and 13.6%, respectively, between 2022 and 2025. The made-to-measure segment is expected to generate €2.0 billion in 2022 and is forecast to reach €3.2 billion in 2025. The super yachts segment is expected to generate €1.8 billion in 2022 and is expected to reach €2.6 billion in 2025.

Market size of inboard yacht, in terms of revenue, by customization level, 2020-2025E

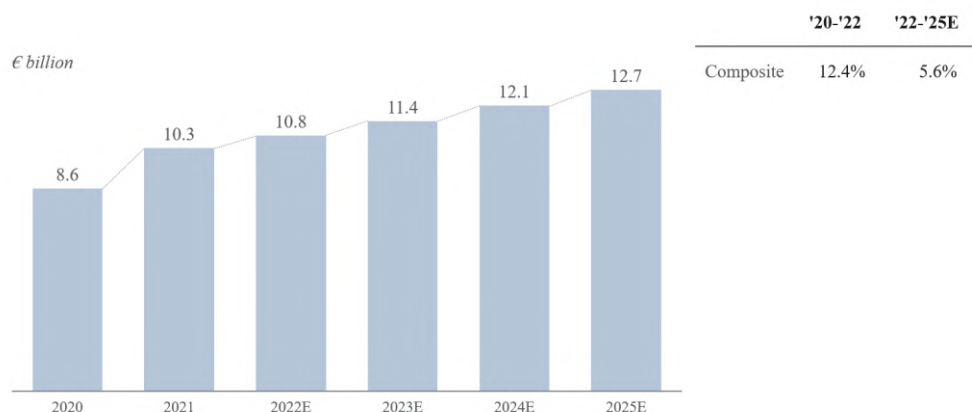


Breakdown of global inboard yacht industry, by customization level, 2020-2025E



The composite outboard market grew at a CAGR of 12.4%, from €8.6 billion in 2020 to €10.8 billion in 2022. It is expected to reach €12.7 billion in 2025, indicating a CAGR of 5.6% over 2022 to 2025.

Market size of outboard yacht, in terms of revenue, by customization level, 2020-2025E



Source: Group calculation based on data from China Insights Consultancy and from Arizton Advisory & Intelligence.

Key market drivers of the global yacht industry

The following key drivers are contributing to the sustainable growth of the global yacht industry:

- **Growing customer base:** According to Credit Suisse, the VHNWI and UHNWI populations, the main target customers for luxury yachts, have continuously increased in recent years despite challenging times and are expected to continue increasing in coming years. With an expanding potential customer base, the yacht industry, whose performance is tightly linked to wealthy population dynamics, is also expected to experience steady growth in the future.
- **Under penetration of growing customer base:** According to Credit Suisse, the VHNWIs and UHNWIs populations grew by 19%, or 1.3 million, in 2021 compared to 2020; however, PD&A estimates that yacht manufacturers were able to deliver only approximately 4,900 boats in 2021 (including all inboard yachts up to 46 meters/150 feet). This means that yacht industry had a penetration of only 0.4% of the target customer base in 2021.
- **Increasing willingness to spend on yachts after COVID-19 pandemic:** According to Recreational Boat Market, Global Outlook and Forecast 2022-2027 Report issued by Arizton Advisory & Intelligence, COVID-19 pandemic has changed the way yacht customers live, creating momentum in yacht demand that is still ongoing. Indeed, during the COVID-19 pandemic, the quest for quality of life and quality time with family and friends, especially spent outdoors, fueled the demand for yachts, since yachts allow customers to travel privately and safely while providing many options for leisure and sport activities. This trend appeared during the pandemic and is ongoing.
- **Development of marine infrastructure in emerging markets:** Emerging markets are expected to substantially impact the yacht industry growth in the coming years, but they currently lack the appropriate infrastructure, such as marinas and manufacturing districts, to foster the development of demand for yachts. For this reason, governments of countries with emerging markets are investing resources to support the development of this infrastructure, which should, in turn, support demand for yachts from VHNWIs and UHNWIs. For example, in China, the country with the second-largest population of UHNWIs but no prominent marine district, the Government has, since 2017, introduced a series of policies that aim to upgrade the infrastructure in the support of the yacht industry (e.g., Hainan Marine District) as indicated in the 14th Five-Year Plan of Development of Ocean Economy in Hainan Province.

Key market trends of the global yacht industry

Key market trends of the global yacht industry include:

- **Increasing industry concentration:** With the advancement of technology and the steady increase in brand influence, the yacht industry has seen increased concentration in favor of large players with a well-recognized brand. Market share of the top five yacht manufacturing companies in the composite and made-to-measure yacht segments increased from approximately 41% in 2020 to 46% in 2022, based on Group calculation based on data from PD&A.
- **Research on innovative technologies and eco-friendly solutions:** Besides the sailing market, which is growing as an eco-friendly solution as it is mainly powered by wind, the inboard and outboard segments are also

undergoing technological innovations geared towards sustainability, such as the introduction of high performance and ultra-light materials (e.g., carbon-fiber, epoxy), alternative materials to reduce carbon footprint along the value-chain (e.g., wood certified by the Forest Stewardship Council) and the development of hybrid or electric propulsion systems, to reduce their environmental impact and target a growing portion of environmentally-conscious customers. This industry trend is also driven by yacht owners' awareness of environmental pollution caused by traditional motor yachts. According to industry analysts, most yacht manufacturers claim to be investing in R&D and partnering with third parties to develop eco-friendly solutions applicable not only to smaller yachts but also to super yachts, which are more difficult to power without traditional propulsion systems (i.e., diesel engines) given their tonnage.

- *Increasing demand for “one-stop” solutions:* After the purchase, yacht owners rely on many services to operate the yacht and keep it in good conditions, such as maintenance, repair, refitting, crew management and chartering. Owners are increasingly demanding convenient “one-stop” solutions and the ability of a yacht manufacturer to offer multiple post-sale services is more and more considered an important yacht purchasing criterion. This trend is particularly relevant given the increasing number of first-time yacht owners, which *are* in general less experienced and require more complete support from purchasing to ownership and operation. For example, Ferretti Group has seen its first-time customers increasing at 25% CAGR between 2020 and 2022.
- *Rising demand for larger boats and customization:* In the aftermath of COVID-19 pandemic, the VHNWIs' and UHNWIs' customers are increasingly interested in spending time with their families *and* friends in safety and privacy. As yachts naturally provide such an environment, owners are increasing the amount of time spent onboard and, as a result, demanding larger spaces and greater personalization to further enhance their experience and quality of life while onboard. Consequently, this phenomenon has increased demand for larger and more customized yachts.

Regional market analysis of the global yacht industry in EMEA, AMAS and APAC

As of the Prospectus Date, a specific analysis of the global luxury yacht market by regional demand (AMAS, EMEA and APAC) is not available due to lack of data, industry reports or industry information with sufficient level of detail. Anyhow, the Group believes that two main regions by demand for the yacht industry are AMAS and EMEA, both characterized by significant boating cultures and infrastructures. As such, for these two regions, the Group believes that the growth of the end customers, namely VHNWIs and UHNWIs populations, can provide a general and reasonable indication of the potential growth of the regional demand in AMAS and EMEA. See “—*The market size of the global yacht industry.*” In the APAC region, due to a more limited boating culture and infrastructure, the sole numbers of the VHNWIs and UHNWIs populations cannot be representative of the size of the luxury yacht in the region, but the Group believes there is however a strong growth potential for the future.

Market Competition

Competitive landscape overview of global yacht industry

The competitive landscape of the global yacht industry varies based on the type of yacht. In each segment, there are different leading players, and the Group is one of the leading players globally, according to Group calculation based on data from PD&A. Specifically, the Group is an established leader as measured by value of production¹¹ in the inboard composite and made-to-measure yacht markets, with a growing presence in larger yachts. Also, the Group is expanding its presence in the inboard super yacht market. In addition, through the Wally brand, the Group entered the fast-growing outboard and sailing yacht markets with the introduction of new models, such as the Wallytender48X (outboard yacht) premiered in 2019 and the Wallywind 110 (sailing yacht) announced in 2022 and expected to be launched in 2024.

Regional competitive landscape analysis of global yacht industry

As of the Prospectus Date, a specific analysis of the competitive landscape by region (AMAS, EMEA and APAC) is not available due to lack of data, industry reports or industry information with sufficient level of detail. Anyhow, the Group believes the competitive landscape by region to be similar to the one for the global yacht industry for each type of yacht, though customers in each region may have specific demand traits and preferences for yacht types.

Based on the very limited information publicly available, the Group believes its distribution of net revenue across regions to be fairly similar to the one of its main competitors, thus with a higher proportion of sales in the EMEA and AMAS regions and a relatively smaller portion of sales generated in APAC. However, leveraging its strategic worldwide presence, the

¹¹ Value of production is defined as the value of produced boats (both sold and unsold), with valorization at net revenue, i.e., using official list prices (multiplied by brands- and models-specific coefficients to account for optional on top of standard boats configuration), net of discounts and commissions paid to dealers and brokers.

Group deems to be in a strong position to also achieve continuous growth in the APAC region.

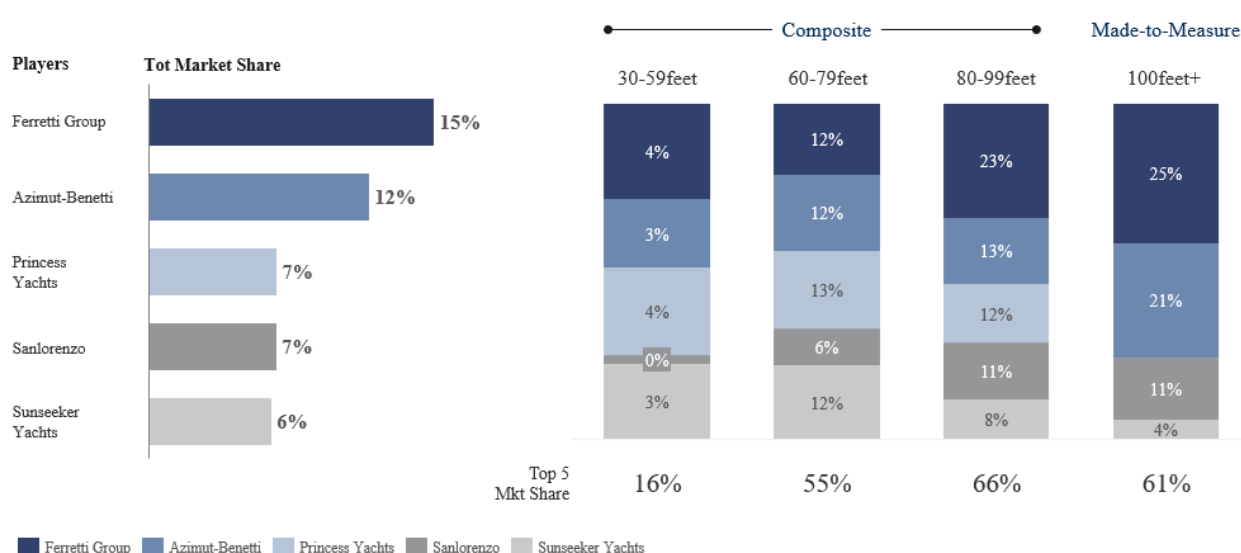
Rankings of the global yacht industry

Inboard composite and made-to-measure yacht market

The Group's market share increased from 12% as of December 31, 2020 to 13% as of December 31, 2021 and to 15% as of December 31, 2022 based on Group's calculation based on value of production by player as measured by PD&A. In particular, as of December 31, 2022, the Group ranks first in terms of market share for the overall inboard composite and made-to-measure yacht market and is the undisputed market leader in inboard composite over 24 meters (approximately 80 feet) with 23% market share (approximately 1.8 times versus player #2 in the segment) and made-to-measure yacht market with 25% market share (approximately 1.2 times versus player #2 in the segment).

The following chart illustrates the top five players in inboard composite and made-to-measure yacht market as of December 31, 2022:

Market share of top five yacht companies in composite and made-to-measure inboard yacht market¹², by value of production, as of December 2022



Source: Group calculation based on data from PD&A.

Super yachts market

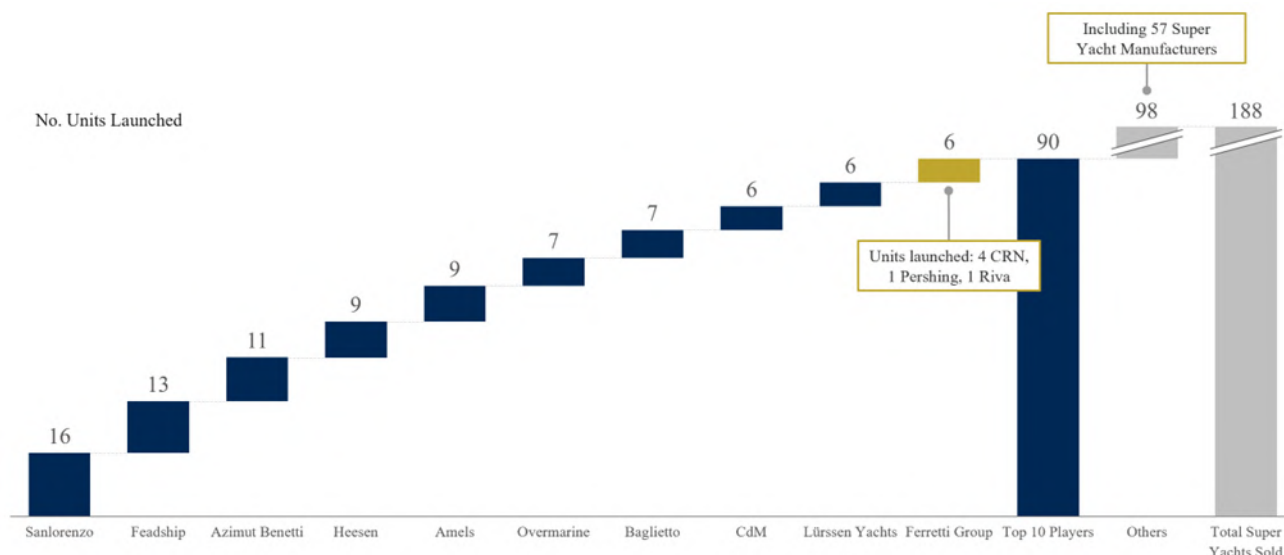
The global market for super yachts is highly fragmented, with 67 players having launched at least one yacht in this market segment between 2020 and 2022.

The following chart illustrates the number of super yachts launched between 2020 and 2022:

Number of super yachts launched by top ten players¹³

¹² Ranking data refers to Group calculation based on data from PD&A.

¹³ Considered sold units of super motor yachts with steel/aluminum hulls in 2020-2022 timespan by Super Yacht Times as of April 28th, 2023.



Source: Group calculation based on data from SYT iQ database, issued in December 2022, by Super Yacht Times.

In this segment, considering super yachts launched between 2020 and 2022, the Group ranked eight, with 6 super yachts launched over this period, four under the CRN brand, one under the Pershing brand and one under the Riva brand.

The highly fragmented nature of the super yacht market, combined with the Group's strategy to improve its penetration in this market leveraging Riva, Pershing and Custom Line brands, provides an opportunity for the Group to increase its market share and strengthen its presence in this segment over time.

Entry barriers of the global yacht industry

The Group believes that the entry barriers for the global yacht industry include:

- *Capital and technology barrier:* The initial investment to enter the yacht industry is significant when considering the cost of purchasing shipyards, employing skilled craftsmen, and investing in correlated activities (e.g., R&D, marketing). As a yacht is composed of highly complex machinery, yacht construction requires constant use of cutting-edge technology and materials, as well as specific know-how accumulated through years of experience. In addition, the production of composite hulls and superstructures (fiberglass or carbon-fiber are the most common composite materials used), requires additional investments to manufacture production molds. New entrants must invest a significant amount of capital and go through a long process to catch up with the existing companies.
- *Strong relationships with suppliers:* Major yacht manufacturers have established strong relationships and partnerships with suppliers through years of operations. Existing businesses are more likely to get better prices or services than new entrants due to a better reputation and higher purchasing power.
- *Established premium sales channels:* As most yacht brands focus on VHNWIs and UHNWIs, it is necessary to establish premium sales channels for better customer reach. Existing companies have gone through decades of business operations to develop strong relationships with their entrusted dealers and brokers. Since dealers usually entail exclusive relationships and overall, the number of dealers and brokers is limited, new entrants face barriers to building their own network.
- *Brand heritage:* Customers of luxury goods, and in particular those of yachts, associate a brand with its value. For this reason, each brand invests significant amounts of resources in advertising and marketing the brand's "culture" and to distinguish itself within the competitive arena. Well-recognition comes with consumer loyalty which takes years to accumulate. Without a "strong" brand, new entrants would potentially face years of investments before starting to reap real benefits.

Global coastal patrol and rescue vessel industry

Market size of the coastal patrol and rescue vessel industry

As of the Prospectus Date, an updated analysis (i.e., with actual data covering up to December 31, 2021 or 2022) of the coastal patrol and rescue vessel industry is not available due to lack of updated data, industry reports or industry information with sufficient level of detail. Anyhow, the Group believes that the market has not changed significantly compared to latest industry analysis available.

A coastal patrol and rescue vessel is a relatively small naval vessel generally designed for coastal defense and surveillance, border protection, law enforcement and search and rescue duties. The vessel may be operated by a country's police force, coast guard or navy.

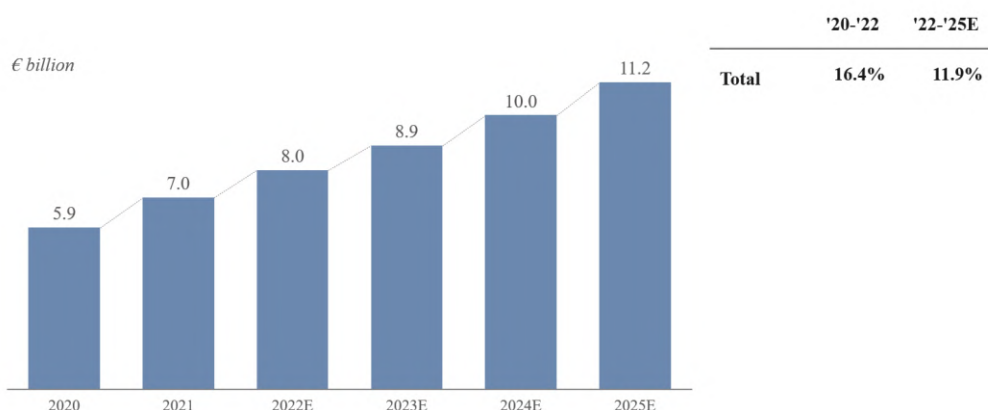
Coastal patrol vessels are designed to safely face the most challenging conditions during operations to guarantee the security, patrol and defense of the coastline and international and territorial waters.

Rescue vessels are meant to support stricken vessels. These vessels are used in special missions and situations such as salvage, lifting, towing, retraction of grounded vessels and manned diving operations.

According to Group's calculation based on China Insights Consultancy, the coastal patrol and rescue vessel market grew from €5.9 billion in 2020 to €8.0 billion in 2022 (CAGR of 16.4%). The global coastal patrol vessel and rescue vessel market is expected grow at a CAGR of 11.9% between 2022 and 2025 reaching €11.2 billion in 2025. As of the Prospectus Date, no forecasts are available after 2025.

The following chart illustrates the size of global coastal patrol and rescue vessel market in terms of revenue.

Global coastal patrol and rescue vessel market, in terms of revenue, 2020-2025E



Source: Group calculation based on China Insights Consultancy.

Main market drivers and trends of the coastal patrol and rescue vessel market

The Group believes that key market drivers and trends of the global coastal patrol and rescue vessel market include:

- *Increasing spending on national defense:* most EU countries are expanding their military budgets. Such increase is expected to have a direct positive impact on coastal patrol vessel demand.
- *Quest for high-tech vessels:* to improve efficiency and strengthen their ability to deal with maritime disputes, countries require vessels with the most innovative technologies and solutions. The coastal patrol market has undergone numerous technological innovation cycles (e.g., the introduction of heading sensors, autopilot systems, high-definition sonar imaging, HD digital radar system). For this reason, manufacturers closely work with suppliers to continuously innovate their offering.
- *Increasing focus in patrolling in the Mediterranean area:* immigration flows in the Mediterranean has been increasing in the past years, creating new demand for coastal patrol and rescue vessels. The navy, the coast guard and the police of Mediterranean countries are becoming increasingly involved in monitoring coastlines, taking an active part in patrol, search and rescue missions, in particular relating to migrants, trafficking, and marine safety.

Environmental, Social and Governance (“ESG”)

The Group is subject to various environmental laws and regulations and is committed to the continuous improvement of its environmental performance, in line with ISO 14001 prescriptions: all shipyards are certified and feature monitoring and improvement plans vetted by Board of Directors. Although the Group has not yet implemented specific quantitative and qualitative objectives, it is in the process of defining medium- and long-term plans to reduce its externalities and overall environmental impact. By means of example, the Group has implemented pollution control measures, including installing aspiration, purification and filtration systems for all atmospheric emissions and wastewater

During the Track-Record Period and up to the Prospectus Date, the Group has not received any material complaints or claims for environmental damage. Therefore, as of the Prospectus Date, the Group does not believe that there are any specific

environmental issues could affect its use of its existing tangible assets.

The Group's Board of Directors is collectively responsible for establishing, adopting and reviewing the Group's ESG policies and evaluating, determining and addressing ESG-related risks once a year. All necessary improvements will then be implemented to mitigate envisaged risks. The Group expects to establish ESG policies to cover, among others: (i) any governance risk on ESG matters; (ii) ESG strategy formation procedures; (iii) ESG risk management and monitoring; and (iv) the identification of key performance indicators and the relevant measurements. For further information on the corporate governance structure of the Group, see "*Management, employees and corporate governance*."

Environmental Protection

The Group is subject to various environmental laws and regulations. The Group has implemented pollution control measures, including installing aspiration, purification and filtration systems for all atmospheric emissions and wastewater.

The Group published its first sustainability report in 2019, in which it disclosed non-financial information to all stakeholders and identified the most important initiatives to reduce the impact of its products and production activities on the environment. For example, in 2022, the Group launched Riva El-Iseo, the Group's first boat with a full electric propulsion system, and increased the use of sustainable materials, that comply with an eco-conscious production process and green international standards. In addition, the Group has established a strategic partnership with Rolls Royce (one of the main propulsion providers in the yacht industry) for the joint development of sustainable solutions, including the installation of MTU hybrid propulsion systems in Group's yachts.

Since the 2019 reporting period, the Group has voluntarily published a sustainability report in accordance with GRI standards and, since 2021, also in accordance with the requirements of the HK Stock Exchange. The report has not yet been audited, as the Group is not required to publish non-financial disclosure in accordance with D.Lgs 254/2016 and Consob Regulation 20267/2018. The Group has disclosed non-financial information to all stakeholders and has identified the most important initiatives to reduce the environmental impact of its products and production activities. For example, in 2022, the Group launched Riva El-Iseo, the Group's first boat with a fully electric propulsion system, and increased the use of sustainable materials, that comply with an eco-conscious production process and green international standards. In addition, the Group has established a strategic partnership with Rolls Royce (one of the main propulsion providers in the yacht industry) for the joint development of sustainable solutions, including the installation of MTU hybrid propulsion systems in Group's yachts.

With specific reference to La Spezia site, that is included in the area, named "Pitelli", which was formerly classified by the Ministry of Environmental Protection as site of national interest ("*Sito di Interesse Nazionale*" "**SIN**") pursuant to Law no. 426/98 and subsequently classified as site of regional interest ("*Sito di Interesse Regionale*" "**SIR**"). In order to carry out construction works on the shipbuilding area ("*comprensorio cantieristico*") of La Spezia site, on November 6, 2002, Spezia Luxury Yacht Service S.p.A. (currently, the Company) executed with La Spezia Port Authority – "*Autorità Portuale della Spezia*" the deed of submission for early occupancy of the area ("*atto di sottomissione per occupazione anticipata*") ep. no. 158/2002, undertaking to perform characterization activities on the seaside, and subsequently activating a remediation procedure ("*bonifica*") on the seabed in 2006. Such remediation procedure was initially approved in 2006 and concerned a 28,527 m³ area. As of the Prospectus Date, the remediation procedure is still ongoing, with remediation of approximately 26,600 m³ still to be completed. In this respect, the law does not provide for a mandatory term for the conclusion of the remediation procedures and the relevant authorities have not provided a specific deadline. Moreover, a request to amend the remediation project in order to reduce the area subject to remediation will be submitted in 2023.

For a description of the Group's certifications, including relating to its environmental impact, see "*Certifications*."

Energy Consumption

The Group's main source of fossil fuel energy is natural gas, which is primarily used to heat indoor buildings, domestic water for civil use, and painting booths. In 2022, 2021, and 2020 the Group consumed 1,616,711, 2,229,590 and 1,866,209 cubic meters of natural gas, respectively. The Group also consumes diesel fuel and gasoline, mainly to test and launch yachts, as well as to power internal handling activities at shipyards and to fuel its vehicle fleet. In 2022, the Group consumed 1,534,798 liters of diesel and 29,421 liters of gasoline. In 2021, the Group consumed 1,200,168 liters of diesel and 12,885 liters¹⁴ of gasoline. In 2020, the Group consumed 1,041,724 liters of diesel and 124 liters of gasoline. The Group's second largest source of energy is electricity, which is primarily used to power production departments and offices, while the remaining usage is related to lighting. In 2022, 2021, and 2020 the Group consumed 17,692,157, 16,291,389 and 12,552,620 kilowatt hours of electricity, respectively.

The Group's attention to environmental protection is also reflected in its investments in improving the energy efficiency of the production cycle. For example, the Group replaced the lighting systems in all of its production facilities with energy-efficient LED systems, including seven shipyards and the production facility of Zago S.p.A. for wooden furnishing and fittings. In line with these new infrastructure investments, new energy-saving solutions are systematically assessed, such as

¹⁴ 12,819 liters of gasoline are related to the testing of Wally yachts started in 2021 and conducted at the Forlì shipyard.

the use of heat pumps instead of methane systems and the use of renewable resources, especially solar panel systems. At the end of 2019, the Group installed a solar powered system in its Ancona shipyard for the production of electricity on the roofs of the warehouses with a total of 189 kilowatt of installed photovoltaic capacity. In addition, in 2020, the Group established a trigeneration plant that provides combined electricity, heat and cooling in one process in the Ancona shipyard. In Forlì, where both a shipyard and the headquarters are located, the Group no longer directly uses fossil fuels to heat its indoor premises and has instead connected the entire site to the municipal district heating network.

Greenhouse Gas Emissions

The Group's commitment to increase its awareness of the climate impacts of its operations and to consequently reduce them are part of the responsibility of the Group and its focus on future generations. Greenhouse gas emissions are calculated using a standardized methodology to quantify corporate greenhouse gas emissions; so far, the Group has calculated its direct carbon footprint (*i.e.*, Scope 1 emissions) and the carbon footprint associated with the purchase and consumption of energy (*i.e.*, Scope 2 emissions). Given the nature of the business (mainly assembly) and the absence of carbon-heavy plants in Group's shipyards, Scope 1 and Scope 2 emissions are not significant and are in line with other peers in the industry. In 2022, the Group had 7,509 tons of Scope 1 emissions and 5,977 tons of Scope 2 emissions; in 2021, the Group had 7,699 tons of Scope 1 emissions and 5,726 tons of Scope 2 emissions; in 2020, the Group had 6,503 tons of Scope 1 emissions and 4,618 tons of Scope 2 emissions.

Treatment of Waste

The Group has chosen to invest in cutting-edge technological equipment at its shipyards and to use the most modern production processes, with the aim to optimize the use of material and to minimize the production wastes. Non-hazardous waste from the production process is generally waste from internal and external preparation and industrial cleaning processes and is duly sorted. The waste which is instead defined as hazardous (around 8% of the total for the year ended December 31, 2022), comprises solvent mixtures, products used in painting booths, fiberglass scraps, oils, waste emulsions and dirty packaging. Out of the total hazardous waste generated by the Group in the year ended December 31, 2022, approximately 20% was sent for regeneration, while waste oils are recycled or recovered. In 2022, the Group generated 350,700 kilogram of hazardous waste and 4,060,017 kilogram of non-hazardous waste; in 2021, the Group generated 263,166 kilogram of hazardous waste and 2,977,780 kilogram of non-hazardous waste; in 2020, the Group generated 268,425 kilogram of hazardous waste and 2,522,002 kilogram of non-hazardous waste.

Water Consumption

In recent decades, safeguarding water resources has become a significant objective in both the civil and industrial sectors. Group's shipyards do not require significant water consumption, and depending on the site, water is sourced mainly from mains water, with a lower percentage coming from wells. In 2022, 2021, and 2020 the water sourced from mains water and wells amounted to 107,284, 104,068 and 89,852 cubic meters, respectively. Despite these amounts, water consumption remains low. This is because most of the withdrawn water is discharged into the sewerage system, partly as industrial water (subject to measurement and monitoring obligations) and partly as water similar to domestic water, as specified in the individual authorizations. In 2022, 2021 and 2020 the Group total water discharged to third parties amounted to 31,643, 32,042 and 30,716 cubic meters, respectively. In addition, none of the Group's sites are in water-stressed or particularly sensitive areas.

Health and Occupational Safety

The Group is also subject to various laws and regulations in respect of health and occupational safety. The Group has adopted and maintains a series of measures to maintain a healthy and safe environment for its employees. For example, the Group requires new employees to participate in safety trainings to familiarize themselves with the relevant safety rules and procedures. In addition, the Group conducts on-site safety assessments and hazard identifications, which help enhance the overall health and safety management effectiveness. The Group has also a system in place for recording and handling accidents. The Group has designated some personnel as responsible for handling work accidents and injuries as well as maintaining a health and work safety compliance record.

During the Track-Record Period and up to the Prospectus Date, the Group did not experience any accidents during operations that resulted in material claims for personal or property damages or compensation paid to employees.

Certifications

The Group is required to obtain various licenses, permits and approvals for its operations. The Group has obtained all material licenses, permits and certificates required by applicable Italian law to carry out operations and such licenses, permits and certificates were valid and remain in effect as of the Prospectus Date.

The Group has been ISO 9001-certified since 2006. In 2018, the reconfiguration of Group's Quality Management System began in order to meet the requirements of the new ISO 9001:2015 standard, for which the Group was currently certified by

the Italian Naval Registry (“RINA” – *Registro Italiano Navale*). This certification pertains to the following fields of activities: design, construction (by means of plugs and moulds production, fiberglass production, systems installation, interior fitting, quality control and testing) and service (activities of maintenance, warranty and refitting) of leisure motor yachts and military vessels. As of the Prospectus Date, following the merger between C.R.N S.p.A. and Ferretti S.p.A. at the beginning of 2022, the ISO 9001:2015 certification covers the Custom Line yard at the Ancona shipyard, but does not currently cover the super yachts yard within the same shipyard, for which the Group may consider whether to obtain certification at a later stage. The Group’s headquarters and all of the Group’s other shipyards have both the ISO 9001:2015 and the ISO 14001:2015 certifications (except for Ancona shipyard, where the Group is in the process of obtaining the certification, expected in spring 2023). The Group also obtained the Biosafety Trust Certification in the summer of 2020 following the spread of the COVID-19 pandemic, with the aim to prevent and mitigate the spread of infections from biological agents.

The above-mentioned ISO 9001 and ISO 14001 certifications are due to expire in February 2024 and February 2025, respectively. As of the Prospectus Date, the Group has already proactively started the audit process to renew both certifications ahead of their expiry date and is also considering whether to renew the Biosafety Trust Certification (due to expire in July 2023) or let it expire given that the extraordinary conditions that led to its obtainment (in particular, the COVID-19 pandemic) have ceased to exist.

In addition to the above certifications, the Group obtained the Environmental Single Authorizations (“AUA” – *Autorizzazione Unica Ambientale*) from the competent authorities in accordance with the applicable Italian laws and regulations. For further information, see “Regulatory.”

With respect to Ferretti Security Division, as of the Prospectus Date, the Group is enrolled in the National Register of Companies (the “**R.N.I.**”), which is the official register of Italian companies authorized to produce and sell armaments, according to Law no. 185/1990. The Forlì and Mondolfo shipyard are authorized pursuant to the Consolidated Law on Public Security (the “**TULPS**”) to design, build and sell military vessels.

Material Agreements

There are no agreements, other than the agreements described below, that have been entered into by the Company and the Group within the two years immediately preceding the Prospectus Date that are material to the Group’s business or that contain provisions under which the Company or the Group has an obligation or entitlement that is material to the Company or the Group as of the Prospectus Date.

Facilities Agreement dated August 2, 2019 (as subsequently amended)

On August 2, 2019, the Company and CRN S.p.A. (“**CRN**”) (merged into the Company in 2021, as a consequence, the company resulting from such merger hereinafter the “**Borrower**”), and Banca Nazionale del Lavoro S.p.A., Banco BPM S.p.A., Barclays Bank Ireland PLC, BNP Paribas, Milan Branch (also in its capacity as agent, the “**Agent**”), BPER Banca S.p.A., Crédit Agricole Italia S.p.A., MPS Capital Services Banca per le Imprese S.p.A., Intesa Sanpaolo S.p.A. (formerly UBI Banca S.p.A.), in their capacity as lenders (collectively and, after the Transfer (as defined below), together with MCC (as defined below), the “**Lenders**”), entered into a facilities agreement (as subsequently amended, the “**Facilities Agreement**”) pursuant to which the Lenders have granted, under the terms and conditions set forth therein, certain medium- to long-term facilities for an aggregate amount of €170,000,000.00 (the “**Facilities**”), pursuant to the following credit lines:

- (a) a term facility (the “**Term Loan Facility**”) for a maximum amount of €70,000,000.00 in favour of the Company and CRN, to be repaid in accordance with an amortization plan envisaging the payment of six-monthly instalments, starting from December 31, 2021 and maturing on August 2, 2024, to be used for the purpose of, *inter alia*, financing industrial investments as per the Company’s business plan, and the withholding tax (*imposta sostitutiva*) relating to the Facilities;
- (b) a revolving facility (the “**Revolving Credit Facility**”) for a maximum amount of €40,000,000.00, in favour of the Company, to be repaid on August 2, 2024, to be applied towards general corporate and working capital requirements; and
- (c) a revolving facility (the “**Revolving Pre-Finance Facility**”) for a maximum amount of €60,000,000.00, in favour of the Company and CRN, maturing on August 2, 2024, and to be used for working capital purposes related to certain commercial contracts for an amount of up to 90% of the value of such commercial contracts.

On March 31, 2021, MPS Capital Services Banca per le Imprese S.p.A. assigned a portion of its share in the Facilities to Banca del Mezzogiorno – Mediocredito Centrale S.p.A. (respectively, “**MCC**” and the “**Transfer**”).

The outstanding amount under the Term Loan Facility was voluntarily repaid in full by the Company on December 30, 2022. As of the Prospectus Date, the Revolving Credit Facility and Revolving Pre-Finance Facility have not been drawn.

The interest rate on each loan under the Facilities Agreement is the sum of:

- (i) the margin (*i.e.*, 290 basis points per annum in relation to the Term Loan Facility and the Revolving Pre-Finance Facility; 300 basis points per annum in relation to the Revolving Credit Facility) *provided that*, subject to the terms and conditions set out in the Facilities Agreement, the margin applicable to the Facilities shall be the annual rate specified in the table below adjusted by reference to the Leverage Ratio as shown in the most recently delivered compliance certificate; and
- (ii) EURIBOR, provided that if Euribor is lower than zero, it will be considered equal to zero.

Leverage Ratio (LR)	Term Loan Facility Margin basis points p.a.	Revolving Credit Facility Margin basis points p.a.	Revolving Pre-Finance Facility Margin basis points p.a.
LR > 2.0x	290	300	290
1.5x < LR ≤ 2.0X	275	285	275
LR ≤ 1.5x	260	270	260

Accrued interest on each loan under the Facilities Agreement must be paid by on the last day of each interest period, provided that (i) the interest period for any loan under the Term Loan Facility is six months; and (ii) the Borrower may select an interest period of three or six months in respect of any loan under the Revolving Credit Facility and the Revolving Pre-Finance Facility.

The Borrower has undertaken to maintain a specified leverage ratio covenant (the “**Leverage Ratio**”), *i.e.* the ratio between the Group’s consolidated total net debt (as defined under the Facilities Agreement) and the consolidated operating profit (EBITDA) (as defined under the Facilities Agreement), to be calculated semi-annually on June 30 and December 31 of each year. For the purposes of the Facilities Agreement, “Group” means the Company and all of its subsidiaries, being (a) its subsidiaries within the meaning of Article 2359, paragraph 1 or 2 of the Italian Civil Code; and (b) an entity on which the Company has direct or indirect control or owns directly or indirectly a percentage higher than 50% of the voting rights or similar right of ownership, where “control” means the power to direct the management and the policies of the entity whether through the ownership of voting rights, by contract or otherwise (the “**Subsidiaries**”).

The following table sets forth the required Leverage Ratios:

Test Date	Leverage Ratio
December 31, 2019	≤ 2.8x
June 30, 2020.....	≤ 2.8x
December 31, 2020	≤ 2.8x
June 30, 2021.....	≤ 2.8x
December 31, 2021	≤ 2.5x
June 30, 2022.....	≤ 2.5x
December 31, 2022	≤ 2.5x
June 30, 2023 and each calculation date thereafter until the termination date (<i>i.e.</i> , August 2, 2024)	≤ 2.0x

For purpose of calculating the Leverage Ratio, the financial definitions of EBITDA and total net debt shall be read and construed without taking into account (i) IFRS 16 as applicable from January 1, 2019 (save for the financial leases related provisions), (ii) IFRS 3, only with specific reference to the agreements related to the acquisition of the Wally trademark by Sea Lion S.r.l. and the put-call arrangements on the participations held in Sea Lion S.r.l. and (iii) IAS 38, only with specific reference to the Wally trademark. The Leverage Ratio shall be calculated in accordance with the Company’s accounting principles and shall be determined with reference to (a) any test date falling on June 30 of any year, on the basis of the Group’s most recent consolidated semi-annual financial statements and (b) any test date falling on December 31 of any year, on the basis of the Group’s most recent consolidated annual financial statements. In addition, EBITDA shall be determined on a twelve-month rolling basis (taking into account a twelve -month period ending on that test date) with reference to the Group’s most recent audited consolidated annual financial statements delivered to the Agent.

Pursuant to the Facilities Agreement, the Company and its Subsidiaries must maintain a specified ratio between (x) the order backlog “*portafoglio ordini acquisiti*” under certain specified commercial contracts and (y) the amounts outstanding under the Revolving Pre-Finance Facility, higher than or equal to 1.5x (the “**Backlog Ratio**”) in relation to the Backlog Ratio by July 31 and January 31 of each financial year.

The Facilities Agreement requires mandatory early repayment in certain circumstances, including:

- in case of illegality;
- upon the occurrence of a change of control, or the sale of all or substantially all of the assets of the Group, whether in a single transaction or a series of transactions; a change of control shall be deemed to have occurred if:
 - (a) prior to the listing or admission to trading of all or any part of the share capital of the Company however it is carried out (“**IPO**”), Weichai Holding (HK) ceases to, directly or indirectly, own (x) more than 51% of the issued share capital of the Company; or (y) the issued share capital of the Company having the right to cast more than 51% of the votes capable of being cast at a general ordinary and extraordinary meetings of the Borrower;
 - (b) after an IPO (x) Weichai Holding (HK) (i) ceases to own, directly or indirectly, more than 35% of the issued share capital of the Company or the issued share capital of the Borrower having the right to cast more than 35% of the votes capable of being cast at a general ordinary or extraordinary meetings of the Borrower; or (ii) to be, directly or indirectly the largest shareholder of the Company; or (y) any person acting in concert (other than Weichai Holding (HK)) which acquires the control of the Company. Assuming that all of the Shares are sold in the Offer and the Over-Allotment Option is exercised in full, considering that Weichai Holding (HK) will cease to own, indirectly, more than 35% of the issued share capital of the Company, on April 26, 2023, the Company has asked the Agent, on behalf of the Lenders, to waive its right to request early repayment of the Facilities Agreement to the Company in case of occurrence of the event under letter (b)(x) above and on June 7, 2023, the Agent, on behalf of the Lenders, has waived its right by executing a waiver letter (the “**Consent Letter**”), subject to the condition subsequent (*condizione risolutiva*) of the execution by no later than July 15, 2023 of an amendment to the Facilities Agreement, for the purposes of amending the definition of “change of control” included therein.
- in the event of an IPO, the Company must deliver to the Agent a re-investment plan detailing the net proceeds received by the Company from the primary sources of such IPO (*i.e.*, increase of the share capital for investors during the IPO are expected to be used by the Borrower and/or other members of the Group after deducting any duly documented amounts or expenses which have been properly incurred in connection with, *inter alia*, the IPO, the pre-IPO transactions and the incentive plans (the “**IPO Proceeds**”): if the re-investment plan is not satisfactory to all the Lenders and within 15 business days from the IPO, the Agent so requires (on all the Lenders’ instructions), the Company shall reimburse any outstanding amounts made available by means of the Facilities Agreement within 15 days from the relevant request of the Agent, and the relevant available commitments under the Facilities will be cancelled, for an amount equal to the applicable percentage of the IPO Proceeds set out in the table below, depending on the Leverage Ratio resulting from a compliance certificate to be prepared on the basis of the financial information as at the last day of the month immediately preceding the IPO:

Leverage Ratio	Percentage of the IPO Proceeds to be applied in prepayment
LR < 1.00x	0
1.00x ≤ LR < 2.00x	30
2.00x ≤ LR < 2.50x	40
LR ≥ 2.50x	50

- in the event that the Company does not comply with the Backlog Ratio (*i.e.*, lower than 1.5x), the Borrower shall reimburse the outstanding amount due to the Revolving Pre-Finance Facility up to an amount sufficient to cure the breach of the Backlog Ratio (and therefore to ensure that the Backlog Ratio is complied with).

Upon at least 3 business days’ notice to the Agent, the Borrower may prepay in whole or in part borrowings under the Term Loan Facility and the Revolving Credit Facility, subject to a minimum repayment amount of €1,000,000.00 in each case.

Any prepayment under the Facilities Agreement shall be made by the Borrower together with any accrued interest on the amount prepaid and, subject to any break cost (if a prepayment occurs on a day other than the last day of the relevant Interest Period), without premium or penalty.

Pursuant to the Facilities Agreement, the Company will not (and will ensure that no other member of the Group will) (a) create or permit to subsist over any of its assets any security interest, lien, pledge, mortgage, assignment by way of security or any other instrument, commitment, agreement or arrangement having substantially the same economic or financial effect as any of the foregoing, subject to certain exceptions, (b) sell, transfer or otherwise dispose of any of its assets on terms

whereby they are or may be leased to or re-acquired by the Company or any other member of the Group; (c) sell, transfer or otherwise dispose of any of its receivables on recourse terms; (d) enter into any arrangement under which money or the benefit of a bank or other account may be applied, set-off or made subject to a combination of accounts; or (e) enter into any other preferential arrangement having a similar effect, in circumstances where the arrangement or transaction is entered into primarily as a method of issuing financial indebtedness (as defined under the Facilities Agreement) or financing an asset purchase, except as permitted under the Facilities Agreement.

In addition, the Company will not (and will ensure that no other member of the Group will) enter into any amalgamation, incorporation, acquisition, joint venture, investment, demerger, merger, transaction on its share capital or corporate reconstruction or reorganization, except as permitted under the Facilities Agreement.

The Facilities Agreement provides that - except as permitted under the Facilities Agreement - the Company shall not (i) resolve, declare, make or pay any dividend, charge, fee or other distribution (or interest on any unpaid dividend, charge, fee or other distribution) (whether in cash or in kind) on or in respect of its share capital (or any class of its share capital); (ii) repay or distribute any part of corporate capital or net worth item; (iii) pay any management, advisory or other fee nor royalties or rent to or to the order of any of the direct or indirect shareholders of the Company, or any their affiliate; (iv) redeem, repurchase, defease, retire or repay any of its share capital or resolve to do so, except for share capital reductions to be mandatorily made in compliance with applicable laws; or (v) repay or pay (or undertake to repay or pay) any amount due under any shareholders loan. As of the Prospectus Date, the Group is in compliance with its undertakings, notwithstanding that, in June 2020, the Company temporarily breached the Leverage Ratio, primarily due to COVID-19 restrictions imposed by the Italian government, which led to a two-month suspension of the operations in the Group's six shipyards, and, in turn, to a delay in achieving production milestones, delayed payment collection from customers and postponement of orders. This breach was subsequently waived by the Lenders.

In particular, in any financial year the Borrower is allowed to pay dividends (but excluding any distribution of reserves or other form of payment to the shareholders) in an aggregate amount equal to the percentage of the earnings (*utile*) of the Company resulting from its audited non-consolidated financial statements for the previous financial year on the basis of the level of the Leverage Ratio as indicated in the table below, *provided that* all the following conditions have been duly met: (i) the audited consolidated and non-consolidated annual financial statements for the previous financial year of the Company have been approved by the relevant bodies and have been delivered to the Lenders; (ii) such payment would not violate, or cause the violation of, any provision under Articles 2433 and/or 2446 and/or 2447 and/or 2467 and/or 2497-*quinques* of the Italian Civil Code with respect to the Borrower; (iii) no event of default nor default under the Facilities Agreement has occurred or would occur as a result of the distribution of dividends and the Leverage Ratio covenant has not been breached on the last testing date and would not be breached by means of the distribution; and (iv) a legal representative of the Company provides to the Lenders: (a) within 5 business days prior the date on which the distribution is resolved, a certificate confirming that all conditions above are complied with and satisfied and (b) within 5 business days prior the date on which the distribution is made, a certificate confirming that the conditions under (ii) and (iii) above have been met.

Leverage Ratio	Percentage of the consolidated earnings (<i>utile</i>) of Ferretti to be distributed
LR > 1.50x	40
LR ≤ 1.50	100

The Company issued a first demand autonomous guarantee (*garanzia autonoma*) in favour of the Lenders under the Facilities Agreement to guarantee the exact performance by the Company of all its payment obligation under the Facilities Agreement and the related finance documents (excluding the hedging agreements (if any) with the aim to hedge the risk of fluctuation of the interest rate of the Term Loan Facility). The maximum amount that the Borrower may be required to pay in respect of the guaranteed obligations shall not exceed, at any time, including, to the extent applicable, for the purpose of Article 1938 of the Italian Civil Code, €340,000,000.00.

The Facilities Agreement is secured by the following: (i) first degree mortgage over the properties located in Via Ansaldo 4, 9, 10, 11 in Forlì (Italy); (ii) first degree mortgage over the properties located in Via Bandiera 62 and in Via Caboto in Cattolica (Italy); (iii) first degree mortgage over the property located in Viale J.J. Pershing in Mondolfo (Italy); (iv) first degree mortgage over the property located in Via Predore 30 in Sarnico (Italy); (v) the properties located in Via Mattei 26 in Ancona (Italy); (vi) special liens over travelling cranes (*carri ponte*) and travel lifts of the Company, assets that will replace or integrate them, and the present and future receivables (if any) of the Borrower arising from the sale of such assets; (viii) pledge over bank accounts of the Company. With respect to these accounts, the Company must deposit on an annual basis at least €30,000,000 in sales proceeds and maintain a minimum balance of €2,000 in each pledged bank account.

Moreover, the Company has undertaken to create and perfect first degree mortgages over its properties located on state owned areas (*area demaniale*) in La Spezia (Italy), Sarnico (Italy) and Ancona (Italy) by August 2, 2023, once consent is provided by the competent public authorities.

In addition, as a condition precedent to each utilization of the Revolving Pre-Finance Facility, the Company must assign by way of security to the Lenders under the Facilities Agreement the receivables arising from certain eligible commercial contracts, in relation to which the utilization is requested, as set forth under the Facilities Agreement.

In line with standard provisions usually included in similar financing transactions, the Facilities Agreement provides for certain customary events of default (including (i) failure to pay any amount due under Facilities Agreement and the related finance documents; (ii) insolvency; (ii) insolvency proceedings, (iii) failure to comply with the Leverage Ratio; (iv) cessation or suspension (including threatened cessation of suspension) of all or a material part of the business of the Borrower or another member of the Group (provided that if occurring only with respect to a Subsidiary of the Borrower other than a material subsidiary (as defined under the Facilities Agreement), it will be deemed an event of default only if it causes or is likely to cause a Material Adverse Effect; (v) the occurrence of a Material Adverse Effect (as defined in the Facilities Agreement and set out below); (vi) the concession relating to the properties located in La Spezia or Ancona, and/or any other concession of areas (obtained from time to time) instrumental to the ordinary business of the Group expires or becomes ineffective; (vii) the Borrower breaches its obligation under any concession and/or related concession agreements; (viii) the competent authority exercises its right to terminate or withdraw from any concession and/or any related agreement; (ix) any concession is revoked for reasons of public interest; and/or (x) the authority or the ability of the Borrower or any material subsidiary (as defined under the Facilities Agreement) to conduct its business is wholly or substantially curtailed by any seizure, expropriation, nationalization, intervention, restriction or other action by or on behalf of any governmental, regulatory or other authority or other person in relation to the Borrower or any material subsidiary (as defined under the Facilities Agreement) or any of their assets; and (xi) any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalization of all or any of the shares or all or any material part of the assets of the Borrower or material subsidiary (as defined under the Facilities Agreement). “**Material Adverse Effect**” means, in the reasonable opinion of the Agent, a material adverse effect on (x) the business, operations, property, condition (financial or otherwise) or prospects of the Borrower or the Group taken as a whole; or (y) the ability of the Borrower to perform its payment obligations under the Facilities Agreement and the related finance documents, or the ability of the Borrower to comply with the Leverage Ratio; or (z) the validity, legality or enforceability of the Facilities Agreement and the related finance documents or the rights and remedies of the Lenders and any other finance parties thereunder).

Under the Facilities Agreement, the Company shall ensure that (i) at all times any unsecured and unsubordinated claims of the Lenders and the other finance parties (as defined under the Facilities Agreement) against it under the Facilities Agreement and the other finance documents (as defined under the Facilities Agreement) rank at least *pari passu* with the claims of all its other unsecured and unsubordinated creditors except those creditors whose claims are mandatorily preferred by laws of general application to companies; and (ii) the securities created in favor of the Lenders and the other finance parties (as defined under the Facilities Agreement) pursuant to the transaction security documents (as defined under the Facilities Agreement) have the ranking in priority which they are expressed to have in the relevant transaction security document and they are not subject to any prior ranking or *pari passu* ranking security.

If an event of default occurs and is not remedied within the terms (if any) set forth under the Facilities Agreement, the Lenders may (a) terminate the Facilities Agreement pursuant to Article 1845 of the Italian Civil Code; (b) apply the acceleration clause against the Borrower (*decadenza dal beneficio del termine*) with respect to all or part of the payment obligations of the Borrower pursuant to Article 1186 of the Italian Civil Code; (c) terminate the Facilities Agreement pursuant to Article 1456 of the Italian Civil Code in case of occurrence of non-payment and a breach of any financial covenants (both included as events of default); (d) terminate the Facilities Agreement in case of occurrence of any event of default (attributable to the Borrower) other than the non-payment and the breach of any financial covenants. In the event the Lenders terminate or accelerate, the Borrower shall immediately reimburse all the amounts due under the Facilities Agreement.

No event of default will be deemed to have occurred in case of (i) failure to pay any amount due and payable pursuant to the Facility Agreement or the related finance documents that has been caused by (x) administrative or technical error, or (y) the occurrence of a disruption event (as defined under the Facilities Agreement) and the relevant payment is made within five business days of its due date; (ii) failure to comply with the Leverage Ratio if, along with the delivery of the compliance certificate evidencing the breach, the Borrower provides a *pro forma* certificate evidencing that the Leverage Ratio would be complied with if calculated on a *pro forma* basis pursuant to the relevant provisions of the Facilities Agreement, (iii) failure to comply with the provisions of the Facilities Agreement and the related finance documents (other than failure to use the Facilities for the purposes indicated therein) if the relevant breach is remedied within ten days (or thirty days in case of breach of information covenant) of the earlier of (x) the Agent giving notice to the Borrower and (y) the Borrower becoming aware of the failure to comply.

The Facilities Agreement also includes a cross-default provision, pursuant to which (but subject to certain limited exceptions) an event of default will be deemed to have occurred if, with respect to the Borrower or any Subsidiary: (a) any financial indebtedness is not paid when originally due or within any originally applicable grace period; (b) any financial indebtedness is declared to be or otherwise becomes due and payable prior to its specified maturity date as a result of an event of default (however described); (c) any commitment for any financial indebtedness is cancelled or suspended by a creditor of any subsidiary as a result of an event of default (however described); (d) any creditor becomes entitled to declare any financial indebtedness of the Borrower or any Subsidiary due and payable prior to its specified maturity date as a result of an event of default (however described); (e) any security over assets or shares of the Borrower or other member of the Group or guarantee

issued by the Company or other member of the Group in relation to any financial indebtedness or other indebtedness is enforced. As of the Prospectus Date, no default has ever occurred under the Facilities Agreement.

The Facilities Agreement and any non-contractual obligations arising out of or in connection with it are governed by Italian law. The Courts of Milan have exclusive jurisdiction to settle any dispute.

Non-competition agreement dated March 14, 2022

On March 14, 2022 FIH, Weichai Holding HK, Weichai Holding Group and SHIG (the “**Covenantors**” and each a “**Covenantor**”) and the Company have entered into a non-competition agreement (the “**Non-competition Agreement**”) pursuant to which each of the Covenantors has irrevocably and unconditionally undertaken, in the interest of the Company and the Group, that:

- (a) it shall not, and shall procure its close associates not to directly or indirectly (i) engage in, participate in or assist in engaging in or participating in any business that may directly or indirectly compete with the principal business (as defined below) operated by the Company and the Group as of the agreement date (the “**Principal Business**”) in any form (including, but not limited to, investment, merger and acquisition, joint operation, joint venture, cooperation, partnership, contracting or leasing operation, purchase of listed company stocks or participation in shares) in any country or jurisdiction, alone or with third parties and (ii) lobby or instigate, alone or in conjunction with any other person, through or as a director, supervisor, senior manager, consultant, employee, agent or shareholder of any person, organization or company that is in business, in negotiation, or is in competition with the Company to (a) suspend or terminate the transaction with the Company or (ii) reduce the amount of business usually conduct with the Company;
- (b) if it becomes aware of any business opportunity (the “**Business Opportunity**”) offered to it or its close associates which is or may be in direct or indirect competition with the Principal Business, it shall notify the Company or procure its close associates to notify the Company as soon as reasonably practicable in writing and endeavor to ensure that the Business Opportunity is first provided to the Company on reasonable and fair terms and conditions;
- (c) if the Company decides to decline the Business Opportunity for any reason (the decision on whether to engage in the Business Opportunity shall be made by the directors who do not have material interest in the matter), it shall promptly notify the respective Covenantors and in any event within 15 business days from the date when it receives the Covenantor’s notification of the Business Opportunity. Only when (i) the Company expressly declines such Business Opportunity, or (ii) the Company fails to respond in writing within the 15-business-day period, may the respective Covenantor or its close associates pursue such opportunity, provided that the principal terms on which the respective Covenantors or their close associates invest or participate in the Business Opportunity are not more favorable than those made available to the Company, and that such terms are fully and timely disclosed to the Company prior to its declination of such Business Opportunity.

With regards to the Business Opportunity, the Covenantors have undertaken to: (i) inform the Company if the Covenantors or any of their close associate intend to sell their interests in the business arising from the Business Opportunity and grant the Company the right of first refusal to acquire such interests; and (ii) provide or cooperate with the Company to provide all the information about the proposed Business Opportunity in order to enable it to make informed decisions.

For the purposes of the Non-competition Agreement, the Group’s “Principal Business” is defined as “designing, producing and selling luxury yachts” and “close associate” shall have the meaning attributed to it by the “Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited”, as amended (the “**HK Listing Rules**”).

Notwithstanding the above undertakings, any Covenantor may, either by itself or through its close associates:

- for the purpose of financial investment, purchase or hold less than 10% interest in a company which engages in or involves any business which is in competition or is likely to be in competition with the Principal Business, provided that the Covenantors and their close associates are not entitled to appoint the majority of directors of the relevant company, nor to participate or be involved in the management of such company; or
- hold any securities in any non-wholly owned subsidiaries and associated companies of the Company.

Furthermore, each of the Covenantors has undertaken to provide to the Company (i) all information necessary for the annual review of the compliance of the Non-competition Agreement and (ii) a written confirmation annually to the Company regarding the compliance with the Non-competition Agreement to be included in the Group’s annual report, and the relevant disclosures shall comply with the relevant disclosure principles provided by the HK Listing Rules.

The Non-competition Agreement is effective from the execution date and shall terminate on the earlier of: (a) the date on which the Covenantors cease to control the Company pursuant to the HK Listing Rules; and (b) the date on which the Shares

cease to be listed on the HK Stock Exchange. The Non-competition Agreement does not include corresponding obligations on the Company.

According to the HK Listing Rules, a controlling shareholder is any person (including a holder of depositary receipts) who is, or group of persons (including any holder of depositary receipts) who are together, entitled to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory public offer) or more of the voting power at general meetings of the issuer or who is or are in a position to control the composition of a majority of the board of directors of the issuer.

The Non-competition Agreement is governed by and shall be interpreted in accordance with the laws of People's Republic of China and any dispute arising out of, or in connection with, the Non-competition Agreement shall be submitted to the China International Economic and Trade Arbitration Commission for arbitration.

Program Agreement dated July 22, 2022

On July 22, 2022, the Company, jointly and severally with its subsidiary Ferretti Tech S.r.l. ("**Ferretti Tech**"), entered into a program agreement ("*Accordo di Programma*", the "**Program Agreement**"), pursuant to Article 252-*bis* of the Legislative Decree no. 152 of April 3, 2006 (the "**Environmental Code**"), with several national and local authorities (including Agenzia nazionale per l'attrazione e lo sviluppo d'impresa S.p.A. ("**Invitalia**"), the Ministry of Economic Development, the Ministry of Ecological Transition, the Apulia Region, the Province of Taranto and the Municipality of Taranto) regarding a disuse industrial area located in Taranto (Italy) falling within the perimeter of the national interest site as identified and approved by the Ministerial Decree of January 10, 2000 (the "**Yard Belleli Area**"). The Yard Belleli Area is managed by and falls under the authority of the Port Authority for the Ionian Sea (the "**Port Authority**").

The Program Agreement, which provides for an integrated project to secure, reconvert and redevelop the Yard Belleli Area ("*Progetto integrato di messa in sicurezza permanente e di riconversione industriale, sviluppo economico e produttivo*"), sets forth the terms and conditions for the completion of certain works to be carried out on the Yard Belleli Area. In particular:

- several environmental remediation works ("*opera di bonifica e/o messa in sicurezza ambientale*"), along with certain infrastructure works, such as the securing of the dock serving the Yard Belleli Area and certain construction and building works (the "**Environmental Remediation Works**"). The costs of Environmental Remediation Works will be borne by the Port Authority; and
- after the completion of the Environmental Remediation Works, the redevelopment ("*intervento di reindustrializzazione*"), which consists of the construction of an industrial plant for manufacturing boats, which is expected to occupy a total area of approximately 220,043 square meters, in addition to a 50 meter area with exclusive or preferential use for the docking of transport barges (the "**Reindustrialization Development**"). On August 26, 2020, after a public tender offer ("*procedura ad evidenza pubblica*"), the Company was awarded the Reindustrialization Development, which will be carried out through its subsidiary Ferretti Tech. The costs of the Reindustrialization Development will be borne by Ferretti Tech with the Company, jointly liable vis-à-vis the relevant authorities.

The Reindustrialization Development will be completed following the approval and signing of a fast-track development agreement (the "**Development Agreement**") pursuant to Article 4(6) of the Decree of the Minister of Economic Development dated December 9, 2014, as amended on November 2, 2021 (the "**2014 Decree**").

In addition, the Program Agreement provides that the new plant to be built will be made available to Ferretti Tech through a public land use concession ("*concessione demaniale marittima*") for a duration of 40 years (the "**Concession**"). Therefore, on July 1, 2020, the Company submitted to the Port Authority the request for issuance of the Concession, as subsequently amended on July 10, 2020 and on August 17, 2020. Furthermore, according to the Program Agreement, the said Concession shall be integrated or replaced by an agreement (so-called "*accordo integrativo/sostitutivo del provvedimento*"), pursuant to, *inter alia*, Article 11 of Law no. 241/1990, to be executed by Ferretti Tech and the Port Authority (the "**Concession Agreement**"). As of the Prospectus Date, the Concession Agreement has not yet been executed and the Company, to the best of its knowledge, reasonably expects to execute this Concession Agreement by the end of 2023.

In order to guarantee the fulfilment of the obligations set forth under the Concession Agreement (*e.g.*, payment of the concession fees), the Company has to deliver a guarantee in favor of the Port Authority (the "**Guarantee**"). Moreover, in the event the Program Agreement is terminated as a result of Ferretti Tech's failure to pay the concession fees due thereunder, the Port Authority will be entitled to enforce the Guarantee, unless the termination is due to causes not attributable to the Company.

The Company is entitled to terminate the Program Agreement in the event that: (i) the tender agreement ("*contratto di appalto*") to be executed in connection with the Environmental Remediation Works is not awarded within three months from the date provided in the timeline attached to the Program Agreement ("**Timeline**"); and (ii) the competent public authority does not deliver certain works in accordance with the Timeline.

In addition, the Company is entitled to receive from the Port Authority a daily indemnity in the event of a delay of more than three months in the delivery of the works pursuant to point (iii) above, while the Port Authority is entitled to receive from the Company a daily indemnity in the event of a delay of more than three months in the completion of certain works in accordance with the Timeline.

Any daily indemnities received by the Company will be deducted from the annual concession fees to be paid by the Company pursuant to the Concession Agreement.

As of the Prospectus Date, the Environmental Remediation Works have been partially completed by the Port Authority while the Reindustrialization Development has not been started yet. These works will be started once the Environmental Remediation Works have been completed.

Pursuant to the Program Agreement, the aggregate amount of the investments to be made in connection with the Yard Belleli Area is €204.8 million before discounts and depreciations, of which €67.2 million before discounts and depreciations (a net amount of €57.0 million) will be borne by the Company. In connection with this investment, Ferretti Tech submitted the application to Invitalia for the following non-refundable governmental contributions (“*contributi a fondo perduto*”): (i) €12.6 million for industrial investments; and (ii) €1.2 million for research and development investments (the “**Contributions**”). On April 14, 2023, Invitalia has approved the application of Ferretti Tech for these Contributions.

Furthermore, pursuant to the Program Agreement, the Company undertook to hire at least the 50% of the workers (e.g., fixed-term and permanent) through a specific procedure aimed at hiring qualified workers in industrial enterprises in a current state of crisis and located in the area concerned by the Program Agreement, if the job description is aligned with the requested one.

Pursuant to the Program Agreement, the sale of any minority stake in the Company is subject to the prior approval of Invitalia and a request for such authorization was transmitted to Invitalia on March 23, 2023. On June 16, 2023, the Company has received the acknowledgment (*presa d’atto*) from Invitalia.

Corporate transactions

Acquisition of Fratelli Canalicchio S.p.A.

On August 4, 2022, the Company entered into a term sheet (the “**Canalicchio Term Sheet**”) with Mr. Giovanni Canalicchio (“**GC**”) and Mr. Pasquale Canalicchio (“**PC**”) for the execution of:

- a preliminary sale and purchase agreement (the “**Canalicchio Preliminary Purchase Agreement**”) for the purchase of an overall 60% stake held by GC and PC in the share capital of Fratelli Canalicchio S.p.A. (“**Canalicchio**”), a company operating in the interior furnishings sector, for an overall consideration of Euro 100,000.00; and
- a shareholders’ agreement (the “**Canalicchio Shareholders’ Agreement**”) subject to the execution of the notarial deed for the transfer in favour of the Company of the 60% stake in the share capital of Canalicchio (the “**Canalicchio Notarial Deed**”).

Pursuant to the Canalicchio Term Sheet, the Company undertook to pay an overall amount equal to Euro 3,100,000.00 (the “**Financial Advance**”), as follows:

- an amount equal to Euro 600,000.00 upon the execution of the Canalicchio Term Sheet to be used by PC and GC to: (i) repay a shareholder loan in favor of Canalicchio of EUR 75,000.00; and (ii) purchase the entire corporate capital of the Real Estate entity Canalicchio S.r.l.; and
- an amount equal to Euro 2,500,000.00 upon the execution of the Canalicchio Shareholders’ Agreement at the closing date.

The Company undertook to grant the Financial Advance as to set this off against the purchase price to be paid by the Company in the event of exercise of certain option rights set forth under the Canalicchio Shareholders’ Agreement and better described below.

On September 19, 2022, the parties executed the Canalicchio Preliminary Purchase Agreement and undertook to, *inter alia*:

- execute the Canalicchio Shareholders’ Agreement and the Canalicchio Notarial Deed by and no later than September 21, 2022; and
- secure the Financial Advance with a pledge over the remaining 40% stake held by GC and PC in the share capital of Canalicchio in favour of the Company (the “**Pledge**”).

On September 19, 2022, the parties executed the Canalicchio Shareholders’ Agreement, the Canalicchio Notarial Deed and

the deed of Pledge.

The undertakings set forth in the Canalicchio Shareholders' Agreement mainly concern, *inter alia*, certain obligations pertaining to the corporate governance of Canalicchio, as well as certain option rights, tag along and drag along rights and limitations relating to the transfer of the 40% stake held by GC and PC.

In particular, the Canalicchio Shareholders' Agreement provides that, until September 19, 2028 (the “**Expiration Date**”), the board of directors of Canalicchio will be composed of six members: (i) GC; (ii) PC; and (iii) four other members directly appointed by the Company.

Furthermore, pursuant to the Canalicchio Shareholders' Agreement, the potential acquisition by the Company of the remaining 40% stake held by GC and PC can be carried out through the exercise of the following option rights until the Expiration Date:

- a call option right granted by GC and PC to the Company, pursuant to Article 1331 of the Italian Civil Code (the “**Canalicchio Call Option Right**”); and
- a put option right granted by the Company to GC and PC jointly, pursuant to Article 1331 of the Italian Civil Code (the “**Canalicchio Put Option Right**”), which can be only exercised jointly by GC and PC and with respect to all their shares (*i.e.*, 40% of the corporate capital).

In the event of exercise of the Canalicchio Call Option Right or the Canalicchio Put Option Right, the consideration to be paid for the 40% stake of Canalicchio, will be calculated pursuant to a formula set forth under the Canalicchio Shareholders' Agreement and, in any case, the minimum consideration (the “**Floor**”) will be equal to the Financial Advance (*i.e.*, 3,100,000.00).

In these events, the Company will be entitled to offset the overall Financial Advance against the purchase price of the Canalicchio Call Option Right or the Canalicchio Put Option Right.

Pursuant to the Canalicchio Shareholders' Agreement, GC and PC undertook not to transfer the remaining 40% stake held by them in the share capital of Canalicchio until the Expiration Date.

The Canalicchio Shareholders' Agreement also provides a call option leaver (the “**Canalicchio Call Option Leaver**”) granted by GC and PC to the Company, which can be exercised upon the alternative occurrence of the following events:

- GC and PC, individually or jointly, submit their resignation for just cause or are removed without just cause from the office of executive directors of Canalicchio (the “**Canalicchio Good Leaver Events**”); or
- GC and PC, individually or jointly, submit their resignation without just cause or are removed with just cause from their offices or violate the obligations imposed by the non-competition clause set forth under the Canalicchio Shareholders' Agreement (the “**Canalicchio Bad Leaver Events**”).

The Canalicchio Call Option Leaver can be exercised by the Company within six months from the occurrence of the Canalicchio Good Leaver Event or Canalicchio Bad Leaver Event and the consideration to be paid in connection with the option will be calculated pursuant to a formula set forth under the Canalicchio Shareholders' Agreement.

Unjustified revocation of the directors will qualify as a Canalicchio Good Leaver Event. In this event, the Company will be obliged to pay damages for Euro 1,000,000.00.

The transaction has been carried out without recourse to financial indebtedness and with an immaterial impact on the consolidated net financial position.

Acquisition of Il Massello S.r.l.

On August 4, 2022, Zago S.p.A. (“**Zago**”), a 100% owned subsidiary of Ferretti, entered into a term sheet (the “**Massello Term Sheet**”) with Mr. Loris Bonci (“**LOB**”), Mr. Luca Bonci (“**LUB**”) and Mr. Fabio Gradara (“**FG**”) for the execution of:

- a preliminary sale and purchase agreement (the “**Massello Preliminary Purchase Agreement**”) for the purchase of an overall 85% stake held by LOB, LUB and FG in the share capital of Il Massello S.r.l. (“**Massello**”), a company operating in the interior furnishings sector, for an overall consideration of Euro 6,375,000.00; and
- a shareholders' agreement (the “**Massello Shareholders' Agreement**”) subject to the execution of the notarial deed for the transfer in favour of the Company of the 85% stake in the share capital of Massello (the “**Massello Notarial Deed**”).

Pursuant to the Massello Preliminary Purchase Agreement, LOB, LUB and FG undertook to transfer in favour of Mr. Gianluca Costanzo (“GC”) an overall 3% stake held by them in the share capital of Massello (the “**Transfer**”) for an overall consideration of €900.00, which has been borne by Zago. As consequence of the Transfer, LOB ceased to be a shareholder of Massello.

The parties executed: (i) the Massello Preliminary Purchase Agreement on September 28, 2022, and (ii) the Massello Shareholders’ Agreement and the Massello Notarial Deed on September 29, 2022 (the “**Closing**”). Following the Closing, the share capital of Massello is represented as follows:

- 85% stake held by Zago;
- 6% stake held by LUB;
- 6% stake held by FG; and
- 3% stake held by GC.

The undertakings set forth in the Massello Shareholders’ Agreement mainly concern, *inter alia*, certain obligations pertaining to the corporate governance of Massello, as well as certain option rights, tag along and drag along rights and limitations relating to the transfer of the 15% stake held by LOB, LUB and FG.

In particular, the Massello Shareholders’ Agreement provides that, until September 29, 2028 (the “**Expiration Date**”), the board of directors of Massello will be composed of five members: (i) LUB; (ii) FG; and (iii) three other members directly appointed by Zago.

Furthermore, pursuant to the Massello Shareholders’ Agreement, the potential acquisition by Zago of the remaining 15% stake held by LUB, FG and GC can be carried out through the exercise of the following option rights until the Expiration Date:

- a call option right granted by LUB, FG and GC to Zago, pursuant to Article 1331 of the Italian Civil Code (the “**Massello Call Option Right**”); and
- a put option right granted by Zago to LUB, FG and GC jointly, pursuant to Article 1331 of the Italian Civil Code (the “**Massello Put Option Right**”), which can be only exercised jointly by LUB, FG and GC with respect to all their quotas (*i.e.*, 15% of the corporate capital).

In the event of exercise of the Massello Call Option Right or the Massello Put Option Right, the consideration to be paid for of the 15% stake of Massello, will be calculated pursuant to a formula set forth under the Massello Shareholders’ Agreement.

Pursuant to the Massello Shareholders’ Agreement, LUB, FG and GC undertook not to transfer the remaining 15% stake held by them in the share capital of Massello until the Expiration Date.

The Massello Shareholders’ Agreement also provides a call option leaver (the “**Massello Call Option Leaver**”) granted by LUB, FG and GC to Zago, which can be exercised upon the alternative occurrence of the following events:

- LUB, FG and GC individually or jointly, submit their resignation for just cause or are removed without just cause from the office of executive directors of Massello (the “**Massello Good Leaver Events**”); or
- LUB, FG and GC, individually or jointly, submit their resignation without just cause or are removed with just cause from their offices or violate the obligations imposed by the non-competition clause set forth under the Massello Shareholders’ Agreement (the “**Massello Bad Leaver Events**”).

The Massello Call Option Leaver can be exercised by the Company within six months from the occurrence of the Massello Good Leaver Event or Massello Bad Leaver Event and the consideration to be paid in connection with the option will be calculated pursuant to a formula set forth under the Massello Shareholders’ Agreement.

The transaction has been carried out without recourse to financial indebtedness and with an immaterial impact on the consolidated net financial position.

As of the Prospectus Date, the parties have not exercise any of the drag along, tag along or option rights described above.

Acquisition of Cantiere San Vitale

On February 8, 2023, the Company, as purchaser, entered into a preliminary agreement with Rosetti Marino S.p.A. (“**Rosetti Marino**”), as seller, for the acquisition of a shipyard located in Ravenna, the “Cantiere San Vitale” of approximately 53,000 sq.m. (the “**Cantiere San Vitale Asset**”) for an aggregate amount of €41,000,000, of which (i) €40,000,000 for the Cantiere

San Vitale Asset itself and (ii) €1,000,000 for the acquisition of a caisson (“*barca porta*”) located in the same area (the “**Cantiere San Vitale Preliminary Agreement**”). The Cantiere San Vitale Preliminary Agreement, as set forth also on the notarial deed, provides for standard representations and warranties from both the Company and Rosetti Marino. Pursuant to the Cantiere San Vitale Preliminary Agreement, Rosetti Marino agreed to hold the Company harmless from third party claims and to indemnify the Company for damages, subject to minimum thresholds, limitations and exclusions and within a specified time period. The Company has also given certain standard representations and warranties, such as with respect to its organization and authorization, absence of third party mandates as well as the satisfaction of subjective and objective requirements for holding the assets.

On March 20, 2023, the Company entered into a notarial deed with Rosetti Marino with respect to the acquisition of the Cantiere San Vitale Asset and paid to Rosetti Marino €41,000,000, of which €960,000 has been placed in an escrow account and will be transferred to Rosetti Marino subject to the removal of certain vessels owned by Rosetti Marino from the Cantiere San Vitale Asset.

The Cantiere San Vitale Preliminary Agreement and the notarial deed do not contain any contractual price adjustment mechanism.

An area of 17,054 sq.m. of the Cantiere San Vitale Asset intended for the shipyard area is a state-owned property used by Rosetti Marino pursuant to the public land-use concession no. 15/2021 issued by the Port Authority of North Central Adriatic Sea on March 25, 2021, valid until December 31, 2024 related to a quay and dry dock, as supplemented by concession no. 41/2021 issued by the same Authority on December 22, 2021, valid until December 31, 2024 (the “**Ravenna Concession**”). The Ravenna Concession will be transferred to the Company once the Company receives authorization from the competent authority.

As of the Prospectus Date, there are no final commitments by the Company for investments to be made in connection with the Cantiere San Vitale Asset.

Real Estate

The Group occupies certain properties in connection with its business operations, which are owned by the Group, leased from third parties and/or used pursuant to public land use concessions (*concessioni demaniali*) issued by the Italian State government and/or other public entities.

The table below sets forth a summary of Group’s properties which were considered material as of the Prospectus Date:

No.	Location	Purpose	Title	Total Site Area (sq.m.)	Total Indoor Site Area (sq.m.)
1.	Mondolfo	Shipyard and Office	Owned	83,377	21,219
2.	Cattolica ^(*)	Shipyard and Office	Owned/Leased / Private contractual rights	12,212	6,757
3.	Forlì	Shipyard and Office	Owned / Leased	51,524	23,251
4.	La Spezia	Shipyard and Office	Owned/Leased / Public land use concessions	39,025	17,640
5.	Sarnico	Shipyard and Office	Owned / Public land use concessions	43,378	16,986
6.	Ancona	Shipyard and Office	Owned / Leased / Public land use concessions	76,945	32,704

^(*) The Company does not hold any maritime concession from the state in relation to the Cattolica shipyard, but only mooring rights (“*diritti di ormeggio*”) and port services and sub-concessions rights (both until 2053), which are considered private contractual rights under prevailing case-law (*i.e.*: Italian Supreme Court, Joint Sections, order no. 4884 dated February 27, 2017).

On March 20, 2023, the Company purchased a shipyard, the “Cantiere San Vitale”, approximately 53,000 sq.m. located in Ravenna from Rosetti Marino S.p.A. For further information see “—*Material Agreements—Corporate transactions—Acquisition of Cantiere San Vitale.*”

The Group holds valid title documents for all of its owned properties. The Group holds the following public land-use

concessions:

A. Sarnico site:

- a public land use concession specification (“*disciplinare di concessione*”) no. BG-284-0-E issued by the Authority for the Lakes of Iseo, Endine and Moro – “*Autorità di Bacino Lacuale dei Laghi d’Iseo, Endine e Moro*” on January 20, 2020, valid until December 31, 2032;
- a public land use concession specification (“*disciplinare di concessione*”) no. BG-284-0-D issued by the Authority for the Lakes of Iseo, Endine and Moro – “*Autorità di Bacino Lacuale dei Laghi d’Iseo, Endine e Moro*” on October 26, 2018, valid until December 31, 2031; and
- a public land use concession specification (“*disciplinare di concessione*”) no. BG-284-0-C issued by the Authority for the Lakes of Iseo, Endine and Moro – “*Autorità di Bacino Lacuale dei Laghi d’Iseo, Endine e Moro*” on June 30, 2017, valid until December 31, 2031.

B. La Spezia site:

- a public land use concession no. 103/168 covering a state-owned area of 60,048.87 sq.m. intended for shipbuilding (“*cantieristica navale*”) as well as a water surface for mooring of naval units, valid until May 23, 2033, issued by the Port Authority of Eastern Ligurian Sea - “*Autorità di Sistema Portuale del Mar Ligure Orientale*” in favor of Ferretti in execution of a deed of submission for early occupation (“*atto di sottomissione per occupazione anticipata*”) no. 158/2002 (the latter was signed on November 6, 2002 between La Spezia Port Authority and a third party and subsequently was transferred to the Group in 2016);
- a public land use concession no. 78/2020, issued by the Port Authority of Eastern Ligurian Sea - “*Autorità di Sistema Portuale del Mar Ligure Orientale*”, on December 3, 2020, in favor of Michelini & C. S.r.l. (merged into the Company in 2021) covering an area of 210 square meters intended for employee and customer parking, as transferred in favor of the Company, through the sub-entry licence no. 59 of August 21, 2021, valid until December 31, 2025;
- a public land use concession no. 149/171, issued by the Port Authority of Eastern Ligurian Sea – “*Autorità di Sistema Portuale del Mar Ligure Orientale*” on October 30, 2019, in favor of Michelini & C. S.r.l. (merged into the Company in 2021) covering an area intended for the maintenance of the shipyard, used for the repair and construction as well as the water surface adjacent to the area for mooring of naval units, as transferred in favor of the Company through the sub-entry licence no. 58 of April 21, 2021, valid until June 30, 2023;
- a public land use concession no. 39/2018 issued by Port Authority of Eastern Ligurian Sea – “*Autorità di Sistema Portuale del Mar Ligure Orientale*”, on June 13, 2018, in favor of the Company, covering an area of 1,473.00 square meters intended for employee and customer parking, valid until December 31, 2025.

C. Ancona site:

- a public land use concession no. 7/2018 dated February 8, 2018 reference no. 1238, valid until December 31, 2021;
- a deed of submission for early occupancy (“*atto di sottomissione per occupazione anticipata*”) no. 11/2019 dated March 6, 2019 reference no. 1466, valid until December 31, 2021;
- an additional license (“*licenza suppletiva*”) no. 18/2021 dated October 27, 2021 reference no. 1865 issued by the Port Authority for the Central Adriatic Sea – “*Autorità di Sistema Portuale del Mare Adriatico Centrale*” related to the occupancy of (a) a water surface of 18,000 square meters, (b) covered area of 842 square meters divided into part of the M05 building used as a workshop and part of the office/maintenance/equipment building; (c) uncovered area of 12,243.00 square meters constituting the staging docks and slipway, all for the performance of shipbuilding activities, valid until December 31, 2021.

In relation to the above-mentioned concessions, on June 30, 2022, the Company has requested the Port Authority to extend the duration for a period of additional twenty years (*i.e.*, until January 1, 2043). As of the Prospectus Date, the Company had not yet been granted an extension, however, the term for the observations by the Port Authority has expired and hence the Company expects to receive the extension shortly.

Some of land use concession authorizations (including those required under the Navigation Code relating to the change in the holding of the concession) and local regulations specify that the transfer of ownership or change of control (in particular with reference to the concession relating to the La Spezia site) is subject to a prior notification and/or express authorization from the relevant authority. With a view to being transparent with the authorities and, in particular, given that the Offer will

result in Shandong SASAC indirectly holding less than 50% of the Company's share capital, and ceasing to exercise legal control pursuant to Article 2359(1)(1) of the Italian Civil Code, the Company has informed the relevant authorities of the proposed listing and the changes to the corporate structure and, on May 11, 2023, the Company has received the acknowledgement (*presa d'atto*) from the Port Authority of the Eastern Ligurian Sea.

Intellectual Property

The Group's ability to protect the intellectual property that underpins its brand portfolio, technology and know-how is critical to its competitiveness. The Group seeks to protect its intellectual property against third party infringement through the registration of trademarks, the filing of patents, and through other means including licenses, confidentiality and non-disclosure agreements.

The main trademarks that the Group currently uses in its business are "Ferretti Yachts", "FF", "Riva", "Pershing", "Itama", "CRN", "FSD" and "Wally" and "Custom Line". While some of these trademarks have been registered in jurisdictions where the Group believes to be relevant at Italian, European and international levels, others are currently waiting for registration approval or are not registrable because they lack of sufficiently distinctive character.

From time to time, the Group enters into coexistence agreements with third parties who own trademarks that are "formally similar" but not identical in substance, since they play in different business sectors and trademarks are different in terms of visual aspects. According to such agreements, the Group may mutually agree to restrict the uses of such trademarks to specific classes of products or services, geographical territories or manners of use. The Group sometimes also licenses its trademarks to third parties and licenses third-party trademarks for its own use pursuant to cobranding agreements. The Group is currently a party to such coexistence and co-branding agreements in respect of "Riva", "Ferretti Yachts" and "Wally" trademarks.

In addition, the Group seeks to protect the inventions that it generates through product development and innovation activities through patents. Due to the relatively mature state of technology in the yacht industry, Group's product innovation activities do not yield a significant number of patents, although Group's ongoing efforts to diversify its product offerings and extend existing technology to new applications may in the future generate new intellectual property rights.

Furthermore, the Group seeks to protect its proprietary know-how and trade secrets by implementing procedures designed to safeguard the confidentiality of internal processes and to restrict access to information relating thereto, including by requiring its employees, suppliers, designers, and other contractors to sign non-disclosure agreements.

As of the Prospectus Date, the Group had (i) 115 registered patents worldwide, of which 14 are registered in Italy; (ii) 1,269 registered trademarks; and (iii) 151 registered domain names.

The table below sets out Group's material intellectual property right as of the Prospectus Date.

Trademark (most relevant as identified by the management, and material to the business)

No.	Trademark	Place of Registration	Registration Number
1.....	FerrettiGroup	Italy	1578674
2.....	FF	Italy	362021000158303
3.....	FSD PIU SCUDO	Italy	1666910
4.....	ITAMA (GRAFIA)	Italy	362017000079024
5.....	PERSHING (GRAFIA)	Italy	302017000119817
6.....	RIVA (GRAFIA 2)	Italy	302016000046527
7.....	CRN	Italy	302017000121866
8.....	WALLY	European Union	002943991
9.....	WHY	European Union	008627259
10.....	FERRETTI YACHTS	Italy	302021000039326
11.....	CUSTOM LINE	Italy	302022000035321

Domain names (most relevant as identified by the management and material to the business)

No.	Domain Names	Registered Owner
1.....	alliedmarine.com	Ferretti
2.....	crn-yacht.com	Ferretti
3.....	customline-yacht.com	Ferretti
4.....	ferrettigroup.com	Ferretti
5.....	ferrettisecuritydivision.com	Ferretti
6.....	itama-yacht.com	Ferretti
7.....	pershing-yacht.com	Ferretti
8.....	riva-yacht.com	Ferretti
9.....	wally.com	Ferretti
10.....	ferretti-yachts.com	Ferretti

Patents (most relevant as identified by the management and material to the business)

No.	Patent Name	Registration Jurisdiction	Patent Number
1.....	Architettura propulsiva per imbarcazione (<i>Yacht propulsion architecture</i>)	Italy	1391554
2.....	Imbarcazione con dispositivo movimentatore di una plancetta di poppa provvisto di gradini integrati (<i>Yacht with a stern platform moving system equipped with integrated steps</i>)	Italy	102019000012366
3.....	Imbarcazione con plancetta di poppa traslante (<i>Yacht with sliding stern platform</i>)	Italy	1417739
4.....	Imbarcazione con plancetta di poppa traslante e portante gradini scorrevoli su gradini fissi della poppa (<i>Yacht with sliding stern platform equipped with sliding steps on stern fixed ladder</i>)	Italy	102017000105321
5.....	Imbarcazione con portellone poppiere con doppia possibilità di apertura (<i>Yacht with transom shell door with dual opening options</i>)	Italy	1417210
6.....	Imbarcazione con portellone poppiere con movimentazione integrate (<i>Yacht with transom shell door with integrated kinetic system</i>)	Italy	1422553
7.....	Imbarcazione con portellone poppiere immergibile (<i>Yacht with submersible transom shell door</i>)	Italy	1422555
8.....	Imbarcazione con portellone poppiere mobile con la plancetta di poppa immergibile (<i>Yacht with movable transom shell door with submersible stern platform</i>)	Italy	1425047
9.....	Imbarcazione con tettuccio rigido mobile, a scomparsa (<i>Yacht with rigid retractable sliding roof</i>)	Italy	1417213
10.....	Pannello stratificato multifunzione per ambienti (<i>Multifunctional laminated panel for interiors</i>)	Italy	102016000057841
11.....	Procedimento e sistema per la gestione di dati e segnali di sensori, generati da sottosistemi di imbarcazioni (<i>Process and system for the management of data and sensors signals, generated by subsystems of yachts</i>)	Italy	1389898
12.....	Scafo per imbarcazione con caratteristiche di scafo dislocante e di scafo planante (<i>Yacht hull with characteristics of displacement and planing hulls</i>)	Italy	1390959
13.....	Un apparato per la manovra di un'attrezzatura di ancoraggio in un'imbarcazione (<i>Equipment to handle the anchoring system of a yacht</i>)	Italy	1353224
14.....	Imbarcazione con dispositivo di ancoraggio a scomparsa a ribaltamento facile (<i>Yacht with an easy-overturning anchoring system</i>)	Italy	102022000010394

During the Track-Record Period and as of the Prospectus Date, the Group has not been subject to any material legal proceeding for infringement of any third-party intellectual property rights.

As of March 31, 2023, the Group, *inter alia*, (i) is a party to over 30 administrative proceedings aimed to face official actions (requiring clarifications or concerning provisional refusals) issued by the competent trademark offices against a trademark application by the Group; (ii) has pending over 100 opposition proceedings to prevent third parties from registering conflicting trademarks; and (iii) has started over 20 cancellation/invalidation proceedings against third parties' interfering trademarks.

Group Companies

The Company is the parent company of the Group. The table below sets forth a list of the Company's subsidiaries as of the Prospectus Date. Share capital of these subsidiaries is held directly or indirectly through intermediate companies.

Subsidiary	Economic interest and voting rights	Jurisdiction of incorporation	Equity (in thousand of Euros)	Income (in thousand of Euros)
Zago S.p.A.	100%	Italy	2,690	2,523
Ferretti Tech S.r.l.	100%	Italy	22	(7)
R.A.M. S.p.A.	80% ⁽¹⁾	Italy	603	N/A
Sea Lion S.r.l.	75% ⁽²⁾	Italy	364	220
Allied Marine Inc.	100%	United States	13,065	7,448
Ferretti Group of America Holding Company Inc.	100%	United States	(107,580)	(2,907)
Ferretti Group of America LLC.	100%	United States	(95,703)	5,910
BY Winddown Inc.	100%	United States	(114,532)	(3,025)
Ferretti Group Asia Pacific Ltd.	100%	Hong Kong	(18,895)	492
Ferretti Asia Pacific Zhuhai Ltd.	100%	People's Republic of China	94	(5)
Ferretti Group UK Limited	100%	United Kingdom	(230)	(42)
Ferretti Gulf Marine-Sole Proprietorship LLC	100%	United Arab Emirates	77	-
Ferretti Group (Monaco) S.a.M.	99.4% ⁽³⁾	Principality of Monaco	(256)	110
Il Massello S.r.l.	85% ⁽⁴⁾	Italy	1,818	194
Fratelli Canalicchio S.p.A.	60% ⁽⁵⁾	Italy	864	(535)
Restart S.p.A. in liquidazione	50% ⁽⁶⁾	Italy	-	-
Parola S.r.l.	85% ⁽⁷⁾	Italy	103	8
Smart Wood S.r.l.	85% ⁽⁸⁾	Italy	106	7
Ma.Ri.Na. S.r.l.	80% ⁽⁹⁾	Italy	244	(22)
Ferretti Group Singapore Pte. Ltd. ..	100% ⁽¹⁰⁾	Singapore	-	-

- (1) Mr. Anselmo Vigani, Ms. Liana Riva and Ms. Maria Pia Riva own 10%, 5% and 5% interests in R.A.M. S.p.A., respectively.
- (2) The 25% minority interest in Sea Lion S.r.l. is owned by Mr. Luca Bassani Antivari, who is the chairman of Sea Lion S.r.l.
- (3) The 0.6% minority interest in Ferretti Group (Monaco) S.a.M. is owned by Messrs. Mr. Giuliano Felten, Mr. Marco Piccinini and Mr. Stefano De Vivo, all of whom are directors of Ferretti Group (Monaco) S.a.M.
- (4) Remaining 15% stake owned by Mr. Fabio Gradara (6%), Mr. Luca Bonci (6%) and Mr. Gianluca Costanzo (3%).
- (5) Remaining 40% stake owned by Mr. Pasquale Canalicchio (20%) and Mr. Giovanni Canalicchio (20%).
- (6) Other 50% interest in Restart S.p.A. in liquidazione is owned by PN Sviluppo S.r.l., a wholly owned subsidiary of Sanlorenzo S.p.A. Restart S.p.A. in liquidazione is a 50:50 joint-venture established between the Group and Sanlorenzo for the acquisition of Perini Navi S.p.A.; such acquisition was not completed and, as of the Prospectus Date, the joint-venture is not operative.
- (7) The entire share capital of Parola S.r.l. is directly owned by Il Massello S.r.l.
- (8) The entire share capital of Smart Wood S.r.l. is directly owned by Il Massello S.r.l.
- (9) The entire share capital of Ma.Ri.Na. S.r.l. is directly owned by R.A.M. S.p.A.
- (10) The entire share capital of Ferretti Group Singapore Pte. Ltd. is directly owned by Ferretti Group Asia Pacific Ltd.

There is no short term need to recapitalize the companies listed in the table above with negative equity. Allied Marine Inc. and Ferretti Group of America LLC are the only subsidiaries of the Company that could have a significant impact on the Group's profits and losses.

As of the Prospectus Date, the Company is not subject to direction and coordination activities by its controlling shareholder within the meaning of Articles 2497 et seq. of the Italian Civil Code.

The Company considers that during the Track-Record Period and to the Prospectus Date, none of the activities typically

associated with direction and coordination pursuant to Articles 2497 and following of the Italian Civil Code have been exercised by its controlling shareholder and that therefore, by way of example but not limited to: (i) decisions relating to the management of the Issuer's business are taken by the Issuer's own governing bodies, (ii) the Company's Board of Directors is responsible, *inter alia*, for reviewing and approving the Issuer's strategic, industrial and financial plans and budgets; (iii) the Company operates in full autonomy with respect to customer and supplier relations, without any interference from external parties; and (iv) neither FIH nor Weichai Holding (HK) nor Weichai Group nor SHIG nor Shandong SASAC exercises any centralised treasury function for the benefit of the Issuer.

Although, the Company is required to communicate certain financial and budget information periodically to Weichai Group, which combines the information of its subsidiaries into a single unaudited consolidated report that is then shared with its parent company. SHIG, in turn, consolidates the reports of the Weichai Group and other subsidiaries and sends the integrated report to Shandong SASAC, which is required to comply with monthly and annual reporting requirements regarding the key financial metrics of the enterprises it controls both domestically and overseas; such fulfilment is not functional to the exercise of direction and coordination activities, but is a mere periodic reporting obligation required under Chinese law. For more information, see *“Regulatory-Measures for the Supervision and Administration of Oversea State-owned Assets of Shandong Provincial Enterprises, Notice on Financial Flash Reports of Shandong State-owned Enterprises, and Rules for the Disclosure of Information on Debt Financing Instruments of Non-Financial Enterprises in the Interbank Bond Market.”*.

As of the Prospectus Date, the Company carries out direction and coordination activities within the meaning of the Italian Civil Code, with respect to the companies belonging to the Group, exercising control over them pursuant to Article 2359 of the Italian Civil Code and providing for the consolidation of their annual financial statements. The Company exercises direction and coordination activities *vis-à-vis* the Group's companies, *inter alia*, through the approval of business, financial and strategic plans with group-wide significance, the development of directives, procedures and guidelines of the Group, as well as the appointment of their corporate bodies. Therefore, under Article 2497 of the Italian Civil Code, companies and other entities that, acting in their own interest or the interest of third parties, mismanage a company subject to their direction and coordination activity are liable to such company's shareholders and creditors for damages. No liability exists if: (i) the resulting damage is fully eliminated, including through subsequent transactions, or (ii) the resulting damage is effectively offset by the overall benefits derived by the company from the continued exercise of such direction and coordination powers. Direction and coordination activity are presumed to exist with respect to consolidated subsidiaries.

Finally, the Company, considering that some of its subsidiaries are incorporated and regulated by law of countries outside the European Union, will ensure compliance with all the conditions set forth in Article 15 of CONSOB Regulation no. 20249 of December 28, 2017, as subsequently amended and integrated (**“Markets Regulation”**). In particular, the Company intends to make publicly available as of the First Trading Date the financial statements of the foreign subsidiaries having “significant relevance” prepared for the purpose of their inclusion in the Group consolidated financial statements, including the balance sheet and income statement, at the registered office and/or on its website. Pursuant to the above regulations, the subsidiaries that are qualified as “significant” as of the Prospectus Date are: (i) Allied Marine Inc. and (ii) Ferretti Group of America LLC.

Furthermore, the Company, with reference to all Group companies incorporated and governed by the law of countries outside the European Union, complies with the conditions set forth in Article 15 of the Markets Regulation.

Insurance

The Group has in place insurance with respect to general liability, property risks, director and officer liability, business interruption and other insurance (such as car, credit and freight insurance). In particular, the Group maintains builders' risk policies to insure against some of the risks associated with the production process and business interruption insurances to protect the Group against lost profits in certain circumstances. The Group places its insurance coverage with highly rated carriers. The Group believes that insurance coverage is adequate, and all insurance policies are in line with industry standards.

In February 2023, the Company has received confirmation of the insurance claim reimbursement for fire occurred in the Company's shipyard in Cattolica (Rimini) on January 11, 2022, destroying three boats under construction. In addition, the production hangar suffered limited, non-material damage. The Group's loss of contract assets and the damages to the production hangar, estimated to be €9.3 million in total, were fully insured.

Save for the above, during the Track-Record Period and up to the Prospectus Date, the Group has not made any material insurance claims, nor has it experienced any material difficulties in renewing its insurance policies.

Legal Proceedings

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Group is aware), during the 12 months preceding the Prospectus Date which may have, or have had, significant effects on the Group's financial position, save as indicated below.

Based on the opinions received from Company's legal advisors, the risk of a negative outcome of the proceedings is assessed as unlikely.

Notwithstanding, as of March 31, 2023, the Group had recorded aggregate provisions for legal proceedings and tax and employment law litigation of €9.1 million (€9.2 million as of December 31, 2022) in relation to the pending or threatened legal proceedings (including, *inter alia*, solidary risks on procurement, defectiveness products, personnel and supplier disputes and tax proceedings), which involve aggregate claims of approximately €31.1 million, including the proceedings described below under paragraph "*Tax proceedings*". In particular, for some legal proceedings, the Group has not recorded any provisions for risks and charges, because it believes the risk of losing those proceedings to be remote.

GP Yacht S.r.l. and Mr. Pierino Estampi litigation

On May 22, 2007, GP Yacht S.r.l. in liquidazione ("**GP Yacht**") and Mr. Pierino Estampi ("**Mr. Estampi**", and together with GP Yacht, the "**Plaintiffs**") commenced a proceeding against the Company and Luxury Yacht Corporation S.p.A. ("**LYC**", and together with the Company, the "**Defendants**") before the Court of Bologna claiming damages pursuant to article 2043 of the Italian Civil Code of approximately €10.9 million (in addition to interest and appreciation accrued since May 22, 2007), as compensation for the alleged damage (including reputational damage) suffered by the Plaintiffs as a result of: (i) the exercise by the Company of a contractual or effective control over GP Yacht pursuant to article 2359, paragraph 1, no. 3, of the Italian Civil Code, and (ii) the Company's abuse of the economic dependence of LYC, its exclusive distributor.

At the hearing held in July 2010, the Court of Bologna, accepting Ferretti's objection, declined the territorial jurisdiction in favour of the Court of Rimini, granting GP Yacht the deadline to resume the case before that court. GP Yacht did not bring its action before the Court of Rimini by the specified deadline and the proceedings were terminated.

On February 21, 2012, GP Yacht brought its case before the Court of Rimini, by which it sought damages, on the basis of the same grounds as in the proceedings before the Court of Bologna, as well as interest and appreciation accrued since May 22, 2007. The Court of Rimini rejected GP Yacht's applications with order for costs filed on August 9, 2016.

On February 24, 2017, this rejection was appealed by the Plaintiffs before the Court of Appeal of Bologna.

On October 5, 2021, the Court of Appeal of Bologna rejected the appeal and ordered the Plaintiffs to pay legal fees of €17,628.00 as well as general expenses (*i.e.*, flat rate of 15%, plus interests and further ancillary costs).

On April 27, 2022, the Plaintiffs appealed the decision before the Italian Supreme Court (*Corte di Cassazione*) and on June 6, 2022, the Company filed a counter-appeal.

As of the Prospectus Date, the hearing before the Italian Supreme Court has yet to be scheduled.

Tax proceedings

The Group is involved mainly in two tax litigation proceedings:

- a litigation related to VAT for the 2009 period and its appeal was granted in the first and second instance from the Company. At the Prospectus Date, the Italian Revenue Agency lodged an appeal in the third instance and the hearing has been scheduled for September 2023;
- a litigation related to the so-called "*splafonamento*" (*i.e.*, VAT threshold) for the 2012 tax year. The Provincial Tax Commission accepted the appeal presented by the Company, against which The Revenue Agency notified its appeal.

The claims under the two litigations is approximately €5 million, included as of March 31, 2023 in the Group's aggregate provisions for risks and charges of €9.1 million (€9.2 million as of December 31, 2022) in relation to the pending or threatened legal proceedings.

REGULATORY

The Group is affected by an extensive range of statutes, law and regulations in the countries and markets where it operates. In particular, the Group is subject to various supranational, national and local laws and regulations applicable to businesses generally, including, but not limited to, laws pertaining to health and safety, environmental, fire planning, landlord/tenant, competition, advertising, tax, data protection and labour and employment practices (including pensions). These laws are administered by various regulatory bodies in the countries in which the Group operates.

Legal and regulatory developments may have significant impact on the Group's business. Furthermore, changes in legislation and official regulations may entitle stricter requirements and changes in health, safety and environmental conditions or progress towards stricter official application of legislation and regulation, which may require additional investment and lead to higher expenses, and other undertaking from the Group.

Although it contains the information concerning such laws and regulations that the Group considers material as of the Prospectus Date, this summary does not purport to be a comprehensive description of all the laws and regulations applicable to the business and operations of the Group and/or which may be relevant for potential investors.

In addition, as of the Prospectus Date, there is no governmental, economic, budgetary, monetary or political factor or policy that has had or may have, directly or indirectly, a significant impact on the Issuer's business. Moreover, as of the Prospectus Date, the Company is not aware of any possible regulatory changes that may significantly affect the Group's business.

Italian product liability laws and regulations

In general, the Italian Civil Code requires sellers of products to assure buyers that the products they sell are free from defects. Specifically, Article 1492 of the Italian Civil Code states that a buyer who purchases a product with defects that render it unsuitable for its intended use or appreciably diminish its value has the right to (i) rescind its purchase contract or (ii) obtain a price reduction. Article 1497 of the Italian Civil Code provides buyers with an independent ground to rescind a purchase contract if the product is fundamentally lacking in the promised qualities or in the essential qualities for its intended use. Article 1495 of the Italian Civil Code states that a buyer forfeits these rights if it fails to report a defect to the seller within eight days of its discovery, and that the buyer's claims in any event will be time barred one year after delivery of the product.

In addition to these provisions of the Civil Code, Legislative Decree no. 206 of September 6, 2005 (the “**Consumer Code**”) establishes a comprehensive regulatory scheme applicable to the purchase and sale of goods and services in Italy. For example, Article 133 of the Consumer Code – as amended by Legislative Decree no. 170 of November 4th, 2021 – states that a seller is liable to a buyer for any lack of conformity (*difetto di conformità*) existing at the time of delivery of goods and that becomes apparent within two years from the time of delivery. In any case, the action to enforce defects not willfully concealed by the seller will be time barred twenty-six months after the delivery of the goods. In addition, Title II of the Consumer Code establishes a product liability regime that makes manufacturers of defective products liable for the damages caused to third parties by their products. Accordingly, persons injured or otherwise damaged by a defective product can recover their damages from the manufacturer of the product if they can meet the burden of proving the existence of the defect, the damages suffered and the causal link between the two. If an injured party meets this burden, it is up to the manufacturer to prove the absence of the defect or damage or that a relevant exemption from liability, as the ones specified in article 118 of the Consumer Code, is available. Article 125 of the Consumer Code states that an injured party's claims will be time barred three years after the time it discovers (or should have discovered) the defect, the damage or the identity of the responsible party. According to article 126 of the Consumer Code the right to compensation shall expire ten years after the product in question was first placed into commerce by the producer or by the importer in the European Union. The forfeiture is prevented only by the statement of claim – unless the proceeding is extinguished – by the application for admission of the credit in an insolvency proceeding, or by the acknowledgement of the right by the liable party.

Injured parties may also seek relief under Article 2043 of the Civil Code, which states that any person who causes damages to others due to willful or negligent conduct shall be liable to reimburse the injured persons for such damages. Plaintiffs seeking redress under this provision have the burden of proving the willful or negligent nature of the act complained of the damages suffered and the causal link between the two. Such actions expire in five years from the day on which the relevant event occurred and/or from the day when an injured party discovered (or should have discovered) the foregoing elements.

Health and Safety

In every country where operates, the Group is subject to national laws, regulations and practices concerning employee health and safety. While each site is responsible for monitoring compliance with local regulations, the Group has a health and safety network that operates across all of its manufacturing facilities in order to share and promote best practices. Each of Group's manufacturing facilities is regularly audited and any corrective action required to maintain global standards is implemented.

Environmental

The Group's business is subject to several European, national and local environmental laws and regulations relating to the protection of the environment and natural resources. These include laws and regulations relating, inter alia, to air and noise emissions and the impact made on air quality through gas and particle emissions, recycling and packaging waste reduction and prevention, waste disposal, soil and groundwater contamination, dangerous and chemical substances and asbestos disposal.

The Group obtained the Environmental Single Authorizations (*Autorizzazione Unica Ambientale*) by the competent authorities between the 2014 and the 2022 in accordance with the applicable Italian laws and regulations.

The Environmental Single Authorization, ruled under Presidential Decree no. 59/2013, replaces up to seven different authorization procedures and is addressed to all the small and medium companies that are not subject to the Integrated Environmental Authorization and the Environmental Impact Assessment, but which must obtain or renew at least one of the following titles:

- authorization to discharge wastewater pursuant to Legislative Decree no. 152/2006 of April 3, 2006 (the “**Consolidated Environmental Text**”);
- prior notification regarding the agronomic use of livestock manure, of vegetation water from oil mills, and wastewater from companies referred to in Article 112 of the Consolidated Environmental Text;
- ordinary authorization for emissions into the atmosphere of the industrial plants as per Article 269 of the Consolidated Environmental Text;
- general authorization for emissions into the atmosphere as per Article 272 of the Consolidated Environmental Text;
- documentation for forecasting environmental acoustic impact pursuant to Article 8 paragraphs 4 and 6 of Law no. 447/1995;
- authorization concerning the use of mud deriving from agricultural depuration processes pursuant to Article 9 of the Legislative Decree no. 99/1992;
- communications in the field of wastes according to Articles 215 and 216 of the Consolidated Environmental Text.

The AUA is valid for 15 years and a request of renewal has to be submitted to the competent authority at least 6 months before the said terms expires.

For further information on certifications, see “*Business—Certifications*.”

Moreover, with reference to soil and groundwater contamination, the provisions regulating the remediation of contaminated sites are mainly contained in Title V of Part IV of the Consolidated Environmental Text (Articles 239 et seq.) and provide that, should the contamination of soil, subsoil and underground water be detected, according to the so-called “polluter-pays” principle, the actions for the safety measures and clean-up activities together with the associated costs are borne by the subject responsible for the contamination. If the subject responsible for the contamination does not carry out the necessary remedial actions (or this subject is not identifiable) and neither the site owner (or other interested party) carries out the necessary remedial measures, the measures are executed by the competent authority. In this case, the same area is assumed as a guarantee of the costs borne by the authority, within the limit of market value of the area, which is determined after the execution of the works. Also, severe contaminations that result in an “environmental pollution” or in an “environmental disaster” might lead to criminal sanctions that, in turn, could trigger the application of administrative sanctions, including suspension of the activity, for the corporate entity pursuant to Article 25-*undecies* of Decree 231.

Furthermore, compliance with the above-mentioned laws and regulations is monitored by local and national authorities and competent agencies.

Decree 231

The 231 Decree introduced into the Italian legal system an administrative liability of legal entities, companies and associations (including those without legal personality) as a consequence of the commission of a criminal offense.

According to the 231 Decree, an entity may be held liable if certain crimes listed under the 231 Decree (the “**Crimes**”) are committed by individuals in executive position (i.e., “*soggetti in posizione apicale*”) or individuals in subordinate positions (i.e., “*soggetti in posizione subordinata*”), provided that such Crimes have been committed in the interest, or for the benefit, of the entity itself.

The Crimes include – inter alia – corporate crimes (e.g., false accounting, bribery amongst private parties, etc.), offences against governmental, European or local authorities (e.g., bribery, misappropriation of public grants etc.), certain offences connected to health & safety at work, environmental crimes, IP crimes, money laundering crimes and tax crimes.

However, the entity is not liable if it proves – inter alia – that all the following conditions are met: (i) it adopted and actually implemented, prior to the commission of the Crime/s, an adequate organizational model to prevent crimes of the same nature as those which have been committed (the “**231 Model**”); (ii) it appointed an internal but independent body (“*Organismo di Vigilanza*”, the “**Supervisory Board**”), granted with autonomous powers of initiative and control, to oversee the implementation and updating of the organizational model; (iii) no lack of or insufficient supervision by the Supervisory Board occurred; (iv) the persons who committed the Crime acted fraudulently, circumventing the measures provided in the 231 Model.

The sanctions to which the legal entity may be subject for the commission of the Crimes are: (i) administrative fines (ii) interdiction to carrying out certain activities (e.g., disqualification from exercising the activity; suspension or revocation of authorizations or licenses; prohibition to enter into contracts with the public administration), (iii) confiscation, (iv) publication of the court decision. The monetary sanctions could amount up to approximately Euro 1,500,000.00 or be even higher, since one of the sanctions is the confiscation of the profits of the crime, which amount is not determinable in advance.

Italian Regulations Applicable to Weapons Manufacturing

Pursuant to the provisions of Article 28 of TULPS, the collection, manufacture, possession and sale of weapons, or parts thereof, ammunition, military uniforms or other items intended for the equipment of domestic or foreign armed forces are subject to the receipt of certain licenses (granted following an audit process and valid for two years) by the competent Prefect (the “**Licenses**”). The Licenses are also required for, *inter alia*, the manufacture, import, export, collection, possession and sale of self-defense instruments specifically intended for the armament of the armed or police forces.

Pursuant to the provisions of Article 8 of TULPS, the holders of such Licenses can only be natural persons; therefore, when the activity is organized as a company, the Licenses must be registered in the name of a natural person, who must have the technical ability and the authority to represent the company. According to Article 11 of TULPS, such Licenses shall be released to persons having specific moral requirements.

Furthermore, the export, import, shipment and brokerage of armaments are subject to Law no. 185 of July 9, 1990 (the “**Law no. 185/1990**”) and Ministerial Decree no. 19 of January 7, 2013. Law no. 185/1990 requires Italian companies to obtain certain authorizations from the Italian Ministry of Defense and the Italian Ministry of Foreign Affairs before they are permitted to export, import, ship or deal in armaments. As a precondition to the issuance of the required authorizations, the Group must be registered in good standing in the R.N.I., which is the official register of Italian companies authorized to manufacture and sell armaments, and to obtain certain authorizations for the import and export of armaments from the Italian Ministry of Defense and the Italian Ministry of Foreign Affairs in Italy. The registration in the R.N.I. lasts for three years, subject to renewal. As of the Prospectus Date, the Company is registered in good standing with the R.N.I. For further information on the R.N.I., see also “*—Italian Foreign Investment Control Regime.*”

The requirements for registration in the R.N.I. are set out in Article 127 of the Decree of the President of the Republic of March 15, 2010 no. 90/2010 (the *Testo Unico delle Disposizioni Regolamentari in Materia di Ordinamento Militare*, or the “**Consolidated Military Law**”).

In addition, Article 127 of the Consolidated Military Law sets forth the information required to be filed in connection with registration on the R.N.I., which includes, among others, a list of qualified shareholders holding interests of at least 1% of the share capital. Throughout the three-year term of validity of the registration, companies registered with the RNI must promptly communicate any changes to, inter alia, their shareholding structure. Based on the guidelines issued by the “*Italian Ministry of Defense – Office of the Secretary General – Office of the national registry of companies and companies’ consortiums in the field of armament materials*” (“*Vademecum per l’Iscrizione, Rinnovo e Cancellazione delle Imprese e delle relative liste dei Materiali di Armamento ex legge 110/75 presso il R.N.I. – Registro Nazionale delle Imprese e Consorzi d’Imprese*”), a company whose shares are listed on a stock exchange are required to declare a change in ownership contemplated by Article 127 of the Consolidated Military Law in the event a shareholder comes to own at least 3% of the company’s share capital.

In addition, the reporting company is obligated to attest that:

- none of Company’s legal representatives and none of the holders of more than 1% (3% upon Listing) of its share capital are:
 - i. persons associated with organized crime (as per Law no. 55/1990);
 - ii. persons associated with secret societies (as per Law no. 17/1982); or
 - iii. persons who have been convicted for engaging in illegal trade in armaments; and

- that none of its directors, managers or consultants were, during the preceding three years, public officials involved in administering the regulatory regime established by Law no. 185/1990.

The duty to collect and transmit to the R.N.I. the “declarations in lieu of certification” rests exclusively with the reporting company. Any liability in relation to the content of the declarations rests with the persons making them, who are personally responsible under Italian criminal law for false declarations and use of false documents.

Following the 2022 Offer and listing on the HK Stock Exchange, the Company has had limited information on shareholders of less than 5% of its share capital, since HK Stock Exchange rules require declarations of ownership only above that level. As a result, until the Trading Date, the Company may not be in a position to correctly identify its shareholders owning more than 3% of its share capital. Following the Trading Date, shareholders of 3% or more of the Company’s share capital will be required to disclose its ownership in accordance with applicable Italian law.

Nonetheless, if a shareholder fails to comply with its obligations to disclose its shareholding and the Company does not otherwise become aware of such shareholding or if such shareholder fails to submit the “declaration in lieu of certification”, the Company may not be able to provide its required declarations to the R.N.I., which, in turn, could cause the Company’s registration to be suspended until such declarations are made. Continuing breaches by the Company could cause the Company to be removed from the R.N.I. or prevent it from renewing its registration on the R.N.I.

However, if a shareholder (i) fails to disclose its percentage of share capital in the Company when required (*i.e.*, if a shareholder owns 3% or more of the share capital) and the Company receives the relevant information otherwise or (ii) fails to submit the “declaration in lieu of certification”, it cannot be excluded that any failure by the Company to promptly provide and update the R.N.I. with the data required under Article 127 of the Consolidated Military Act could entail the suspension of the Company from the R.N.I. until completion of the necessary assessment. A persistent breach thereof could possibly cause the cancellation from the R.N.I. or the impossibility to renew the registration in the R.N.I.

State Concessions

In order to carry out its business the Group uses certain properties in the Municipalities of La Spezia, Ancona and Sarnico pursuant to state concessions (“*concessioni demaniali*”), issued by public entities (*i.e.*: Port Authorities and River Basin Authorities).

Such concessions are mainly used for shipyards, floating docks, slipways, piers and parkings.

The process for granting state concessions is currently divided into the following phases.

- *Preliminary investigation activities*: Following the submission of the application to the competent authority, the latter (i) make public said application in accordance with Article 18 of Presidential Decree no. 328 of February 15, 1952 (the “**Navigation Code Regulation**”) and, at the same time, carries out the technical and administrative investigation as well as (iii) obtains the opinions provided for by the relevant rules and regulations, where appropriate, both from the internal offices of the administration and from external bodies;
- *Technical documentation obtainment*: Should the outcome of the preliminary investigation be positive and no expressions of interest been received from other parties, the competent authority requests the necessary technical documentation. Otherwise, where further expressions of interest are received within the deadlines, a competitive procedure for the obtainment of the state concession shall be started;
- *Final measure*: Once the above-mentioned activities have been successfully completed, the state concession is issued.

In all cases, the competent authorities have discretion over the renewal and granting of concessions.

Furthermore, the concessions may always be suspended or revoked when (i) the prerequisites that allowed for their issuance are no longer met or (ii) the obligations provided therein are not fulfilled by the concessionaire.

Lastly, the choice of the concessionaire takes into consideration its moral and economic suitability to use the public property.

Indeed, Article 46 of the Royal Decree no. 327 of March 30, 1942 (the “**Navigation Code**”) provides that the replacement of the concessionaire must be authorized in advance by the relevant government body, under penalty of forfeiture of the concession.

The same mechanism provided for the aforementioned Article 46 may apply as a result of specific provisions set forth under regulations adopted by the competent Port Authorities, which govern the conditions of use of state-owned areas and are subject to regulatory changes from time to time, as well as under state concessions also in case of – for example – transfer, corporate restructuring, mergers, acquisitions, insolvency, change of control. In other words, where expressly provided by specific provisions, a concessionaire must be authorized in advance by the competent authority to replace itself in case of

corporate transactions and/or insolvency. For further information on the Group's concessions, see "Business—Real Estate."

Trade Restrictions

Trade restrictions, such as embargoes or sanction regimes introduced by the European Union, the United States, the United Nations, other organizations or individual countries may create obstacles to transactions between companies in different countries. In case of infringement of the trade restrictions, sanctions may apply. Trade restrictions may be introduced at short notice and may be difficult to anticipate. The introduction of new trade restrictions may limit the ways in which the Group is able to conduct its operations.

Italian Foreign Investment Control Regime

Pursuant to the Golden Power Law, companies holding assets or carrying out activities of "strategic importance for Italy's defense and national security system" must report certain information relating to corporate transactions (such as mergers, acquisitions, divestitures and disposals) and changes in ownership structure to the Presidency of the Council of Ministers (*Presidenza del Consiglio dei Ministri*), which may block or impose restrictions on such transactions.

With specific reference to defense and national security, Ministerial Decree no. 108 of June 6, 2014, implementing the Golden Power Law, lists the assets and activities that qualify as "strategic" and fall within the scope of the Golden Power Law.

FSD manufactures and sells naval units operating for the protection of public order, public safety and civil defense, including naval units for coast and sea patrolling and guarding, border control and rescue operations.

Although the Company believes that the risk is negligible that FSD's current activities would be considered to be of "strategic importance for Italy's defense and national security system", should FSD's activities change in the future or should the scope or the interpretation given to "strategic interest to Italian defense and national security" change, the Company could be considered subject to the Golden Power Law.

In any case, Recommendation of the National Authority UAMA (*i.e.*, Unit for the Authorizations of Armament Materials) no. 41846 dated December 14, 2017, recommended that companies registered on the official register of Italian companies authorized to manufacture and export armaments (such as FSD), comply with notification requirements pursuant to the Golden Power Law relating to enumerated corporate transactions. On the basis of this recommendation and with a view to being transparent with the Italian authorities, the Company carried out notifications in connection with the attempted listing on Euronext Milan in 2019, the 2022 Offer (and the listing on the HK Stock Exchange) and the present application for listing on Euronext Milan. In each of these three notifications described further below, the Company represented that: (i) the turnover volume generated by FSD is not material; (ii) FSD does not own, treat or manage any classified information ("*riservatissimo*"; "*segreto*"; "*segretissimo*") under Italian law as the information on the FSD products are qualified as not classified ("*Non Classificati*"); (iii) FSD is not a party to any military technology research program nor does it benefit from any financing for the development of military technologies; and (iv) the vessels sold by FSD have never been equipped with weapons systems.

On July 23, 2019, in the context of its attempted listing on Euronext Milan, the Company notified the Presidency of the Council of Ministers of such transaction. On August 6, 2019, the Presidency of the Council of Ministers replied to the notification submitted by the Company stating that the listing transaction did not fall within the scope of the Golden Power Law, as it was a mere listing whose final structure—including in connection with corporate governance—had not been defined yet. The Company was in any case invited to proceed with a new notification when the legal prerequisites were met.

On October 15, 2021, the Company notified the Presidency of the Council of Ministers of the listing of the Shares on the HK Stock Exchange. On October 27, 2021, the Presidency of the Council of Ministers, after having reviewed the notification, formally communicated to the Company that the listing on the HK Stock Exchange as represented did not fall within the scope of the Golden Power Law.

On December 15, 2022, after having reviewed the pre-notification (pursuant to Article 7 of the Presidential Ministerial Decree no. 133 of August 1, 2022) submitted by the Company on November 29, 2022, in connection with the present application for listing on Euronext Milan, the Presidency of the Council of Ministers formally communicated to the Company that the Listing transaction as represented did not fall within the scope of the applicable Golden Power Law.

Pursuant to the Golden Power Law, among others, the following transactions must be notified to the Presidency of the Council of Ministers:

- certain extraordinary corporate decisions, acts or resolutions having as effect changes in ownership, control or availability of the strategic assets including, *inter alia*, mergers and acquisitions, transfer of going concerns, the transfer of the legal office to a foreign country, changes to the corporate purpose, winding up of the company, asset disposals, divestitures, collateralization or liens affecting their use. In this case, the notification would be an obligation of the Company entering into the reportable transaction;

- changes in the shareholding structure of companies active in – or holding assets relating to – defense and national security. Pursuant to Article 1(5) of the Golden Power Law, if the acquisition concerns a company whose shares are admitted to listing on a regulated market active in the defense and national security, the notification duty applies in case of acquisition of an interest in excess of 3%, as well as subsequent shareholding acquisitions exceeding the 5%, 10%, 15%, 20%, 25% and 50% thresholds. In this case, the notification would be an obligation of the shareholders exceeding the said thresholds. In any case, where possible – both the acquiring party and the target shall jointly proceed with the notification. Moreover, if the relevant notification is carried out by only one of the two parties, the notifying party transmits, at the same time as said notification, a notice to the target so that the latter is put in the position to participate in the proceedings.

Pursuant to the Golden Power Law, the Presidency of the Council of Ministers has 45 business days (as may be extended, for example, by means of requests for information) (the “**Review Period**”) to communicate its decision to the notifying company or shareholder, as the case may be, on whether it considers the notified corporate event/transaction to pose a threat of serious harm to the essential interests of defense and national security. The notified transaction is evaluated by the Presidency of the Council of Ministers following a prudent analysis of all the circumstances communicated by the notifying party, including but not limited to the percentage of participation.

With reference to extraordinary corporate decisions, until a decision has been issued or the Review Period has elapsed without a decision, there is a standstill obligation and the transaction/acts/resolutions cannot be executed. If the Review Period elapses without a decision, the transaction/act/resolution is deemed tacitly cleared and can be implemented/executed.

With reference to an acquisition of shares, the voting rights connected to the shares that are the subject of the notification and exceeding the thresholds set forth by the Golden Power Law (*i.e.*, the shares triggering the duty to notify), are suspended. However, all the economic rights connected to the shareholding, including to those shares exceeding the thresholds set forth by the Golden Power Law, are preserved.

In case the Presidency of the Council of Ministers deems that the notified transaction does not represent a threat of serious danger to the essential interests of Italian defense and national security, the notification would be dismissed by the Presidency of the Council of Ministers with a specific resolution of not exercise of any special powers or simply providing general recommendations.

If the Presidency of the Council of Ministers considers the notified transaction to pose a threat of serious harm to the essential interests of defense and national security, the Presidency of the Council of Ministers may decide to exercise the powers granted to it by law. These primarily include the power to:

- impose specific conditions (relating to the security of procurement and information, the transfer of technologies and export controls) on the acquisition of shareholdings in companies that carry out activities of strategic importance to defense and national security;
- veto (or impose specific conditions on) the adoption of acts/resolutions by the shareholders’ meetings or boards of directors relating to, *inter alia*, mergers, demergers, assets disposals, winding-up, amendments of the corporate purpose, *the* transfer of, or creation of encumbrances on, strategic assets; or
- veto (or impose specific conditions on) the acquisition of a shareholding in companies that carry out activities of strategic importance to defense and national security by any person (whether directly or indirectly, individually or jointly) other than the Italian state or state-controlled entities, if the acquiring entity holds an interest in the voting share capital of the relevant company that, given its size, may jeopardize defense or national security interests.

Pursuant to Article 1(3) of the Golden Power Law, in case of shareholding acquisitions set out in letters (a) and (c) above, in the assessment of the existence of a threat of serious damage to defense and national security interests, the Presidency of the Council of Ministers considers:

- the adequacy of the acquirer’s economic, financial, technical and organizational characteristics, as well as of its business plan, with a view to guaranteeing the continuity of the business activities of the “strategic company”, safeguarding its technological portfolios (including key strategic assets, the security and continuity of procurements) as well as honoring existing contractual commitments that the “strategic company” entered into with public and governmental entities (whether directly or indirectly) with specific reference to obligations concerning national defense, public order and national security; and
- the existence of objective reasons (also taking into account official positions of the European Union) that suggest the existence of links between the acquirer and third countries which: (a) do not respect principles of democracy and of rule of law; (b) do not observe international law rules; (c) have engaged in conduct

threatening the international community; or (d) maintain relations with criminal terrorist organizations or with persons or entities related to the latter.

Pursuant to Article 1(2) of the Golden Power Law, in case of transactions/acts/resolutions set out in letter (b) above, in addition to the two above-mentioned factors, the Presidency of the Council of Ministers considers: (i) the strategic relevance of the assets or companies being transferred; (ii) the adequacy of the corporate structure resulting from the transaction/act/resolution to guarantee the integrity of the national defence and security system; (iii) the security of military defense information; (iv) the State's international interests; and (v) the protection of the national territory, of critical and strategic infrastructures and of the borders.

Furthermore, pursuant to Article 1(3-*bis*) of the Golden Power Law, if the shareholding acquisition set out in letters (a) and (c) above is carried out by a non-EU entity, in its substantive assessment, the Presidency of the Council of Ministers may also consider if: (i) the acquirer is directly or indirectly controlled by a public administration, including state bodies or armed forces, of a non-EU country; (ii) the acquirer has previously been involved in activities affecting security or public order in a EU Member State; and (iii) there is a serious risk that the acquirer undertakes illegal or criminal activities.

In case the Presidency of the Council of Ministers considers the notified transaction as being a threat of serious danger to the essential interests of Italian defense and national security, it may decide to exercise the special powers under letters (a), (b) and (c) above.

Failure to comply with the abovementioned notification obligations may expose the infringing company(ies)/individual(s) to severe consequences, including an administrative fine equal to twice the value of the transaction and in any case not lower than 1% of the aggregate revenues realized by the company involved. In addition, failure to comply with (i) the specific conditions to which a clearance decision is subject or (ii) a veto decision, exposes the notifying party (*i.e.*, the acquiring entity or the company adopting the resolution/act), *inter alia*, to an administrative fine equal to twice the value of the transaction and in any case not lower than 1% of the aggregate global turnover realized by the involved companies.

In particular, in case of exercise by the Presidency of the Council of Ministers, as per Article 1(5) of the Golden Power Law, to exercise the opposition/blockage power of a transaction concerning the acquisition of shares by a shareholder entailing the overcoming of the above-mentioned thresholds, the involved shareholder:

- cannot exercise the voting rights connected to the shares object of the notified transaction; and
- must sell the same shares within one year. In case of non-compliance by the shareholder, the court, at the request of the Presidency of the Council of Ministers, orders the sale of the aforementioned shares.

The Golden Power Law expressly prescribes that, following the settlement of a relevant share acquisition and pending the subsequent Review Period, the voting rights pertaining to the shares object of the notified transaction are suspended.

Resolutions possibly adopted by our shareholders' general meeting with the decisive vote of the shares blocked by the decision of the Presidency of the Council of Ministers would be deemed null and void.

Decisions adopted by the Presidency of the Council of Ministers are not published/publicly available. They can be appealed before the Administrative Regional Court for Latium ("*TAR Lazio*") and then before the Supreme Administrative Court ("*Consiglio di Stato*"). In this regard, it is deemed that the possibility that the decisions adopted by the Presidency of the Council of Ministers may be appealed/challenged before the said judicial authorities is low. In fact, this kind of decisions are acts of high administration, with the consequence that the Presidency, although it has to carry out a thorough investigation, enjoys a very broad administrative discretion and the judge is reserved only an external review.

Decree Law no. 21 of March 21, 2022 (converted by Law no. 51 of May 20, 2022) ("**Decree Law 21/2022**"), Articles 24-28, recently modified certain provisions of the Golden Power Law. In particular:

- pursuant to Article 24 of Decree Law 21/2022 (amending Article 1 of the Golden Power Law) the government's veto power has been extended to any resolution, act or transaction of the shareholders' meetings or governing bodies of companies operating in sectors of strategic relevance for the national defense and security system, which has the effect of changing the ownership, control, or availability of strategic assets. Article 24 of Decree Law 21/2022 also introduces changes to the instructor proceedings, providing that – where possible – both the acquiring party and the target shall jointly proceed with the notification. Moreover, if the relevant notification is carried out by only one of the two parties, the notifying party transmits, at the same time as said notification, a notice to the target so that the latter is put in the position to participate in the proceedings. In this case, the target company is given 15 days to submit pleadings and documents to the Presidency of the Council of Ministers. Finally, sanctions applies both to the acquiring entity and the target;
- pursuant to Article 26 of Decree Law 21/2022, the Presidency of the Council of Ministers shall enact a decree to enact simplified modalities and terms as well as procedures for the Golden Power notification, including a

pre-notification procedure (*prenotifica*) prior to formal notification, which would allow for a preliminary assessment regarding the applicability of the regulations and the admissibility of the operation. The relevant Presidential Decree was enacted on August 1, 2022, no. 133 (“**DPCM 133/2022**”).

With the pre-notification, the companies provide documents and information equivalent to those required for formal notification “as available”. Therefore, it will be possible to make a pre-notification even in absence of a binding agreement between the parts of the transaction.

Within 30 days of the aforementioned disclosure, the Italian Government may inform the company whether or not the transaction falls within the scope of the Golden Power Law: after this deadline has passed without a response, the company is required to make a formal notification. Therefore, if the Italian Government fails to respond within the deadline, the pre-notification has the effect of forcing the company to make a formal notification.

The Italian Government’s response (if provided) may have the following outcomes:

- the transaction does not fall within the scope of the Golden Power Law and therefore there is no need to make a formal notification;
- the transaction falls within the scope of the Golden Power Law and therefore a formal notification must be made;
- the transaction falls within the scope of the Golden Power Laws, but the Government considers that the conditions for the exercise of special powers are manifestly not met so that there is no need to make a formal notification.

Article 27 of Decree Law 21/2022 provides for the setup of a strategic assessment and analysis group within the department of the administrative coordination of the Presidency of the Council of Ministers regarding the exercise of special powers and provides for the possibility for the Presidency of the Council of Ministers to make use of the collaboration of the *Guardia di Finanza* and other public administrations (along with the investigating bodies, already provided for).

On December 15, 2022, after having reviewed the pre-notification (pursuant to Article 7 of the Presidential Ministerial Decree no. 133 of August 1, 2022) submitted by the Company on November 29, 2022, the Presidency of the Council of Minister formally communicated to the Company that the Listing transaction does not fall within the scope of the applicable Golden Power Law.

Data Protection Laws

The Group is required to comply with applicable EU and Italian data protection laws and regulations. In particular, the European Union Regulation (EU) 2016/679 of the European Parliament and of the Council of April 27, 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (“**General Data Protection Regulation**” or the “**GDPR**”), which became effective in May 2018, as supplemented by national laws (i.e., Legislative Decree no. 196/2003 of June 30, 2006, as amended by Legislative Decree no. 101/2018 of August 10, 2018), impose strict requirements on controllers and processors of personal data in the European Economic Area, including, for example, higher standards for obtaining consent from individuals to process their personal data, more robust disclosures to individuals and a strengthened individual data rights regime and shortened timelines for data breach notifications. Applicable data protection laws create new compliance obligations and increase financial penalties for non-compliance (including possible fines of up to 4% of global annual revenues for the preceding financial year or €20 million (whichever is higher), for the most serious violations).

The Group has implemented the Italian (i.e., Legislative Decree no. 196/2003 of June 30, 2006, as amended by Legislative Decree no. 101 of August 10, 2018 as well as the measures/orders of the Italian Data Protection Authority) and the GDPR on the processing of personal data by adopting, inter alia, the following documents/internal measures:

- the record of data processing activities (both as the data controller and as the data processor);
- the privacy notices providing the information referred to in articles 13 and 14 of the GDPR to the data subjects (employees, customers, applicants, suppliers etc.)
- formalization of the privacy roles within the Company, as follows:
 - i. appointment of a person delegated by the data controller (“*Soggetto Delegato del Titolare del Trattamento*”), who has powers of representation and administration of the Company in order to comply with the applicable data protection legislation;
 - ii. creation of a data protection committee, responsible for the direction and governance of Ferretti data protection model;

- iii. appointment of an internal data protection manager (“*Referente Interno Privacy*”) with functions of coordination and contact between the person delegated by the data controller, the data protection committee, the privacy designates and the DPO;
- iv. appointment of subjects of the first lines as privacy designates (“*Soggetti Designati*”), who cover specific tasks and functions related to the processing of personal data within the office they lead;
- v. appointment of individuals of the second and third lines (depending on the function) as “*Soggetti Designati Delegati*”, who are assigned specific tasks and functions related to the processing of personal data within the office and/or area they head/manage and who operate under the direct control of the privacy designates; and
- vi. appointment of employees who, in the performance of their duties, process personal data, as authorized subjects.

The Group has also appointed an external consultant as DPO and the third parties who process data on its behalf as data processors pursuant to Article 28 of the GDPR.

In addition, the Group has adopted procedures for: (i) the management of personal data violations (i.e., data breaches), (ii) the arrangement of impact assessments pursuant to Article 35 GDPR, (iii) the selection and management of suppliers who process personal data on Group’s behalf, (iv) the management of data subjects’ rights, (v) the transfer of personal data to third countries or international organizations, and (vi) all Group’s initiatives involving new processing of personal data or substantial changes to the existing ones and (vii) IT systems management (i.e., Access and security control, the internal regulation for the use of information systems etc.).

Intellectual Property Rights

Group’s portfolio of intellectual property rights includes trademarks, patents, registered designs, know-how and copyrights.

In Italy, the most important legal sources relating to intellectual property rights are (i) the Civil Code, (ii) Legislative Decree no. 30 of February 10, 2005 (“*Codice della Proprietà Industriale*” – the “**Industrial Property Code**”), and (iii) Law no. 633 of April 22, 1941 on copyright (the “**Copyright Law**”).

Since the date of their enactment, the Industrial Property Code and the Copyright Law have undergone various amendments and modifications, including to implement European directives.

Italy adheres, *inter alia*, to (i) the Paris Union Convention for the Protection of Industrial Property of March 20, 1883, subject to several amendments and in force in Italy as the Stockholm text of July 14, 1967, and (ii) the “TRIPs” (“**Trade Related Aspects of Intellectual Property Rights**”) agreements, adopted in Marrakesh on April 15, 1994.

The most important aspects of intellectual property rights which are potentially relevant to the Group are listed below, together with the related regulatory sources.

Trademarks and other distinctive signs

In Italy, registered trademarks are governed by Articles 7-28 of the Industrial Property Code. Provided that they have novelty and distinctive character, all signs and, in particular, words (including names), designs, logos, letters, numerals, sounds, the shape of the product or its packaging, color combinations or shades, which are able to distinguish the goods or services of a business from those of other businesses, may be registered.

The registration of a trademark carried out by the Italian Patent and Trademark Office (“**UIBM**”) grants the owner the right to exclusive use such trademark throughout the national territory, for products or services identical or similar to those claimed in the registration; if the trademark is well known, protection is extended, subject to certain conditions, to non-related products or services as well. This exclusive right runs from the filing of the trademark application and lasts for 10 years, renewable for an unlimited number of times.

In the presence of a non-purely local use of a sign that has resulted in its qualified notoriety in the national territory or in a relevant part of it, the unregistered trademark (so-called “*de facto*” trademark) is also protected.

In Europe, all trademark laws of the 27 EU countries have been harmonized under the Directive (EU) 2015/2436 of the European Parliament and of the Council dated December 16, 2015 to approximate the laws of the Member States relating to trademarks. As of the Prospectus Date, the Regulation (EU) 2017/1001 of the European Parliament and of the Council, dated June 14, 2017, applies to European trademarks (“**EU Trademark**”). Competent to receive EU Trademark applications is the European Union Intellectual Property Office (“**EUIPO**”). The conditions for the registrability of an EU Trademark are similar to those provided for Italian trademarks.

Much of Group's trademarks portfolio has been registered through international conventions. The most important one is the Madrid System for the International Registration of Marks. This Convention is governed by the Madrid Agreement, concluded in 1891, and the Protocol relating to the Madrid Agreement, concluded in 1989. The system makes it possible to protect a mark in a large number of countries by obtaining an international registration that has effect in each of the designated contracting parties of the Madrid Agreement.

The owner of an Italian trademark or EU Trademark or related applications may request to the World Intellectual Property Organization in Geneva ("**WIPO**") an extension of the related protection to the countries which are party to the Madrid Agreement and Protocol (so-called "international trademark").

Company name, signs and domain names are other distinctive signs protected in Italy under certain conditions and governed also by unfair competition rules (Article 2598 of the Italian Civil Code).

Patents for invention and utility model

Patents for invention are governed by Articles 45-81-*octies* of the Industrial Property Code and protect an invention with innovative (i.e., not included in the state of the art) and inventive character that constitutes a solution to a technical problem and is suitable for industrial implementation and application; the invention may relate to a product or a process.

Patents for utility model are governed by Articles 82-86 of the Industrial Property Code and protect inventive ideas able to provide machines or parts of machines, instruments, tools or objects of use in general, with particular efficiency or ease of application or use.

The exclusivity of protection runs for both rights from the date of filing the application and lasts for 20 (twenty) years for inventions and 10 years for utility models (with no possibility of renewal). The office that examines and grants patents for invention and utility model in Italy is the UIBM. As of July 1, 2008, the examination of a patent application for invention is preceded by the result of the prior art search carried out by the European Patent Office ("**EPO**"), on behalf of the UIBM.

The most important international conventions relating to patents for invention are (i) the Patent Cooperation Treaty ("**PCT**") and (ii) the Munich Convention on the European Patent ("**EPC**"), which govern multiple filings in multiple states, with a centralized and simplified procedure. The European patent filed under the EPC is not a unified title, but rather a collection of national patents, since it is equivalent, in each member state, to a national patent. On the other hand, the European patent with unitary effect (so-called "unitary patent") which has been introduced by Regulation (EU) no. 1257/2012, will be granted by the EPO and will allow patent protection to be obtained simultaneously in the EU member countries. The unitary patent will be operational only after the entry into force of the International Agreement on the Unified Patent Court, which has already been ratified in Italy by Law no. 214 of November 3, 2016.

Designs and models

Designs and models are governed by Articles 31-44 of the Industrial Property Code and protect the external, decorative and non-technical aspects of a product. Bi- and tri-dimensional industrial and handicraft items and their visible parts, packaging, get-up, graphic symbols, typographic typefaces, web browser screens and computer icons are registrable designs under certain conditions. In particular, a design or a model, to be valid and registrable, has to be new, licit and provided with individual character (i.e., the overall impression produced by the design or model on the informed user must differ from the overall impression produced by any design or model previously made available to the public).

The owner of a registered design or model acquires the right to make exclusive use of the design or model and to prevent third parties from using it without its consent. The effects of the registration start from the date in which the application has been made available to the public, i.e. at the moment of the filing itself, unless upon filing the applicant requests that the application be made accessible to third parties only at a later date, which cannot be later than 30 (thirty) months running from the filing.

Design or model registrations have a duration of 5 years following the filing date. Renewals are possible for successive 5-year periods for a maximum total duration of 25 years. With a single application for multiple designs or models it is possible to request protection for a group of designs or models as long as they belong to the same class of goods of the international classification of Locarno on designs and models, established by the Locarno Agreement adopted in 1968 and amended in 1979.

Under the Regulation (EU) no. 6/2002, which introduced the European design and model, unregistered design or model rights, which afford a certain degree of protection even in the absence of registration, are acquired automatically and with no need for formalities. The unregistered design or model right is more limited in scope as well as duration (i.e., 3 years) than the registered design or model right.

Designs and models possessing creative character and artistic value are eligible for protection under the Copyright Law regardless of whether they are also protected by registered design or model rights.

Trade secrets and know-how

Confidential information (i.e., information not generally known or easily accessible to experts and professionals), which has an economic value as secret and is subject to appropriate confidentiality measures, is protected as industrial property rights under Articles 98 and 99 of the Industrial Property Code. The protection of trade secrets and know-how has been further strengthened following the implementation of Directive (EU) 2016/943 in Italy by Decree Law 63/2018.

The definition of trade secret and know-how also includes business information and technical-industrial experience. Confidentiality measures to be adopted to protect the secrecy of trade secrets and know-how may be (i) contractual (such as non-disclosure agreements and internal company policies), (ii) physical (such as padlocks on cabinets storing such information, locking certain rooms), and (iii) IT (such as password authentication procedures, firewalls).

Trade secrets and know-how are protected against acquisition, use and disclosure by unauthorized third parties as long as they remain confidential and are not disclosed. Therefore, they can hypothetically benefit from potentially unlimited time protection.

Software and databases

Copyrights are governed by the Berne Convention for the Protection of Literary and Artistic Works, usually known as the Berne Convention. The Berne Convention has 179 contracting parties and it introduced, worldwide, the concept that a copyright exists in the moment a work is “fixed”, rather than requiring registration. It also enforces a requirement that countries recognize copyrights held by the citizens of all other parties to the convention.

In Italy, the Copyright Law regulates the protection of intellectual works of a creative nature that belong to literature, music, figurative arts, architecture, theater and cinematography, whatever their mode or form of expression. Software and databases fall within the scope of protection of the Copyright Law.

Copyright protects the form of code and preparatory material for the design of software, while the ideas and principles underlying any element of a program, including those underlying its interfaces, are excluded from the protection granted by the Copyright Law. While the patentability of software as such is excluded, it is possible, under certain conditions, to protect software through the patent system in cases where the software makes a technical contribution beyond the mere interaction between software and hardware.

The term of software protection is 70 years from the death of the author or, as a general rule, in the case of multiple authors, the last of them.

The database protectable by copyright is that which, by the choice or arrangement of the material, constitutes an intellectual creation of the author (*inter alia*, Articles 1-12bis e *64quinquies-64sexies* of the Copyright Law). In such a case, authorial protection concerns only the expressive form of the database and not the content itself. Regardless of the database’s protection under Copyright Law, the law gives the database maker “*sui generis*” right, which is aimed at protecting the relevant investment and use of resources for the creation of the database.

The duration of the exclusive right of the creator of a database is 15 years starting from January 1 of the year following the date of completion of the database or is making available to the public (Article 102-*bis*, paragraphs 6 and 7 of the Copyright Law).

Measures for the Supervision and Administration of Oversea State-owned Assets of Shandong Provincial Enterprises, Notice on Financial Flash Reports of Shandong State-owned Enterprises, and Rules for the Disclosure of Information on Debt Financing Instruments of Non-Financial Enterprises in the Interbank Bond Market

Pursuant to Chinese law, in particular the Shandong provincial regulations “Administrative Measures of Overseas State-owned Assets of Shandong Provincial State-owned Enterprises” and “Notice on Financial Flash Report of Shandong State-owned Enterprises” (the “**Measures**”), all State-owned enterprises controlled by the Shandong State-owned Assets Administration Commission (“**Shandong SASAC**”) are required to comply with monthly and annual reporting requirements regarding the key financial metrics of the enterprises they control both domestically and overseas.

The above regulations apply to Shandong Heavy Industry Group Co. (“**SHIG**”) and set forth that SHIG has an obligation to establish a reporting system for financial information of all enterprises controlled by SHIG, and that consequently all subsidiaries – directly or indirectly – of SHIG (including the Company) are required to provide specified consolidated financial information and budget on a periodical basis.

More specifically, according to the Measures, SHIG shall provide Shandong SASAC with certain financial and budget information on a monthly and annual basis.

In the light of the above provisions, the Company communicates financial and budget information specified in the Measures periodically to Weichai Group, which combines the information of its subsidiaries into a single unaudited consolidated report

and shares the same with its parent company SHIG. SHIG consolidates the reports of the Weichai Group and other subsidiaries and, in turn, sends the integrated report to Shandong SASAC. Such aforementioned information are unaudited and solely based on the management accounts of the Company.

Furthermore, pursuant to the “Rules for the Disclosure of Information on Debt Financing Instruments of Non-Financial Enterprises in the Interbank Bond Market (2021)” issued by National Association of Financial Market Institutional Investors (“NAFMII”), the non-financial enterprises which issue bond or other debt instruments on the interbank bond market shall disclose the consolidated financial information of the issuer on quarterly basis during the term of such debt instruments on Shanghai Clearing House, a central securities depositories in China (“NAFMII Requirements”). According to SHIG, both SHIG and Weichai Group issue notes and bonds on the interbank bond market from time to time. Hence, the Company is required to provide to Weichai Group relevant financial information periodically for such purpose, and Weichai Group will share the same with SHIG. The requirement to provide the above-mentioned financial information is satisfied by the Company by sending monthly reports according to the Measures, without sharing additional information. Weichai Group and SHIG only publish their respective consolidated financial information on the website of Shanghai Clearing House, and no financial information specific to the Company are publicly disclosed.

While the Company must provide Weichai Group and SHIG with such information, considering that it cannot be ruled out in principle that any of such information could fall within the definition of inside information pursuant to the Market Abuse Regulation, the Company has entered into a confidentiality agreement with FIH, Weichai Holding (HK), Weichai Group and SHIG aiming at strictly safeguarding the confidentiality of the disclosure of any such information to them in full compliance with the provisions of Article 17, paragraph 8, of the Market Abuse Regulation and related guidelines.

Hong Kong Rules and Regulations Applicable to the Company

Following the listing of the Company’s ordinary shares on the main market in Hong Kong on March 31, 2022, the Company is subject to the relevant statutes, laws, rules and regulations applicable to companies with shares listed on that market, including but not limited to the HK Listing Rules, the SFO and the Takeovers Code. These statutes, laws, rules and regulations not only impose obligations on the Company, but also on shareholders (*e.g.*, obligations regarding disclosure of material holdings and/or relating to regulations on takeover bids). Each shareholder, or potential shareholder, should take into account the relevant applicable statutes, laws, rules and regulations related to the Company’s status as an issuer listed on the HK Stock Exchange, in addition to those applicable to the Company as an issuer listed on an Italian regulated market.

As of the Prospectus Date, the Company has identified certain other regulatory areas potentially in conflict in relation to which the Company has applied for, and the HK Stock Exchange has granted (conditional upon the listing of the Shares on Euronext Milan) waivers from strict compliance with HK Listing Rules. In particular, as set out in the announcement issued by the Company on April 26, 2023 (the “**Announcement**”), waivers from strict compliance with (i) Rule 2.07C(4)(a) (the Company will be permitted to publish inside information announcements also during Hong Kong trading hours), (ii) Rule 13.58 (the Company will not be required to have its Shares in paper certificates), Rule 13.59 (the Company will not be required to provide securities registration and certificate replacement service with regards to Shares in paper certificates) and Rule 13.60 (the Company will not be required to comply with the timing and fee requirements for the securities registration services) with regards to the dematerialization requirements in connection to the Listing, and (iii) Rule 13.88 (the Company will not be required to appoint an independent auditor on an annual basis) were granted by the HK Stock Exchange subject to certain conditions, details of which are set out in the Announcement. In particular, the waiver from strict compliance with Rules 2.07C(4)(a) and 13.88 was granted by the HK Stock Exchange on March 3, 2023 and the waiver from strict compliance with Rules 13.58, 13.59 and 13.60 was granted by the HK Stock Exchange on April 26, 2023. The waivers do not have an expiry date and usually would not be revoked unless there are material change in circumstances which made the ground for which the waivers are granted not applicable.

With reference to Rule 2.07C(4)(a) of the HK Listing Rules, such rule provides that announcements and notices must not be published on the HK Stock Exchange’s website between 8:30 a.m. and 12:00 p.m. (HKT) and between 12:30 p.m. and 4:30 p.m. (HKT) on a normal business day in Hong Kong. As mentioned above, the HK Stock Exchange has granted a waiver from strict compliance with this rule, which enables the Company to publish inside information announcements also during Hong Kong trading hours.

In the event any other potential regulatory conflicts are identified in the future between HK Listing Rules and/or the Takeovers Code and mandatory Italian laws and regulations, to the extent possible and practicable, the Company will consider submitting to the HK Stock Exchange and/or the SFC (where applicable) a request to waive the relevant HK Listing Rules or Takeovers Code.

The following table includes a: (i) summary of some of the main rules and provisions applicable to the Company and/or to the Company’s shareholders, as a consequence of the aforementioned listing in Hong Kong, (ii) an indication if there are comparable provisions under Italian laws and regulations for companies listed on the Italian stock exchange, (iii) an analysis of the prevailing set of rules applicable to the Company and/or the Company shareholders, should there be any absolute conflicting scenario.

Although the following table contains information concerning such rules and provisions that the Group considers material regarding the Hong Kong listing, with particular focus on shareholders' obligations, this summary does not purport to be a comprehensive and exhaustive description of all the Hong Kong rules and provisions applicable to the Company or shareholders and potential investors and therefore this summary cannot be considered an instrument or resource for the reconstruction of the entire regulatory framework for companies listed on the Hong Kong and the Italian stock exchanges.

Moreover, any analysis of the applicability of the rules under the two legal systems, is based only on the reasonable interpretation and analysis of the Company, as there are currently no conflict laws, judicial case law, or positions of scholars nor any official positions of the two relevant authorities on this specific matter. There is no assurance that in the future any conflict laws or judicial case law or the positions of the two relevant authorities will confirm the analysis set forth herein. Shareholders are advised to inform themselves of their rights and obligations and seek independent advice regarding the interpretation or application of the relevant provisions, including those described below, where necessary.

Given the applicability of both the Italian and Hong Kong legal and regulatory systems, there could be material difference and/or conflict between applicable laws, rules and regulations. As far as company law provisions are concerned, Italian rules shall mandatorily apply, since the Company has its registered office in Italy and is therefore governed by Italian law. Accordingly, in the event of a conflict between Italian and Hong Kong company law provisions, Italian law provisions cannot be disapplied.

No.	Matter	Hong Kong applicable provisions	Comparable applicable Italian provisions	Analysis
1.	Notifiable transaction	<p>In the event that the percentage ratios (as defined below) in respect of certain notifiable, extraordinary transactions (as set forth below) by a listed company exceed certain thresholds, the transaction shall be subject to the shareholder approval.</p> <p>Notifiable transactions include (i) acquisition or disposal of assets (including deemed disposals); (ii) writing, accepting, transferring, exercising or terminating an option to acquire or dispose of assets or to subscribe for securities; (iii) entering into or terminating finance leases where the financial effects of such leases have an impact on the balance sheet and/or profit and loss account of the listed issuer; (iv) entering into or terminating operating leases which, by virtue of their size, nature or number, have a significant impact on the operations of the listed issuer; (v) granting an indemnity or a guarantee or providing financial assistance not otherwise exempted; and (vi) entering into any arrangement or agreement involving the formation of a joint venture entity in any form, or any other form of joint arrangement not otherwise exempted (Rule 14.04 of the HK Listing Rules).</p> <p>The percentage ratios are calculated as follows (Rule 14.07 of the HK Listing Rules), which may be subject to adjustment pursuant to the HK Listing Rules:</p> <p>(a) Assets ratio</p> $\frac{\text{Total assets being the subject of the transaction}}{\text{Total assets of the listed issuer}} \times 100\%$ <p>(b) Profits ratio</p> $\frac{\text{Profits attributable to the assets being the subject of the transaction}}{\text{Net profits of the listed issuer after deducting all charges except taxation and before non-controlling interests}} \times 100\%$ <p>(c) Revenue ratio</p> $\frac{\text{Revenue attributable to the assets being the subject of the transaction}}{\text{Revenue of the listed issuer}} \times 100\%$ <p>(d) Consideration ratio</p>	<p>There are no specific Italian law or regulatory provisions comparable with such Hong Kong law and regulatory provisions.</p>	<p>There is no conflict as there is only one set of applicable rules.</p> <p>Therefore, the Company shall comply with Hong Kong legal and regulatory provisions on “notifiable transactions”.</p>

		<p>Fair value of consideration of the transaction</p> <hr/> <p>Average closing price of the Company's securities for the five trading days immediately prior to the date of the transaction x Total number of the Company's issued shares immediately before transaction x 100%</p> <p>(e) Equity capital ratio</p> <p>Number of shares to be issued by the Company as consideration x 100%</p> <hr/> <p>Total number of the Company's issued shares immediately before transaction</p> <p>The Company shall aggregate a series of transactions and treat them as if they were one transaction if they are all completed within a 12-month period or are otherwise related. In determining whether transactions will be aggregated, the Company shall consider whether the transactions (i) are entered into with the same party or with parties connected or otherwise associated with one another; (ii) involve the acquisition or disposal of securities or an interest in one particular company or group of companies; (iii) involve the acquisition or disposal of parts of one asset; or (iv) together lead to substantial involvement by the Company in a business activity which did not previously form part of its principal business activities (Rules 14.22 and 14.23 of the HK Listing Rules).</p> <p>In particular, where any of the applicable percentage ratios of a transaction is 25% or more, or where the transaction is a reverse takeover, such transaction shall be subject to shareholders' approval (Rules 14.08 and 14.33 of the HK Listing Rules). A reverse takeover is an acquisition or a series of acquisitions of assets by a listed issuer which, in the opinion of the HK Stock Exchange, constitutes an attempt to achieve a listing of the acquisition targets and a means to circumvent the requirements for new listing applicants under the HK Listing Rules (Rule 14.06B of the HK Listing Rules).</p>		
2.	Connected transactions	A transaction (including both capital and revenue transactions, whether or not conducted in the Company's ordinary and usual course of business) with connected person(s) and their associates (as defined in	According to the Related Party Regulation and Procedure for Related Party Transactions, any Related Party Transaction shall,	In the Company's reasonable view, there is no conflict

	<p>the HK Listing Rules) of the Company must be approved by the independent shareholders (i.e., after excluding voting rights held by the shareholders who have a material interest in the transaction) by way of an ordinary resolution passed at shareholders meeting of the Company (Rule 14A.24, Rule 14A.36 and 14A.76(2) of the HK Listing Rules), unless otherwise exempted.</p> <p>Connected transactions may be one-off or continuous. For continuing connected transactions, the listed company shall set a cap on the annual transaction amount, which is also subject to the requirement of independent shareholders' approval (Rule 14A.53 of the HK Listing Rules).</p> <p>If each of the applicable percentage ratios (as defined in the paragraph headed "Notifiable transaction" above and other than the profits ratio) of the connected transaction are (i) less than 5%; or (ii) less than 25% but the consideration is less than HK\$10 million, such connected transaction will be exempt from the shareholders' approval requirement (Rule 14A.76 of the HK Listing Rules).</p> <p>An "associate" of a connected person who is an individual generally includes his/her family members, the trustees acting in their capacity as trustees of any trust of which the associate or his/her family member is a beneficiary of a discretionary object, or a 30%-controlled company held directly or indirectly by the associate or his/her family member. An associate of a connected person which is a company includes its subsidiary or holding company and its subsidiary, the trustees of any trust of which the company is a beneficiary or a discretionary object, or a 30%-controlled company held directly or indirectly by the company or its subsidiaries (Rules 14A.12 to 14A.14 of the HK Listing Rules).</p> <p>The definition of an "associate" is specific to Chapter 14A of the HK Listing Rules and applies specifically to connected transactions. On the other hand, the definition of a "close associate", as set out in Rule 1.01 of the HK Listing Rules, is largely similar to the definition of an associate in Chapter 14A of the HK Listing Rules but with a narrow definition to family members and applies to situations where a connected transaction does not arise.</p>	<p>subject to any applicable exemption, be approved upon by the relevant corporate body (i.e. Board of Directors or Shareholders' Meeting) only after the Related Party Transaction Committee has issued a reasoned, not binding opinion on the interest of the Company in the completion of the transaction, and the convenience and substantial correctness of the underlying terms.</p> <p>Where the proposed resolution concerning a major transaction (i.e. a Related Party Transaction in which at least one of the indicators of significance identified in Annex 3 of Related Party Regulation, applicable depending on the specific Related Party Transaction, is higher than the threshold of 5% provided therein) is to be submitted to the Shareholders' Meeting and receive a dissenting opinion by the Related Party Transaction Committee, the Board of Directors may nonetheless submit the proposed resolution to the Shareholders' Meeting,; however, the effectiveness of such proposal shall be subject to the favorable approval of the majority required by law and the bylaws, including the majority of unrelated shareholders (i.e. entities or individuals, as the case may be, entitled to vote at the Shareholders' Meeting with voting rights other than the counterparty of a specific Related Party Transaction and the parties related both to the counterparty of a given transaction and to the Company). This last condition will only apply in the event that the unrelated shareholders with voting rights attending the Shareholders' Meeting hold in aggregate at least equal to 10% of the share capital.</p>	<p>and the Company shall comply both with Hong Kong law and regulatory provisions on "connected transactions" and with Italian laws and regulations on Related Party Transactions.</p> <p>In any case, the Procedure for Related Party Transactions provides that transactions with "connected persons" shall be approved by the independent shareholders, as set forth in the HK Listing Rules. As a consequence, transactions potentially exempted by Italian related party transactions rules will be subject to approval by the Shareholders' Meeting, in order to comply with both Italian and Hong Kong laws and regulations</p> <p>By way of example, where an "ordinary transaction" (as defined in the Procedure</p>
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			<p>“Related parties” mean parties defined as such by the international accounting standards pursuant to article 6 of Regulation (EC) No. 1606/2002, as referred in Related Party Regulation.</p> <p>Furthermore, the Procedure for Related Party Transactions governs also the events where transactions involving “connected persons” are carried out. In particular, Article 14.2. of the Procedure for Related Party Transactions provides that <i>“Transactions (including both capital and revenue transactions, whether or not conducted in the Company’s ordinary and usual course of the Company’s business) with connected person(s) (as defined in the HK Listing Rules) of the Company must be approved by the independent shareholders (i.e. after excluding the voting rights held by shareholders who have a material interest in the transaction) by way of an ordinary resolution passed at shareholders meeting of the Company (Rule No. 14A.24, Rule No. 14A.36 and Rule No. 14A.76(2) of the HK Listing Rules), unless otherwise exempted”</i>.</p>	<p>for Related Party Transactions) concerns one of the items set forth in the HK Listing Rules, such transaction will be subject to the authorization of the shareholders’ meeting, it being understood that in such a case the previous non-binding opinion by the RPT Committee will not be required, in accordance to the exemption set forth in the Related Party Transactions Procedure.</p>
3.	<i>Super-majority vote</i>	<p>The HK Listing Rules require a super-majority vote of at least 3/4 of the total voting rights of the shareholders present and voting in person or by proxy, at the general meeting for certain transactions, so as to protect shareholders’ interests, such as approvals of: (i) amendments to the issuer’s constitutional documents; (ii) voluntary winding-up of a listed company; and (iii) changes to class rights, where a super-majority vote is required by the issuer’s shareholders of the class to which the rights are attached (Paragraphs 15, 16 and 21 of Appendix 3 of the HK Listing Rules).</p>	<p>According to Article 2368, paragraph 2 of the Italian Civil Code, the extraordinary shareholders’ meeting of listed companies (which must be convened to resolve upon, among others, amendments to company’s by-laws, including any amendment to rights attached to any class of shares, and appointment, removal, replacement and powers of liquidators) is duly constituted with the attendance of half of the share capital (or the greater percentage provided for in the by-laws) and shall resolve with the favorable vote of at least 2/3 of the</p>	<p>In the Company’s reasonable view, there is no conflict and the Company shall comply with Hong Kong legal and regulatory provisions on “super-majority vote”.</p> <p>In particular, according to both the By-Laws and the New By-</p>

			<p>share capital represented at the shareholders' meeting.</p> <p>The company's by-laws can provide for a resolution <i>quorum</i> greater than the one set forth in the Italian Civil Code. The By-Laws and the New By-Laws of the Company provide for the super-majority vote (i.e. resolution <i>quorum</i> equal to 3/4 of the voting shares represented at the meeting) in the event the Shareholders' Meeting shall resolve upon the relevant matters set forth under the HK Listing Rules, (i.e. the resolutions concerning the voluntary winding-up of the Company and/ or the amendments to the by-laws) it being understood that the constitutive <i>quorum</i> shall be the one provided by the Italian Civil Code.</p>	<p>Laws, extraordinary resolutions concerning (i) winding-up of the Company and (ii) amendments to the by-laws shall be approved with the favorable vote of 3/4 of the share capital represented at the shareholders' meeting. As a result, both Italian and Hong Kong rules shall be complied with.</p>
4.	<p><i>Stock options plans and stock grant plans (together "Stock plans")</i></p>	<p>The adoption of new stock plans of the listed company, as well as changes to the terms and conditions of a stock plan which are material in nature must be approved by shareholders (Rules 17.02 and 17.03 of the HK Listing Rules).</p> <p>The listed company shall apply to all its stock plans a limit of no more than 10% of the shares issued by the issuer on the date of shareholders' approval, and approval of shareholders not otherwise required to abstain from voting is required for refreshment of such limit within a three-year period (Rule 17.03 of the HK Listing Rules).</p> <p>Grants of stock options and/or stock grants to an individual shall be subject to shareholders' approval if the number of shares subject to the grants exceeds 1% of the shares in issue in any 12-month period. In the event that the grants of stock options and/or stock grants to a director, the chief executive officer, a substantial shareholder or any of their associates (as defined in the HK Listing Rules) exceeds 0.1% of the shares in issue in any 12-month period, such grant shall be subject to approval of shareholders not otherwise required to abstain from voting (Rules 17.03D and 17.04(1) of the HK Listing Rules).</p> <p>For the sake of clarity, since a scheme mandate of not exceeding 10% of the relevant</p>	<p>According to Article 114-<i>bis</i> of the Consolidated Financial Act ("CFA") and Article 84-<i>bis</i> of the Issuers' Regulation, any compensation plan in favor of members of the board of directors or the management board, employees and collaborators based on financial instruments must be approved by the Ordinary Shareholders' Meeting. Before the relevant Shareholders' Meeting, the company must issue an information document that complies with the requirements set forth in the Issuers' Regulation.</p>	<p>In the Company's reasonable view, there is no conflict and the Company shall comply both with Hong Kong legal and regulatory provisions on "stock plans" and with Italian laws and regulations on securities-related compensation plans.</p> <p>In particular, In order to comply with both Italian and Hong Kong laws and regulations, any Stock plans shall be resolved upon</p>

		<p>class of shares as at the date of approval of the scheme has been adopted when the share scheme was approved, grant of share options/ share grants shall require further approval at a shareholders' meeting where (i) it involves the granting situations set out in the paragraph above or (ii) the scheme mandate has to be refreshed or the grant exceeds the limit of the share mandate.</p>		<p>by the Shareholders' Meeting.</p> <p>In any case, where the granting of share options / share grants set out in the relevant HK Listing Rules provisions occur, the Shareholders' Meeting shall approve such granting, in addition to the approval of the Stock plan.</p>
5.	<i>Material interest in a transaction</i>	<p>Where a transaction or arrangement of the Company is subject to shareholders' approval, any shareholder with material interest in the transaction or arrangement shall abstain from voting on the resolution(s) approving the transaction or arrangement at the general meeting. In determining whether a shareholder has a material interest, relevant factors include (i) whether the shareholder is a party to the transaction or arrangement or a close associate of such a party; and (ii) whether the transaction or arrangement confers upon the shareholder or his close associate a benefit (whether economic or otherwise) not available to the other shareholders of the Company. The materiality of an interest is to be determined on a case by case basis, having regard to all the particular circumstances of the transaction concerned (Rules 2.15 and 2.16 of the HK Listing Rules).</p> <p>Paragraph 14(4) of Appendix 3 to the Listing Rules (i.e. the Core Shareholders' Protection standard) states that <i>"where any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted"</i>.</p>	<p>In case of material interest, a shareholder may decide whether or not abstaining from voting. However, should the vote of any conflicting shareholder be decisive in approving a resolution that may cause harm to the company under art. 2373 of the Italian Civil Code, the resolution can be annulled.</p> <p>In order to achieve an outcome substantially equivalent to that under Paragraph 14(4) of Appendix 3 to the Listing Rules, Article 15.3 of the By-Laws (as well as Article 15.3 of the New By-Laws) provides that where <i>"a shareholder is required by the applicable laws, regulations and listing rules of the place where the securities are listed to abstain from voting on a particular resolution, any vote cast by or on behalf of that shareholder in contravention of such requirement or restriction shall not be counted towards the resolution. For the avoidance of doubt, the shares held by such shareholders shall be counted for the purposes of the quorum of the meeting"</i>.</p>	<p>In the Company's reasonable view, there is no conflict and the Company shall comply with Hong Kong legal and regulatory provisions on "material interest in a transaction".</p>

6.	Shares buy backs	<p>Share buy-backs in Hong Kong are generally governed by the Code on Share Buy-backs issued by the SFC (the “Share Buy-back Code”), pursuant to which a listed company in Hong Kong can engage in share buy-backs in one of four ways:</p> <p>(1) On-market share buy-back</p> <p>Whilst shareholder approval is required, on-market share buy-back is most typically pursuant to the repurchase mandate granted by the shareholders at its annual general meeting to repurchase shares up to a maximum of 10% of shares in issue (i.e. a “Repurchase Mandate”), subject to the timing, pricing and other restrictions outlined in Share Buy-back Code. There is also an annual cap of 10% of the then existing issued share capital at the time such Repurchase Mandate was approved at the general meeting which can be authorized under the Repurchase Mandate.</p> <p>(2) Off-market share buy-back</p> <p>This must be approved by the SFC Executive before a repurchasing company acquires any shares from specific shareholders pursuant to such share buy-back. Such approval will normally be conditional upon obtaining an approval of the proposed off-market share buy-back by at least three-fourths of the votes cast on a poll by disinterested shareholders in attendance in person or by proxy at a general meeting of shareholders. A circular containing certain information regarding the off-market share buy-back has to accompany the notice convening such general meeting, and an independent financial adviser has to be appointed in order to provide recommendation to an independent committee of the listed company's board of directors.</p> <p>(3) Exempt share buy-back</p> <p>This refers to limited types of share buy-backs, which include an employee share buy-back, a share buy-back made in accordance with the terms and conditions attached to the shares being bought back which either permit or require such share buy-back without the prior agreement of the owners of the shares, a share buy-back made by a company at the request of the owners of the shares bought back in accordance with the terms and conditions attached to the shares which provide the owners of the shares a right to require the company to effect such share buy-back and a share buy-back that is required by the law of the jurisdiction in which the offeror is incorporated or otherwise established.</p>	<p>Pursuant to art. 132 of the CFA (Acquisition of own or parent company shares) purchases of treasury shares under Articles 2357 and 2357-bis, paragraph 1, paragraph 1 of the Civil Code by companies with listed shares must be made so as to ensure equal treatment of shareholders, according to procedures established by CONSOB in a regulation. Such provisions shall also apply to purchases of listed shares made under Article 2359-bis of the Civil Code by a subsidiary and shall not apply to purchases of own or parent company shares held by employees of the issuing company, subsidiary companies or the parent company and allotted or subscribed for in accordance with Articles 2349 and 2441, eighth paragraph, of the Civil Code, or falling under the scope of the compensation plans approved in by the general meeting in accordance with article 114-bis of the CFA .</p> <p>The provisions of this article shall also apply to the purchase of own shares by issuers that have requested or authorised the trading of self-issued shares on Italian multilateral trading facilities, or by subsidiaries. Accordingly, Article 144-bis of the Issuer's Regulation establishes the manner by which Buybacks and purchases of parent company shares must be done (i.e. a) by means of a cash or exchange tender; b) on regulated markets or multilateral trading systems in accordance with trading methods laid down in the market rules that do not permit the direct matching of buy orders with predetermined sell orders; c) by means of the purchase and sale of derivative instruments traded on regulated markets or on multilateral trading systems that provide for the delivery</p>	<p>In the Company's reasonable view, there is no significant conflict and the Company shall comply with Hong Kong law and regulatory provisions on “share buy-back”.</p> <p>In particular, the Company shall apply on a case by case basis the rule more favorable to the market and to the shareholders, in order to be compliant with both Italian and Hong Kong rules.</p>
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		<p>(4) Share buy-back by general offer</p> <p>This is essentially a general offer to be made under the Takeovers Code, which involves an offer made to all shareholders of the listed company. Generally speaking, among all the other extensive formalities, procedures and documentation, the offer requires approval by independent shareholders by ordinary resolution in an extraordinary general meeting. Also, an independent board committee (as advised by an independent financial adviser) has to be set up to advise the independent shareholders in respect of the proposed repurchase. For more details of the compliance requirements relating to a general offer, please refer to more details as set out in the comparison table.</p>	<p>of the underlying shares, provided the market rules lay down methods for the purchase and sale of such instruments that (i) do not permit the direct matching of buy orders with predetermined sell orders, (ii) ensure the easy participation of investors in the trading of such derivative instruments used for buybacks; to this end the operator shall lay down appropriate trading methods and related public disclosure obligations for issuers regarding the characteristics of the derivative instruments used; d) by granting shareholders, in relation to the shares they hold, a put option to be exercised within a period established by the shareholders' meeting that authorised the share purchase programme; e) in the performance of the systematic internalisation activity in a non-discriminatory way and that provides for the automatic and non-discretionary implementation of the transactions on the basis of preset parameters; e) with the methods established by market practice admitted by CONSOB pursuant to article 13 of Regulation (EU) no. 596/2014 (MAR Regulation). Buybacks pursuant art. 132 of the CFA can also be done under the conditions indicated by art. 5 of MAR Regulation.</p>	
7.	<i>Directors' service contracts</i>	<p>The Company shall obtain the prior approval of its shareholders for any service contract to be granted by the Company or its subsidiaries to any director or proposed director of the Company or its subsidiaries which (i) is for a duration that may exceed three years, or (ii) requires the Company to give a notice period of more than one year or to make any payment equivalent to more than one year's emoluments to terminate such contract (Rule 13.68 of the HK Listing Rules).</p>	<p>There are no specific Italian provisions comparable to Hong Kong provisions.</p>	<p>There is no conflict as there is only one set of rules applicable. Therefore, the Company shall comply with Hong Kong legal and regulatory provisions on "directors"</p>

				service contract”.
8.	<i>Withdrawal of listing</i>	<p>Subject to the paragraph below, the Company may not voluntarily withdraw its listing on the HK Stock Exchange unless (i) the prior approval of shareholders has been obtained by way of an ordinary resolution passed at shareholders meeting of the Company; (ii) the prior approval of holders of any other class of listed securities, if applicable, has been obtained; and (iii) the Company has given its shareholders at least three months’ notice from the date of the shareholders’ approval of the proposed withdrawal of the listing (Rule 6.11 of the HK Listing Rules).</p>	<p>According to Article 133 of the CFA, the Company may request to withdraw its shares from listing on Euronext Milan where (i) the Shares have been admitted to listing on a different Italian or EU regulated market, provided investors are ensured equivalent protection according to the principles determined pursuant to Consob regulation, and (ii) the Extraordinary Shareholders’ Meeting has approved the delisting.</p> <p>For the purpose of delisting provided for in Article 133 of the CFA, Italian listed companies shall send to Borsa Italiana a written request drawn up in conformity with the model contained in the Instructions and signed by the legal representative. Borsa Italiana, within 10 days of the submission of the request by the issuer shall arrange for the delisting, specifying the date thereof (art. Article 2.5.5, of the Borsa Italiana Market Rules).</p> <p>Pursuant to Article 2437-<i>quinquies</i> of the Italian Civil Code, any shareholder who did not concur in taking the resolution concerning the delisting has the right to withdrawal from the Company (<i>diritto di recesso</i>), according to the procedure set forth in article 2437-quater of Italian Civil Code.</p>	<p>In the Company’s reasonable view, there is no conflict as each set of rules applies to different stock exchanges.</p>
		<p>The Company may voluntarily withdraw its listing on the HK Stock Exchange if (i) after a voluntary or mandatory tender offer a right to compulsory acquisition (i.e., the right to acquire those shares not already acquired by the offeror, see “Acceptance Condition” in voluntary offer and mandatory offer below) is exercised resulting in the acquisition of all the listed securities of the Company; or (ii)</p>	<p>Where there is a purchase obligation pursuant to Article 108, par. 1 (sell out obligation for the bidder who, as a result of a global tender offer, becomes holder of at least 95% of the capital represented by securities with voting rights in general</p>	<p>In the Company’s reasonable view, each set of rules applies to different</p>

		<p>the Company is privatized by way of a scheme of arrangement or capital reorganization which is governed by the Takeovers Code and all the relevant requirements provided therein have been complied with, and, in either case, it has given its shareholders notice of the proposed withdrawal of the listing by way of an announcement and the intention not to retain the Company's listing on the HK Stock Exchange has been stated in a circular to shareholders (Rule 6.15 of the HK Listing Rules).</p>	<p>meetings) and par. 2 (sell out obligation for whoever becomes holder of a quota exceeding 90% of capital represented by securities with voting rights in general meetings admitted to trading on a regulated market) of the CFA, the securities that are subject of the legal purchase obligation shall be delisted and withdrawn from listing and trading as of the trading day following the last day for the payment of the consideration, unless the person under the obligation pursuant to Article 108, par. 2, of the CFA has declared the intention to restore the free float (Article 2.5.1, paragraph 6 of the Borsa Italiana Market Rules). Where the conditions referred to in Art. 111 of the CFA occur (squeeze out right for the bidder who, as a result of a global tender offer, becomes holder of at least 95% of the capital represented by securities with voting rights in general meetings) the securities that are subject of the legal purchase obligation shall be delisted and withdrawn from listing trading, taking into account the timetable for the exercise of purchase right. (Article 2.5.1, paragraph 6 of the Borsa Italiana Market Rules).</p>	<p>stock exchanges.</p>
9.	<p><i>Disclosure of interests by substantial shareholders</i></p>	<p>When a person or entity acquires or ceases to have a notifiable interest (i.e., 5% or more of the shares of a listed company) and when there is a change in the percentage level of its interest (as further elaborated in the paragraph below), such person or entity is required to disclose his/her/its interest in the listed company by filing a disclosure of interests form with the HK Stock Exchange after he/she/it is aware of the "relevant event" (as elaborated below) triggering such change of interest (Part XV of the SFO and Outline of Part XV of the SFO - Disclosure of Interests).</p> <p>Notifications shall be made upon the occurrence of the relevant events, including but not limited to: (i) when a person or an entity first becomes interested in 5% or more</p>	<p>Pursuant to the Article 120 of the CFA and Articles 117 seq. of the Issuers' Regulation, any person whose shareholding in a listed company rises above or falls below 3%, or reaches, rises above or falls below 5%, 10%, 15%, 20%, 25%, 30%, 50%, 66.6% or 90% of the voting share capital of the company ("Effective Interests"), is obliged to notify CONSOB and the listed company. If Effective Interests equal to or higher than 10%, 20% and 25% of the voting share capital are</p>	<p>In the Company's reasonable view, there is no conflict as investors shall comply with both Hong Kong legal and regulatory provisions on "disclosure of interests by substantial shareholders" and Italian laws and regulations</p>

	<p>of the shares of a listed company; (ii) when a person or an entity's interest falls below 5%; (iii) when there is an increase or decrease in the percentage figure of the person or entity's holding that results in his/her/its interest crossing over a whole percentage number (i.e., the figure rounded down to the next whole number) which is above 5% (i.e., from 6.8% to 7.1% or from 8.1% to 7.8%); (iv) when a person or an entity has a notifiable interest and the nature of his/her/its interest in the shares changes (e.g., change in the nature of a person or an entity's title to shares, any interest of the person or an entity in the underlying shares of equity derivatives on the exercise of the related rights); (v) when a person or an entity has a notifiable interest and comes to have, or ceases to have, a short position of more than 1%; and (vi) when a person or an entity has a notifiable interest and there is an increase or decrease in the percentage level of his/her/its short position.</p>	<p>acquired, additional disclosure is required relating to the holder's intentions.</p> <p>In addition, notification requirements also arise if (i) the thresholds are reached or exceeded as a result of a reduction, or increase in, the company's share capital or in the number of the voting rights; (ii) voting shares underlying derivative financial instruments or any other financial instrument or contract that, pursuant to a binding agreement, attributes the right to acquire, at the holder's initiative, voting shares of a listed company and/or underlying derivative financial instruments listed by article 1, paragraph 2-ter, letter a) of the Consolidated Law and all other contract able to determine the assumption of a financial interest, positively linked to the trend of the underlying share, including the case of the counterparty of the holder of a short position (the "Potential Interests"), and the shareholding that may be potentially acquired reaches, exceeds or falls below 5%, 10%, 15%, 20%, 25%, 30%, 50% and 66.6%; (iii) an aggregate investment (the "Aggregate Interests") in Effective Interests and Potential Interests is held and the percentage reaches exceeds or falls below 5%, 10%, 15%, 20%, 25%, 30%, 50% and 66.6% of the voting share capital.</p>	<p>on the same topic.</p>
	<p>In addition to holdings in shares of a listed company held directly by a person, the holdings of others in shares of the same listed company must be added to a person's holding when calculating the number of shares in which that person is interested, such as: (i) interests of a person's spouse and children under 18; (ii) interests of any company of which the person controls one third or more of the voting power at general meetings or if the company or its directors are customary to act in accordance with such person's directions; (iii) interests of a limited liability partnership shall be attributable to the general partner and a limited partner who contributed more than one third of its capital; (iv)</p>	<p>For purposes of disclosure a person's holding shall include, among others: (i) shares that a person holds as principal, even if the voting rights are due or assigned to third parties or suspended; (ii) shares owned by nominees, trustees or subsidiary companies and shares of which the voting rights belong or are assigned to such persons; (iii) voting rights exercisable by a pledgee or holder in usufruct;</p>	<p>In the Company's reasonable view, there is no conflict as investors shall comply both with Hong Kong law and regulatory provisions on "disclosure of interests by substantial shareholders"</p>

		<p>interests of a trust of which a person is a trustee (except for a trust of which such person is a bare trustee); (v) beneficiary of a trust (except for interest of a beneficiary under a discretionary trust provided that such person is not the settlor of the trust); (vi) interests in a discretionary trust shall be attributable to the settlor (i.e., anyone who has procured the creation of the trust and whose consent is required for the trustee to exercise its discretion or in accordance with can influence how the trustee exercises his discretion); and (vii) interest of persons agreeing to acquire shares in a listed company and the agreement sets forth the manner in which one or more parties may exercise the rights attached to those shares or dispose of such shares.</p> <p>The notification period for the relevant events above is 3 business days after the date of the relevant event. If an investor is not aware of the relevant event when it occurs, the 3 business days limit starts from the date on which the investor is aware of the occurrence of the event (i.e. the date on which the investor is aware of the facts which constitute the relevant event (e.g. a buy-back of shares) and not the date the investor realizes he has a notifiable interest). A “business day” is a day other than a Saturday or Sunday, a public holiday or a day on which a gale or black rainstorm warning is in force in Hong Kong.</p> <p>Failure to make a disclosure within the time limits required by the SFO or the making of a statement which is false or misleading in any material particular constitutes a criminal offence carrying a maximum fine of \$100,000 or a maximum prison sentence of 2 years for each offence. Members and officers of a company can also be personally liable for the offences of a company.</p>	<p>(iv) voting rights exercisable by a depositary or third party account holder, as long as voting rights can be exercised at such person’s discretion; (v) voting rights exercisable by virtue of proxy, as long as the voting rights can be exercised at such person’s discretion with no specific instructions by the delegating party; vi) voting rights exercisable on the basis of an agreement providing for provisional transfer of such rights for consideration.</p> <p>The notification must be made using the standard forms contained in Issuer’s Regulation, within four trading days of becoming aware of the event that caused the shareholding to cross the relevant threshold, irrespective of the execution date.</p> <p>According to Article 120, paragraph 5 of the CFA, shareholders failing to give notice cannot exercise the voting rights attributable to the ordinary shares. Any shareholders’ resolution approved in violation of the foregoing may be annulled if it would not have been adopted in the absence of such votes. CONSOB is entitled to challenge such resolution on the same grounds. In addition, in case of failure to comply with Article 120 of the CFA, administrative sanctions provided for by Article 193 of the CFA (which includes, among others, an administrative sanction between Euro 5,000 and Euro 10,000,000, or up to five per cent of sales volume when that amount is more than Euro 10,000,000 and sales volume can be determined pursuant to Article 195, paragraph 1-bis of the CFA).</p> <p>Notification obligations are not triggered in certain specific cases provided by</p>	<p>and with Italian laws and regulations on same topic.</p>
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			Article 119-bis of the Issuers' Regulation.	
10.	Shareholders' Agreements	<p>Provisions in relation to shareholders' agreements regarding the exercise of voting rights are governed by the Takeovers Code. Pursuant to the definition as set out under the Takeovers Code, when "persons who, pursuant to an agreement or understanding (whether formal or informal), actively cooperate to obtain or consolidate control of a company through the acquisition by any of them of voting rights of the company", these persons are "acting in concert", and the agreement that these parties acting in concert signed to regulate exercise of voting rights among themselves are usually referred to as "AIC Agreement"/ "Concert Party Agreement".</p> <p>However, there are no provisions under the Takeovers Code regarding AIC Agreement/ Concert Party Agreements that are similar/ directly comparable to Article 122 of the CFA, i.e. there is no requirement on disclosure, duration, termination, etc. of an AIC Agreement/ Concert Party Agreement. Nonetheless, please note that throughout the comparison table, persons acting in concert are relevant in assessing the compliance requirements under the Takeovers Code, for example (i) the interest held/ acquired by person acting in concert will be regarded as the interest held/ acquired by one potential offeror as a whole, which will be relevant in assessing whether mandatory offer has to be made pursuant to Rule 26 of the Takeovers Code, and (ii) the identities of the persons acting in concert under an AIC Agreement/ Concert Party Agreement will have to be disclosed in the announcements and offer document.</p>	<p>In accordance with Article 122 of the Consolidated Financial Act, agreements regarding the exercise of voting rights among shareholders of a listed company or of its parent company must be, within five days from the date of execution:</p> <ul style="list-style-type: none"> - disclosed to CONSOB;- - published in summary form in the press; - filed with the companies' register of the place where the company has its registered office; - disclosed to the listed company. <p>As set forth in Article 122, paragraph 4 of the CFA failure to comply with the above rules will render the agreements null and void and the voting rights of the relative shares not-exercisable. Any shareholders' resolution taken in violation of this limitation on voting rights may be annulled by the relevant court if the resolution would not have been adopted in the absence of such votes. The action may also be brought by CONSOB.</p> <p>Pursuant to Article 122, paragraph 5 of the CFA, these rules will also apply to shareholders' agreements, in whatsoever form concluded, which:</p> <ul style="list-style-type: none"> - require prior consultation for the exercise of voting rights in a listed company or in its controlling companies; - contain limitations on the transfer of shares or securities which grant the right to purchase or subscribe for shares; - provide for the purchase of shares or securities which grant the right to purchase or 	<p>In the Company's reasonable view, there is no conflict on disclosure obligations concerning shareholders' agreements since Hong Kong laws and regulations do not provide for any provision similar to Article 122 of the CFA.</p>

			<p>subscribe for shares;-</p> <ul style="list-style-type: none"> - have as their object or effect the exercise, including joint exercise, of a dominant influence over the company; - are aimed at favoring or frustrating a tender offer, including the undertaking not to adhere to the offer. <p>According to Article 122, paragraph 5-ter of the CFA, disclosure rules on shareholders' agreements apply only to those agreements regarding shares totaling more than 3% of the share capital.</p> <p>Moreover, Article 122, paragraphs 1 and 2 of the CFA provides that the maximum duration of any such shareholders' agreements may be three years or, if no duration is specified in the agreement, that any party may terminate the agreement upon six months' notice. Pursuant to Article 122, paragraph 3 of the CFA in the case of a public tender offer, any party to the shareholders' agreement that intends to participate in the tender offer may withdraw from the agreement without notice, but the withdrawal notice is ineffective if that shareholder's interest is not subsequently transferred.</p>	
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The Codes on Takeovers and Mergers and Share Buy-Backs

The Takeovers Code issued by the SFC seek to achieve fair treatment by requiring equality of treatment of shareholders, mandating disclosure of timely and adequate information to enable shareholders to make an informed decision as to the merits of an offer and ensuring that there is a fair and informed market in the shares of companies affected *inter alia* by takeovers and share buy-backs. The Takeovers Code also provides an orderly framework within which takeovers and share buy-backs are to be conducted.

The information contained in the following section seeks to briefly examine the Takeovers Code in relation to the takeovers of companies with a primary listing of their equity securities in Hong Kong, which includes Ferretti S.p.A., and is by no means exhaustive.

A general offer is an offer by the offeror and persons acting in concert with him, open to all the shareholders of the offeree company, to purchase shares from those shareholders. There are two types of offers covered in the Takeovers Code, namely voluntary tender offers (“**VTO**”) and mandatory tender offers (“**MTO**”).

The following table include a: (i) summary of some of the main rules and provisions under the Takeovers Code and (ii) an indication if there are comparable provisions under Italian laws and regulations for companies listed on the Italian stock exchange.

The summary included in the table below does not purport to be a comprehensive and exhaustive description of all the Hong Kong rules and provisions applicable to tender offers pursuant to the Takeovers Code and therefore this summary cannot be considered an instrument or resource for the reconstruction of the entire regulatory framework for tender offers applicable to companies listed on the Hong Kong and the Italian stock exchanges.

In any case, Italian provisions concerning MTOs can not be waived and, therefore, they have to be fully complied with. Likewise, also Hong Kong rules concerning MTOs are mandatory. As a consequence, certain Italian mandatory provisions on MTOs could be in conflict with the ones set out in Hong Kong, including, but not limited to, rules concerning (i) thresholds for the obligation to launch the MTO; (ii) consideration of the MTO; (iii) conditions to the MTO; (iv) exemptions.

In the Company's reasonable view, should an event trigger the obligation to launch a MTO in one legal system but not in the other legal system, it should be assessed whether there are the legal elements in the latter system to trigger the obligation to comply with rules on MTOs. If this is the case, one should consider that the principle of equal treatment of shareholders would suggest to apply same terms and conditions to both offers and where this could not be feasible, to apply the more restrictive one (in the sense the most favourable to the market and the tendered shareholders) so as to comply, directly or indirectly, with both legal systems.

In any case, given the differences between the applicable tender offer provisions – as described below – according to the Italian and Hong Kong set of rules, conflicts could arise as the case may be. In such cases, in the Company's reasonable view, the applicability of the conflicting rules should be assessed by the relevant offeror together with both the competent Authorities involved (i.e. CONSOB and SFC).

Potential offerors are recommended to acquire direct knowledge of the provisions that will be mentioned herein, as well as to seek autonomous assistance and advice of advisors regarding the interpretation or application of relevant provisions.

No.	Matter	Hong Kong applicable provisions	Comparable Italian applicable provisions	Significant potential conflicts
1.	Voluntary offer	<p><i>Conditions for a VTO</i></p> <p>Any person or company may make a VTO so long as the offer does not trigger a MTO (see “—Mandatory Offer” below). Pursuant to Rule 30.1 of the Takeovers Code, a VTO may also incorporate conditions save for conditions which depend on judgments by the offeror or the offeree or the fulfilment of which is in their respective control or discretion. No conditions should be invoked by the offeror, other than the acceptance condition (as described below), which will cause the offer to lapse unless the circumstances which give rise to the right to invoke the condition are of material significance to the offeror in the context of the offer.</p> <p>Pursuant to Rule 30.2 of the Takeovers Code, except with the consent of the SFC Executive, all offers, except partial offers made under Rule 28, must be conditional upon the offeror having received the acceptance of shareholders, whose shares, together with shares acquired or agreed to be acquired before or during the offer, will result in the offeror (and persons acting in concert with him/her/it) holding more than 50% of the voting</p>	<p><i>Conditions for a VTO</i></p> <p>Any person or company may make a VTO so long as the offer does not trigger a MTO (see “Mandatory Offer” below).</p> <p>According to Article 103, paragraph 1 of the CFA, the launch of a VTO is irrevocable and any clause stating the contrary shall be null and void. According to Article 40, paragraph 1 of the Issuers' Regulation the offeror, however, may state in the offer document that the VTO is subject to certain conditions, provided that the occurrence (or non-occurrence) of those conditions does not depend exclusively on the will of the offeror.</p>	In Company's reasonable view, there are no significant potential conflicts between Italian and Hong Kong applicable rules.

	<p>rights of the offeree (<i>i.e.</i>, the “acceptance condition”).</p> <p>A VTO may be made conditional upon an acceptance level of shares carrying a higher percentage of the voting rights failing which the offeror is entitled to withdraw the offer.</p>		
	<p><i>Consideration</i></p> <p>A VTO may not normally be made at a price that is at a discount of more than 50% to the offeree shares’ market price (being the lesser of (i) the closing price of the shares on the day before the announcement of a firm intention to make an offer under Rule 3.5; and (ii) the five-day average closing price prior to such day).</p> <p>Pursuant to Rule 24.1(a) of the Takeovers Code, if an offeror (or any person acting in concert with him/her/it) has purchased shares in the offeree (i) within three months before the start of the offer period (or earlier in the case of purchases from connected persons); or (ii) during the period between the start of the offer period and the announcement of a firm intention to make an offer under Rule 3.5, the offer to the shareholders of the same class must be on no less favorable terms than those applying to that purchase. An offer period commences on the making of an announcement of a proposed or possible offer.</p> <p>Pursuant to Rule 24.1(b) of the Takeovers Code, if the offeror (or any person acting in concert with him/her/it) purchases shares in the offeree at above the offer price after an announcement of a firm intention to make an offer and during the offer period, the offer price must be increased to not less than the highest price (excluding stamp duty and dealing costs) paid for such shares. Pursuant to Rule 24.3 of the Takeovers Code, the offeror must then make a revised offer which must be announced immediately after the purchase of shares at above the offer price, and, according to Rule 16.1 of the Takeovers Code, persons who have accepted the original offer are entitled to receive the revised price.</p> <p>Pursuant to Rule 31.3 of the Takeovers Code, except with the consent of the SFC Executive, a person holding at least 50% of a company’s voting rights (and persons acting in concert) are prohibited from making a second offer to acquire, or acquiring, shares from any shareholder in that company at above the offer price of</p>	<p><i>Consideration</i></p> <p>A VTO can be launched at a price that is freely determined by the offeror.</p> <p>Pursuant to Article 42, paragraph 2 of the Issuers’ Regulation, if during the period from the formal announcement of the VTO to the final date of payment of the consideration, the offeror (and/or persons acting in concert with the offeror) purchases, directly or indirectly, securities that are the object of the VTO (or the right to acquire such securities at a later date) at a price higher than the price of the VTO, the latter shall be increased up to the highest price that the offeror (or any person acting in concert with the same) has paid (or agreed to pay) (the “Best Price Rule”). Such provision does not apply if the sale and purchase transactions are carried out for a total quantity of no more than 0.5 percent of the category of financial products concerned by the offer.</p> <p>In addition, pursuant to Article 42, paragraph 3 of the Issuers’ Regulation, the Best Price Rule shall also apply to purchases of over 0.1% (in the aggregate) of the securities object of the VTO, made by the offeror (and/or persons acting in concert with the offeror) in the 6 months following the settlement date of the VTO. Such provision does not apply if the sale and purchase transactions are carried out for a total quantity of no more than 1 percent of the category of financial products concerned by the offer.</p> <p>Best Price Rule shall apply also to MTOs (see below).</p>	<p>In Company’s reasonable view, there are no significant potential conflicts between Italian and Hong Kong applicable rules.</p>

		<p>a previous offer made by him to the shareholders of that company in the six months after the end of the offer period of the previous offer.</p> <p>Pursuant to Rule 23.1 of the Takeovers Code, the consideration for a VTO may be in the form of cash or securities. However, if the offeror (and any person acting in concert with him/her/it) has acquired for cash shares in the offeree carrying 10% or more of the voting rights during the offer period and within six months before the start of the offer period, the general offer must be made in cash, or accompanied by a cash alternative, at not less than the highest price paid for such shares. Further, the SFC Executive also has a discretion to require cash to be made available where less than 10% has been purchased in the six months before the start of the offer period from directors or other persons closely connected with the offeror or offeree.</p>		
		<p><i>Consideration represented by securities</i></p> <p>However, pursuant to Rule 23.2 of the Takeovers Code, where the offeror (and any person acting in concert with him/her/it) has acquired shares in the offeree carrying 10% or more of the voting rights in exchange for securities during the offer period and within three months before the start of the offer period, such securities are required to be offered to all other holders of shares of that class. Unless the vendor is required to hold the securities received until either the offer has lapsed or the offer consideration has been posted to accepting shareholders, the offeror will also be required to make an offer in cash or to provide a cash alternative. In the case of a purchase from directors or persons closely connected with the offeror or offeree, the SFC Executive may require a full share offer of that class on the same basis where less than 10% has been purchased or where the purchase was made more than three months before the start of the offer period.</p>	<p><i>Consideration represented by securities</i></p> <p>Pursuant to art. 106, par. 4, of the CFA a takeover offer shall not be considered mandatory where the shareholding indicated under Article 106, paragraphs 1, 1-bis and 1-ter of the CFA (see below) is held as a result of a takeover offer or exchange tender offer involving all the holders of securities and for the total amount of securities in their possession, provided that, in the case of an exchange tender offer, (i) the securities offered in exchange are listed on a regulated market in an EU Member State or (ii) a cash payment is offered as an alternative to the securities.</p>	<p>In Company's reasonable view, there are no significant potential conflicts between Italian and Hong Kong applicable rules.</p>
2.	<i>Mandatory offer</i>	<p>Pursuant to Rule 26 of the Takeovers Code, a MTO must be made to all the shareholders of the offeree by the offeror in the following circumstances, unless a waiver is granted by the SFC Executive: (i) when any person (or two or more persons acting in concert) acquires, whether by a series of transactions over a period of time or not, 30% or more of the voting rights of a company; and (ii) when</p>	<p>Pursuant to Article 106 of the CFA, a MTO must be made by any person who, as a result of purchases of shares or increased voting rights, directly or indirectly or acting in concert with other persons, holds a shareholding (i.e. a portion of securities giving the right to vote in shareholders' meetings on resolutions concerning the</p>	<p>In Company's reasonable view, there could be a potential conflict concerning the thresholds for the launch of a MTO.</p>

		<p>any person (or two or more persons acting in concert) holding not less than 30% and not more than 50% of the voting rights of a company, acquires additional voting rights that increase his or their holding of voting rights by more than 2% from the lowest percentage holding by that person (or the concert group) in the preceding 12 month period (<i>i.e.</i>, the <i>creeper rule</i>).</p>	<p>appointment, removal of directors or members of the supervisory board, the “Relevant Shareholding”) or voting rights exceeding some fixed relevant thresholds of an Italian company listed on an Italian regulated market.</p> <p>The relevant thresholds are:</p> <ul style="list-style-type: none"> - 30%, pursuant to art. 106, par. 1, of the CFA; - 25%, in companies other than Small Medium Enterprises (SMEs), only by way of share acquisition, and if no other shareholder holds a greater interest in the company, pursuant to art. 106, par. 1-bis, of the CFA); - a different threshold, however not less than twenty-five percent nor greater than forty percent, if established in the By-Laws of SMEs, pursuant to art. 106, par. 1-ter of the CFA. <p>SMEs are Small and medium-sized enterprises, issuing listed shares with a market capitalization of less than 500 million euros. Issuers of listed shares that have exceeded this limit for three consecutive years are not considered SMEs.</p> <p>For the purpose of the MTO obligation the mentioned thresholds could be exceeded also through the execution of derivative instruments as provided for under Article 44-<i>ter</i> of the Issuers’ Regulation. The MTO must be addressed to all remaining outstanding listed shares of the company.</p> <p>Pursuant to Article 106, paragraph 3, lett. c) of the CFA and Article 46 of the Issuers’ Regulation, a MTO must also be launched by any person who owns more than 30% of the voting share capital without, at the same time, exercising majority (50% plus one) voting rights at an ordinary shareholders’ meeting and purchases more than 5% of the voting share capital or increases its voting rights by more than 5% of the voting share capital of the company during a twelve-month period (<i>i.e.</i> the <i>creeper rule</i>).</p>	<p>In any case, in the event the launching a tender offer (i) is mandatory pursuant to Italian rules and (ii) is not mandatory pursuant to Hong Kong rules, the offeror should consider the launching of a VTO on Hong Kong market in addition to a MTO on the Italian market.</p>
		<i>Squeeze-out</i>	<i>Squeeze-out</i>	In Company’s reasonable view, there

	<p>Once the MTO is made under the Takeovers Code, the offeror may rely on section 693 of the Companies Ordinance to compulsorily acquire the remaining shares. Section 693 enables an offeror who has within 4 months of posting the initial offer document, by virtue of acceptances of the takeover offer, acquired or contracted unconditionally to acquire, at least 90% in number of the shares to which the offer relates, to give notice to the remaining shareholders that it desires to acquire their shares. The offeror must give this notice before the earlier of: (i) three months after the end of the offer period of the takeover offer; and (ii) 6 months from the date of the takeover offer.</p> <p>Within 2 months of receiving such notice, a shareholder can apply to court for an order that the offeror is not entitled to acquire the shares or for an order varying the terms of the acquisition. If there is no such application, the offeror is bound to acquire the shares on the terms of the takeover offer and must, within two months from the date of compulsory acquisition notice, send a copy of the compulsory acquisition notice to the offeree together with the necessary instruments of transfer and the consideration; the offeree must then register the offeror as holder of those shares.</p>	<p>According to Article 111, paragraph 1 of the CFA, the bidder coming into possession following a global takeover offer (both MTO and VTO) of a holding of at least 95% per cent of the capital represented by securities in an Italian listed company shall have the right to squeeze-out on remaining securities within three months of expiry of the time limit for offer acceptance, if the intention to exercise said right was declared in the takeover offer document. Where more than one class of securities is issued, the right to squeeze-out shall subsist only for classes of securities for which the 95% threshold is reached.</p>	<p>could be a potential conflict concerning the thresholds for the exercise of the right to purchase. On a case-by-case basis, the offeror should make specific assessments to define the applicable rules, also by contacting both CONSOB and the SFC.</p>
	<p><i>Conditions of the MTO</i></p> <p>Pursuant to Rule 26.2 of the Takeovers Code, unless consent is given by the SFC Executive, a MTO must be made conditional upon the offeror having received acceptances in respect of voting rights which, together with voting rights acquired or agreed to be acquired before or during the offer, will result in the offeror and any person acting in concert with it holding more than 50% of the voting rights. This is commonly referred to as the "acceptance condition". In the event where the offeror holds more than 50% of the voting rights before the offer is made, an offer made under this Rule must normally be unconditional. In particular, a MTO may not be made conditional upon the passing of shareholders' resolutions of the offeror.</p>	<p><i>Conditions of the MTO</i></p> <p>The MTO cannot be subject to any condition.</p>	<p>In Company's reasonable view, there could be a potential conflict concerning the conditions to be mandatorily applied to MTO launched on Hong Kong market. On a case-by-case basis, the offeror should make specific assessments to define the applicable rules, also by contacting both CONSOB and the SFC.</p>
	<p><i>Consideration</i></p>	<p><i>Consideration</i></p>	<p>In Company's reasonable</p>

		<p>Offers made under Rule 26 must be in cash or be accompanied by a cash alternative at not less than the highest price paid by the offeror (or any person acting in concert with the offeror) for shares of that class during the offer period and within 6 months prior to its commencement. If the shares were acquired for a consideration other than cash, the offer price must be determined by independent valuation. As noted above, should the offeror (or any person acting in concert with it) purchase securities in the offeree above the offer price during the offer period, the offeror must raise the offer price to not less than the highest price paid for the securities acquired.</p>	<p>According to Article 106, paragraph 2 of the CFA, the price per share to be offered in the context of a MTO must be equal at least to the highest price paid by the offeror and/or persons acting in concert with the same for any direct or indirect acquisition of the relevant shares of the target during the 12 months preceding the publication of the Notice (see below). If no purchase of shares of the same class was made in said period, the MTO shall be launched for that class of shares, at a price not lower than the weighted market average over the previous 12 months. Under specific and limited circumstances, CONSOB may impose a lower or a higher price.</p>	<p>view, there could be a potential conflict concerning the consideration of the MTO. Where a MTO must be launched on both Italian and Hong Kong markets, the price should be defined in accordance with the rule more favorable to the market and the tendered shareholders (in such a case, considering at least the highest price paid by the offeror for any acquisition of the relevant shares during the 12 months preceding the offer, pursuant to Article 106 of the CFA).</p> <p>In any case, the offeror should make specific assessments to define the applicable rules, also by contacting both CONSOB and the SFC.</p>
	<p><i>Consideration represented by securities</i> Offers made under Rule 26 must be in cash or be accompanied by a cash alternative.</p>	<p><i>Consideration represented by securities</i> According to Article 106, paragraph 2-bis, the consideration for the MTO can be represented wholly or partly by shares. However, in the event (i) the shares offered as consideration for the offer are not admitted to listing on a EU regulated market, or (ii) the offeror (or the persons acting in concert with the offeror) has purchased, in exchange for cash, during the 12 months preceding the</p>	<p><i>Consideration represented by securities</i> According to Article 106, paragraph 2 of the CFA, the price per share to be offered in the context of a MTO must be equal at least to the highest price paid by the offeror and/or persons acting in concert with the same for any direct or indirect acquisition of the relevant shares of the target during the 12 months preceding the publication of the Notice (see below). If no purchase of shares of the same class was made in said period, the MTO shall be launched for that class of shares, at a price not lower than the weighted market average over the previous 12 months. Under specific and limited circumstances, CONSOB may impose a lower or a higher price.</p>	<p>In Company's reasonable view, there could be a potential conflict concerning the possibility of offering a consideration represented by securities of the MTO. As the case may be, it should be</p>

			<p>publication of the Notice and until the closing of the offer, shares which grant at least 5% of the voting rights exercisable in the target's shareholders' meeting, the offeror shall also offer to the recipients of the offer a cash alternative.</p>	<p>recommended to take into account the rule more favorable to the market and the tendered shareholders. In any case, the offeror should make specific assessments to define the applicable rules, also by contacting both CONSOB and the SFC.</p>
		<p><i>Offeree shareholders entitled to accept the offer</i></p> <p>The MTO should be extended to: (i) holders of each class of equity share capital of the offeree; and (ii) holders of any class of voting non-equity share capital in which the offeror (or persons acting in concert) hold shares.</p> <p>Pursuant to Rule 14 of the Takeovers Code, offers for different classes of equity share capital must be comparable and the SFC Executive should be consulted in advance in such cases.</p>	<p><i>Offeree shareholders entitled to accept the offer</i></p> <p>The MTO must be addressed to all holders of securities (with voting rights, also for limited matters, in ordinary or extraordinary shareholders' meetings) for the totality of the securities admitted to trading on a regulated market, in their possession.</p>	<p>In Company's reasonable view, there are no significant potential conflicts between Italian and Hong Kong applicable rules.</p>
		<p><i>Chain principle</i></p> <p>Occasionally, a person or group of persons acting in concert acquiring statutory control of a company (which need not be a company to which the Takeovers Code applies) will thereby acquire or consolidate control, as defined in the Codes, of a second company because the first company itself holds, either directly or indirectly through intermediate companies, a controlling interest in the second company, or holds voting rights which, when aggregated with those already held by the person or group, secure or consolidate control of the second company. The SFC Executive will not normally require an offer to be made under Rule 26 in these circumstances unless either:</p> <p>(a) the holding in the second company is significant in relation to the first company. In assessing this, the SFC Executive will take into account a number of factors including, as appropriate, the assets and profits of the respective</p>	<p><i>Chain principle</i></p> <p>Pursuant to Article 45 of the Issuers' Regulation, the purchase, including jointly, of a stake that allows for the exercise of voting rights above the thresholds indicated by Article 106, paragraphs 1, 1-bis and 1-ter of the CFA on the matters indicated in Article 105 of the CFA, of a listed company, or controlling of an unlisted company, triggers the obligation to make a public offer, pursuant to Article 106, paragraph 3, letter a), of the CFA when the buyer thus holds, indirectly or by effect of the sum of shares held directly and indirectly, a stake above the thresholds indicated in Article 106, paragraphs 1, 1-bis and 1-ter, of the CFA, in a listed company.</p> <p>Pursuant to Article 45, paragraph 1-bis of the Issuer's Regulation, the obligation provided under paragraph 1 applies also in case the</p>	<p>In Company's reasonable view, there are no significant potential conflicts between Italian and Hong Kong applicable rules.</p>

		<p>companies. Relative values of 60% or more will normally be regarded as significant; or</p> <p>one of the main purposes of acquiring control of the first company was to secure control of the second company</p> <p>The SFC Executive should be consulted in all cases described above to establish whether, in the circumstances, any obligation arises under Rule 26.</p> <p>In light of the above, the SFC Executive generally will not require an offer to be made when there is an acquisition of statutory control of a company which thereby acquiring or consolidating control of a second company (which is a listed company), unless (a) the holding in the second listed company is significant in relation to the first company; or (b) one of the main purposes of acquiring control of the first non-listed company was to secure control of the second listed company.</p>	<p>thresholds set forth in Article 106 paragraphs 1 and 1-ter of the CFA have been exceeded following the increase of the voting rights.</p> <p>Pursuant to Article 45, paragraph 2 of the Issuer's Regulation, the shares are held indirectly within the meaning of paragraph 1 where the assets of the company whose securities are held include in prevalence stakes in listed companies or in companies holding in prevalence stakes in listed companies.</p> <p>Pursuant to Article 45, paragraph 3 of the Issuers' Regulation, prevalence, for the purpose of paragraphs 1 and 2, shall exist where at least one of the following conditions is met: a) the book value of the equity investments represents more than one third of the balance sheet assets and exceeds that of every other fixed asset shown in the balance sheet of the investor company; b) the value attributed to the equity investments represents more than one third and constitutes the principal component of the purchase price of the securities of the investor company.</p>	
3.	Exemptions	<p>The SFC Executive can waive the requirements to make a MTO in certain circumstances such as those mentioned in the paragraphs headed hereinbelow.</p>	<p>Under certain circumstances, notwithstanding the purchase of a Shareholding in excess of the threshold, the CFA (art. 106, par. 4 and 5) and Issuers' Regulation (art. 49), contain various exemptions from the obligation to launch a MTO, including, but not limited to, those set out at point 3 below.</p> <p>Moreover, pursuant to Article 106, paragraph 6 of the CFA, CONSOB may establish by means of reasoned order that a takeover offer shall not be considered mandatory on exceeding the thresholds indicated under Article 106, paragraphs 1, 1-bis and 1-ter of the CFA or Article 106, paragraph 3 lett. b) of the CFA, in cases attributable to the situations referred to under Article 106, paragraph 5 of the CFA, but which are not expressly set forth in the Consob Issuers' Regulation.</p>	<p>In Company's reasonable view, there are no significant potential conflicts between Italian and Hong Kong applicable rules.</p>

		<p><i>Whitewash Procedure</i></p> <p>Where the issue of new securities as consideration for an acquisition, or a cash subscription, or the taking of a scrip dividend, would otherwise result in a shareholder to make a MTO, the SFC Executive will normally waive such obligation if the whitewash waiver and the underlying transaction(s) are separately approved by at least 75% (in case of the whitewash waiver) and more than 50% (in the case of the underlying transaction(s)) of the independent vote at a shareholders' meeting. Independent vote means a vote by shareholders who are not involved in, or interested in, the transaction in question.</p> <p>However, a waiver will not normally be granted if: (i) the person/entity to whom the new securities are to be issued or any person acting in concert with he/she/it has acquired voting rights in the company (save for subscriptions for new shares which have been fully disclosed in the whitewash circular) in the six months prior to the announcement of the proposals but subsequent to negotiations or discussions with the directors of the company in relation to the proposed issue of new securities; or (ii) voting rights have been acquired or disposed of by such persons without the SFC Executive's prior consent in the period between the announcement of the proposals and the completion of the subscription.</p>	<p><i>Whitewash Procedure</i></p> <p>There are no specific Italian provisions comparable to the Hong Kong provisions. The use of the whitewash procedure is limited to the application of the merger and spin off exemption and rescue exemptions (see below).</p>	<p>In Company's reasonable view, there are no significant potential conflicts between Italian and Hong Kong applicable rules.</p>
		<p><i>Rescue Operations</i></p> <p>A waiver will normally be granted where the company is in a serious financial position that the only way it can be saved is by an urgent rescue operation which involves the issue of new securities without approval by a vote of independent shareholders or the acquisition of existing securities by the rescuer which would otherwise fall within Rule 26.</p>	<p><i>Rescue Operations</i></p> <p>Pursuant to Article 106, paragraph 5, lett. a) of the CFA and Article 49, paragraph 1, lett. b) of the Issuers' Regulation, there is no obligation to launch a MTO where the relevant threshold is exceeded as a consequence of operations aimed at rescuing the relevant listed company. The rescue exemption is applied automatically in cases envisaged in the Italian Royal Decree no. 267 of 16 March 1942, or in case of requests of a prudential supervisory Authority.</p> <p>In other crisis situations, the exemption can be applied if the transaction which triggers the MTO obligation is approved by the general meeting with a whitewash procedure (i.e. it is approved without the dissenting vote of the</p>	<p>In Company's reasonable view, there are no significant potential conflicts between Italian and Hong Kong applicable rules.</p>

			majority of the shareholders attending the meeting, other than the buyer, the shareholder or shareholders holding, individually or jointly, the absolute or relative majority shareholding if it exceeds 10% of the share capital).	
		<p><i>Inadvertent Mistake</i></p> <p>The SFC Executive will not normally require a person to make a general offer under Rule 26 if the obligation to do so results from an inadvertent mistake, provided that the person disposes of sufficient voting rights within a limited period to unconnected persons.</p>	<p><i>Temporary acquisition</i></p> <p>Pursuant to Article 106, par 5, lett. d) of the CFA and Article 49, paragraph 1, lett. e) and f) of the Issuers' Regulation, the obligation is not triggered if the threshold is exceeded, and the relevant shareholder undertakes (i) to sell the securities or the financial instruments to unrelated parties or to reduce the surplus voting rights within twelve months and (ii) not to exercise the said rights.</p>	<p>In Company's reasonable view, there are no significant potential conflicts between Italian and Hong Kong applicable rules.</p>
		<p><i>Placing and top-up transactions</i></p> <p>A waiver will normally be granted where a shareholder (and persons acting in concert whom him/her/it) holds 50% or less of the voting rights of a company, places some of his/her/their shares with an independent person and, as soon as practicable, subscribes for new shares up to the number of shares placed at a price substantially equivalent to the placing price less expenses.</p>	<p><i>Placing and top-up transactions</i></p> <p>There is no specific exemption under Italian laws and regulations.</p>	<p>In Company's reasonable view, there are no significant potential conflicts between Italian and Hong Kong applicable rules.</p>
		<p><i>Intragroup transfers</i></p> <p>Whenever the holdings of a group acting in concert total 30% or more of the voting rights of a company and as a result of an acquisition of voting rights from another member of the group a single member comes to hold 30% or more or, if already holding between 30% and 50%, has acquired more than 2% of the voting rights in any 12 month period, an obligation to make an offer will normally arise.</p> <p>The SFC Executive would normally grant the acquirer of such voting rights a waiver from such general offer obligation if:</p> <p>(i) the acquirer is a member of a group of companies comprising a company and its subsidiaries and the acquirer has acquired the voting rights from another member of such group of companies; or</p>	<p><i>Intragroup transfers</i></p> <p>Pursuant to art. 105, par. 5, lett. b) of the CFA and Article 49 lett. c) of the Issuers' Regulation, no obligation to make a MTO exists if the threshold is exceeded as a result of a transfer between companies in which the same person or persons hold, singularly or jointly, directly or indirectly, the majority of voting rights exercisable in the ordinary shareholders' meeting, pursuant to Article 2359, first paragraph, point 1, of the Italian Civil Code, or is acquired as a result of a transfer between a company and such persons.</p>	<p>In Company's reasonable view, there are no significant potential conflicts between Italian and Hong Kong applicable rules.</p>

		<p>the acquirer is a member of a group of persons comprising an individual, his close relatives and related trusts, and companies controlled by him, his close relatives or related trusts, and the acquirer has acquired the voting rights from another member of such group of persons.</p>		
		<p><i>Other exemptions</i></p> <p><i>Enforcement of security for a loan, receivers, etc.</i></p> <p>Where a shareholding in a company is charged to a bank or lending institution on an arm's length basis and in the ordinary course of its business as security for a loan and, as a result of enforcement, the lender would otherwise incur an obligation to make a general offer under Rule 26, the SFC Executive will normally waive the requirement, provided that the security was not given at a time when the lender had reason to believe that enforcement was likely. In any case where arrangements are to be made involving a transfer of voting rights to the lender, but which do not amount to enforcement of the security, the SFC Executive will wish to be convinced that such arrangements are necessary to preserve the lender's security and will also take into account the proviso above.</p> <p>Although a receiver or liquidator of a company is not required to make an offer when he takes control of a holding of 30% or more of the voting rights of another company, the provisions of this Rule 26 apply to a purchaser from such a person.</p>	<p><i>Other exemptions</i></p> <p><i>Exercise of rights originally held</i></p> <p>There is no obligation to launch a MTO where the relevant threshold is exceeded unintentionally, according to Article 106, paragraph 5, lett. c). In particular, pursuant to Article 49, paragraph 1, lett. d) of the Issuers' Regulation, no obligation exists if the threshold is exceeded as a result of the exercise of pre-emption, subscription or conversion rights originally held.</p> <p>In addition, pursuant to Article 49, paragraph 1, lett. d) of the Issuers' Regulation, in companies whose by-laws allows for increase of voting rights or which provides for multiple-voting shares, no obligation to launch a MTO exists if the threshold is exceeded as a result of the reduction of the total number of votes that can be exercised on the matters indicated in Article 105 of the CFA (i.e. appointment and removal of directors), unless the relevant shareholder has bought, individually or in concert with others, a stake which, calculated in proportion to the total number of securities issued by the issuer which attribute the voting right on the said matters, exceeds the relevant thresholds.</p> <p><i>Mergers and spin off</i></p> <p>Pursuant to Article 106, par 5, lett. d) of the CFA and Article 49, paragraph 1, lett. g) of the Issuers' Regulation, no obligation exists if the threshold is exceeded as a consequence of mergers or spin-offs approved by meeting resolution of the company whose securities would otherwise need to be subject to the tender offer, without the dissenting vote of the</p>	<p>In Company's reasonable view, there are no significant potential conflicts between Italian and Hong Kong applicable rules.</p>

			<p>majority of the shareholders in attendance, other than the shareholder acquiring the shareholding and the shareholder or shareholders which jointly or individually hold an absolute or relative majority shareholding if it exceeds 10% of the share capital (i.e. the whitewash procedure has been applied)</p> <p><i>Free of charge transactions</i></p> <p>Pursuant to Article 106, par 5, lett. f) of the CFA and Article 49, paragraph 1, lett. h) of the Issuers' Regulation, the obligation is not triggered if the threshold is exceeded as a consequence of inheritance or free-of-charge deeds between living individuals.</p>	
4.	<i>Concerted parties</i>	<p>A person or an entity will be considered to be acting in concert with an offeror if, pursuant to an agreement or understanding (whether formal or informal), he/she/it is actively co-operating, through the acquisition of voting rights, to obtain or consolidate the control of the offeree. Certain groups or categories of persons are presumed to be acting in concert with others in the same class, unless the contrary can be established. These classes of persons include: (a) a company, its parent, its subsidiaries, its fellow subsidiaries, associated companies of any of the foregoing, and companies of which such companies are associated companies; (b) a company with any directors (together with their close relatives, related trusts and companies controlled by any of the directors, their close relatives or related trusts) of it or of its parent; (c) a company with any of its pension funds, provident funds and employee share schemes; (d) a fund manager (including an exempt fund manager) with any investment company, mutual fund, unit trust or other person, whose investments such fund manager manages on a discretionary basis, in respect of the relevant investment accounts; (e) a financial or other professional advisor (including a stockbroker) with its client in respect of the shareholdings of the advisor and persons controlling, controlled by or under the same control as the advisor (except in the capacity of an exempt principal trader or exempt fund manager); (f) directors of a company (together with their close relatives, related trusts and companies controlled by such directors, their close relatives and related trusts) which is subject to an</p>	<p>According to Article 101-bis, paragraph 4 of the CFA, "persons acting in concert" shall mean persons cooperating together on the basis of a specific or tacit agreement, verbal or in writing, albeit invalid or without effect, for the purpose of acquiring, maintaining or strengthening control over the issuer or to counteract achievement of the aims of a takeover offer or exchange tender offer.</p> <p>In any event, pursuant to Article 101-bis, paragraph 4-bis of the CFA persons considered to be acting in concert are: (i) parties of a shareholders agreement, even if void, envisaged in Article 122, paragraph 1 and paragraph 5 paragraphs a), b), c) and d) of the CFA; (ii) an entity, its parent company and its subsidiaries; (iii) companies subject to joint control; (iv) a company and its directors, members of the management board, or supervisory board or general managers.</p> <p>According to Article 44-quater, paragraph 1 of the Issuers' Regulation, the following persons are considered to be acting in concert, unless they provided proof to the contrary:</p> <ul style="list-style-type: none"> - a party, his/her spouse, cohabiting partner, persons related by blood or affinity, and direct relatives and relatives up to the second degree, and children of his/her 	<p>In Company's reasonable view, there are no significant potential conflicts between Italian and Hong Kong applicable rules.</p>

		<p>offer or where the directors have reason to believe a bona fide offer for their company may be imminent; (g) partners; (h) an individual (including any person who is accustomed to act in accordance with the instructions of the individual) with his close relatives, related trusts and companies controlled by him, his close relatives or related trusts; and (i) a person, other than an authorized institution within the meaning of the HK Banking Ordinance lending money in the ordinary course of business, providing finance or financial assistance (directly or indirectly) to any person (or a person acting in concert with such a person) in connection with an acquisition of voting rights (including any direct or indirect refinancing of the funding of the acquisition).</p>	<p>spouse or cohabiting partner;</p> <ul style="list-style-type: none"> - a party and its financial advisors for transactions relating to the issuer, where said advisors or companies belonging to their group, after having been awarded the appointment or in the month prior to such appointment, had made purchases of issuer securities other than as part of ordinary course proprietary trading and at market conditions. <p>According to Article 44-<i>quater</i>, paragraph 2 of the Issuers' Regulation, the following persons are not classified as acting in concert:</p> <ul style="list-style-type: none"> a) coordination between shareholders for the purpose of implementing the actions and exercising the rights attributed to them; b) agreements for the submission of lists of candidates for the election of the corporate bodies, provided that said lists include a number of candidates that is less than half of the members to be elected or are by design preset for the election of representatives of minority interests; c) cooperation between shareholders to prevent the approval of a resolution of the extraordinary shareholders' meeting or a resolution of the ordinary shareholders' meeting on (i) remuneration of the members of corporate boards, remuneration policies and compensation schemes based on financial instruments; (ii) related party transactions; (iii) authorization pursuant to Article 2390 of the Italian Civil Code or Article 104 of the CFA; d) cooperation between shareholders to: (i) favour the approval of a shareholder meeting resolution regarding the responsibility of the members of corporate boards or a proposed item for the agenda pursuant to Article 2367 of the Italian Civil Code or Article 126-bis of the CFA; (ii) gain votes for a list which presents a number of candidates that is less than half of the members 	
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			to be elected, or is by design preset for the election of representatives of minority interests, also through the solicitation of voting proxies for the purpose of voting for said list.	
5.	Disclosure obligations	<p><i>Disclosure obligations of the offeror</i></p> <p>Pursuant to Rule 3.1 of the Takeovers Code, before the board of the offeree is approached, an announcement must be made by the offeror or potential offeror in the following situations:</p> <p>(a) when the offeree is the subject of rumor or speculation about a possible offer or there is undue movement in its share price or in the volume of share turnover, and there are reasonable grounds for concluding that it is the actions of the potential offeror or persons acting in concert with it (whether through inadequate security, purchasing of offeree shares or otherwise) which have led to the situation;</p> <p>(b) when negotiations or discussions are about to be extended to include more than a very restricted number of people (outside those who need to know in the companies concerned and their immediate advisors); or</p> <p>(c) immediately when the offeror triggers a MTO obligation under Rule 26.</p>	<p><i>Disclosure obligations of the offeror</i></p> <p>If there are rumors in any way spread among the public about a potential offer and irregularities in the market performance of the relevant securities, the potential offeror may be required, pursuant to art. 102, par 8 of the CFA, to disclose to the public information about the offer and will be subject to potential clarification requests by CONSOB.</p> <p>Pursuant to Article 102 of the CFA, as soon as the obligation to launch a MTO arises, the offeror shall immediately disclose to CONSOB with an <i>ad hoc</i> notice (the “Notice”).</p> <p>The Issuers’ Regulation provides guidelines and instructions regarding the information to be disclosed to the market through the Notice. In particular, the Notice shall contain the information provided in the Issuers’ Regulation that is deemed necessary for a proper evaluation of the features of the offer.</p> <p>The offeror may publish the Notice only after having put itself in the position to face any cash payment obligation related to the offer or having adopted any measure needed in order to grant the fulfillment of the obligation to pay any share consideration.</p>	<p>In Company’s reasonable view, there are no significant potential conflicts between Italian and Hong Kong applicable rules.</p>
		<p><i>Announcement of a firm intention to make an offer</i></p> <p>Pursuant to Rule 3.5 of the Takeovers Code, once the formal terms of the offer have been agreed, the offeror shall make an announcement of a firm intention to make an offer. Pursuant to Rule 5 of the Takeovers Code, afterwards, the offeror must, except with the consent of the SFC Executive, proceed with the offer unless the offer is subject to the fulfilment of a specific condition which has not been satisfied.</p>	<p><i>Announcement of a firm intention to make an offer</i></p> <p>Notice pursuant to art. 102 of the CFA shall be immediately disclosed in case of the offeror’s decision to launch a VTO as soon as said decision is taken.</p>	<p>In Company’s reasonable view, there are no significant potential conflicts between Italian and Hong Kong applicable rules.</p>

		<p><i>Disclosure obligations of the offeree</i></p> <p>Pursuant to Rule 3.2 of the Takeovers Code, following an approach to the board of the offeree, an announcement shall be made by the offeree in the following situations: (a) when a firm intention to make an offer is notified to the board of the offeree from a serious source; (b) when, following an approach to the offeree, the offeree is the subject of rumor or speculation about a possible offer or there is undue movement in its share price or in the volume of share turnover; (c) when negotiations or discussions are about to be extended to include more than a very restricted number of people (outside those who need to know in the companies concerned and their immediate advisors); or (d) when the board of the offeree is aware that there are negotiations or discussions between a potential offeror and the controlling shareholder(s) (<i>i.e.</i>, the holder or holders of shares carrying 30% or more of the voting rights of the company) or when the board of the offeree is seeking potential offerors, and (i) the offeree is the subject of rumor or speculation about a possible offer or there is undue movement in its share price or in the volume of share turnover; or (ii) the number of potential purchasers or offerors approached is about to be increased to include more than a very restricted number of people.</p>	<p><i>Disclosure obligations of the offeree</i></p> <p>There are no specific Italian provisions comparable to Hong Kong provisions. The only issuers' information duty (save for MAR application) is the issuer's statement described below.</p> <p>According to Article 103, paragraphs 3 and 3-bis of the CFA, the board of directors of the offeree must release a notice containing (i) all information useful to evaluating the offer, (ii) its own evaluation of the offer and (iii) an evaluation of the impacts of eventual success of the takeover offer on the company's interests, and on the employment conditions and location of business premises. Article 39 of the Issuers' Regulation provides more detailed instruction regarding the information to be disclosed.</p>	<p>In Company's reasonable view, there are no significant potential conflicts between Italian and Hong Kong applicable rules.</p>
		<p><i>Updates concerning the possible offer</i></p> <p>Upon issuance of the aforementioned announcements, announcements must be made monthly as to the progress of the talks or the consideration of a possible offer until an announcement of a firm intention to make an offer or of a decision not to proceed with an offer is made.</p>	<p><i>Updates concerning the possible offer</i></p> <p>There are no specific Italian provisions comparable to Hong Kong provisions.</p>	<p>In Company's reasonable view, there are no significant potential conflicts between Italian and Hong Kong applicable rules.</p>
		<p><i>Announcement of the results of an offer</i></p> <p>Pursuant to Rule 19.1 of the Takeovers Code, an offeror shall publish an announcement on the closing date stating whether the offer has been revised or extended, has expired or has become or been declared unconditional (and</p>	<p><i>Announcement of the results of an offer</i></p> <p>Pursuant to Article 41, paragraph 2, lett. d) of the Issuers' Regulation, during the offering period, information concerning the number of tendered shares have to be</p>	<p>In Company's reasonable view, there are no significant potential conflicts between Italian and Hong Kong</p>

		whether as to acceptances or in all respects).	disclosed daily through the market operator. According to Article 41, paragraph 6 of the Issuers' Regulation, at the end of the offering period, the offeror has to release an announcement for the results of the offer in compliance with the provisions set forth in the Issuers' Regulation. At the same time, the offeror has also to announce whether the requirements for the reopening of the offering period pursuant to Article 40-bis of the Issuers' Regulation are met.	applicable rules.
6.	Dealings	<p>Once an announcement in relation to a possible offer has been made, disclosure must be made of all dealings by parties to an offer and their associates for their own account or for their investment clients in:</p> <ul style="list-style-type: none"> (i) relevant securities of the offeree; and (ii) (in the case of a securities exchange offer only) relevant securities of the offeror or of another company whose securities will be offered as consideration for the offer. <p>Pursuant to Rule 22 of the Takeovers Code, dealings by the offeror, the offeree and their respective associates for their own account or on behalf of their investment clients must be disclosed to the SFC Executive by 12.00 noon (Hong Kong time) on the Business Day following the date of the transaction.</p> <p>"Associates" of an offeror, a potential offeror and an offeree (the "first person") normally includes: (a) any person acting in concert with the first person; (b) any financial and other professional advisor (including a stockbroker) of the parent, subsidiaries and fellow subsidiaries of the first person, including persons controlling, controlled by or under the same control as such financial and other professional advisors (other than exempt fund managers and exempt principal traders). A holding of 30% or more of the voting rights of a company is the normal test of "control"; (c) the directors (together with their close relatives, related trusts and companies controlled by any of the directors, their close relatives and related trusts) of any subsidiary or fellow subsidiary of the first person; (d) the pension funds, provident funds and employee share schemes of the parent, subsidiaries and fellow subsidiaries of the first person; (e) any exempt principal trader or exempt fund manager which is controlling, controlled by or under the</p>	<p>During the offering period, the Interested Parties (i.e. the bidder, the issuer, persons connected to them by relationships of control, companies subject to common control and associate companies, members of their boards of directors and internal control bodies and their general managers, and the shareholders of the bidder or the issuer parties of agreements envisaged in Article 122 of CFA and those operating in concert with the bidder or issuer) shall notify CONSOB and the market of any transaction carried out by them (including indirectly or through nominees) every purchase and sale of the financial products subject of the offer or derivatives linked to the products subject of the bid) indicating the key terms. The notification shall be carried out by the end of the day on which the relevant transaction is carried out (cfr. Art. 41, par. 2, lett. c) of the Issuers' Regulation).</p> <p>Should the offeror and persons acting in concert with the offeror intend to directly, indirectly or through a third party sell the financial products concerned by the offer to third parties, they shall notify CONSOB and the market no later than the day prior to the date scheduled for the transaction. Companies in the offeror's group and those acting in concert with the offeror shall not be considered third parties (cfr Art. 41, par. 2 lett. b) of the Issuers' Regulation).</p>	In Company's reasonable view, there are no significant potential conflicts between Italian and Hong Kong applicable rules.

		<p>same control as the financial and other professional advisor (including a stockbroker) of the first person ; and (f) a person who, or who as a result of a transaction, owns or controls 5% or more of any class of the relevant securities of the first person.</p> <p>“Relevant securities” include: (a) the offeree’s securities which are the subject of the offer or which carry voting rights; (b) equity shares of the offeree; (c) in a securities exchange offer, equity shares of the offeror or of another company whose securities are to be offered as consideration; (d) securities of the offeror or of a company whose securities are to be offered as consideration having substantially the same rights as any securities to be issued as consideration for the offer; (e) securities carrying conversion or subscription rights into any of the foregoing; and (f) options and derivatives in respect of any of the foregoing.</p> <p>The disclosure obligation relates to all dealings during the offer period which extends until the later of: (i) the date when the offer closes for acceptances; (ii) the date the offer lapses; (iii) an announcement that a possible offer will not proceed; (iv) the date of an announcement of the withdrawal of a proposed offer; and (v) where the offer contains a possibility to elect for alternative forms of consideration, the latest date for making such election. Dealings by associates do not however need to be disclosed during the period between the date when the offer becomes or is declared unconditional in all respects and the end of the offer period.</p>		
		<p><i>Prohibited dealings</i></p> <p>No dealings of any kind may take place in securities of the offeree by any person (other than the offeror) who is privy to confidential price-sensitive information concerning an actual or contemplated offer or revised offer before the announcement of the approach, offer or revised offer. Pursuant to Rule 21.1 of the Takeovers Code, such dealings in securities of the offeror are also prohibited unless the offer or proposed offer is not price-sensitive in relation to those securities.</p> <p>Pursuant to Rule 21.3 of the Takeovers Code, where the consideration for an offer includes securities of the offeror or</p>	<p><i>Prohibited dealings</i></p> <p>There are no specific Italian provisions comparable to Hong Kong provisions. However, all the Interested Parties should comply with MAR provisions, where applicable.</p>	<p>In Company’s reasonable view, there are no significant potential conflicts between Italian and Hong Kong applicable rules.</p>

		a person acting in concert with it, neither the offeror nor such person may propose or conduct any off-market share repurchase or share repurchase by general offer before the end of the offer period.		
7.	<i>Duties of the board of the offeror and offeree</i>	The directors involved in an offer shall reasonably ensure that the Takeovers Code has been complied with during the conduct of the offer. The board must ensure that proper arrangements are in place to enable it to monitor the conduct of an offer so that each director fulfills his obligations under the Takeovers Code.	According to Article 42, paragraph 1 of the Issuers' Regulation, the Interested Parties shall (i) act according to principles of proper conduct and equal treatment of those to whom the offer is addressed which are in identical conditions, shall promptly complete the activities and formalities relating to the implementation of the offer, (ii) not carry out transactions on the market with a view to influencing acceptances of the offer and (iii) abstain from conduct and agreements aimed at altering circumstances affecting the conditions precedent to a MTO.	In Company's reasonable view, there are no significant potential conflicts between Italian and Hong Kong applicable rules.
8.	<i>Restrictions following offers and possible offers</i>	Pursuant to Rule 31.1(a) of the Takeovers Code, where an offer has been withdrawn or has lapsed, neither the offeror nor any person who acted in concert with the offeror nor any person who subsequently acts in concert with any of them, may within 12 months from the date of withdrawal or lapse of such offer do either of the following, without the consent of the SFC Executive: (i) make an offer for the offeree; or (ii) acquire any shares of the offeree resulting in an obligation to make a MTO under Rule 26.	Pursuant to Article 102, paragraph 3 of the CFA, should the offeror not launch the offer promptly after the Notice and, in any case, within 20 days, the offering document shall be declared inadmissible, and the offeror may not make a further offer with respect to the same financial products of the issuer in the twelve months thereafter.	In Company's reasonable view, there are no significant potential conflicts between Italian and Hong Kong applicable rules.
		<i>Defensive measures</i> There are similar defensive measures of the offeree as set out in Article 104 of the CFA under Hong Kong laws and regulations. Pursuant to Rule 4 of the Takeovers Code, once a bona fide offer has been communicated to the board of an offeree company or the board of an offeree company has reason to believe that a bona fide offer may be imminent, no action which could effectively result in an offer being frustrated, or in the shareholders of the offeree company being denied an opportunity to decide on the merits of an offer, shall be taken by the board of the offeree company in relation to the affairs of the company	<i>Defensive measures</i> Pursuant to Article 104, paragraph 1 of the CFA unless approved by the ordinary or extraordinary shareholders' meeting, the offeree shall abstain from action or transactions that could counteract the achievement of the aims of the offer. This abstention obligation shall apply from the date of notice pursuant to Article 102, paragraph 1 of the CFA, until closure of the offer or until the offer expires. Mere research into other offers shall not constitute an act or transaction in conflict with the aims of the offer. The liability of directors, members of the management board, supervisory	In Company's reasonable view, there are no significant potential conflicts between Italian and Hong Kong applicable rules.

		<p>without the approval of the shareholders of the offeree company in general meeting. Where the offeree company is under a prior contractual obligation to take any such action, or where there are other special circumstances, the Executive must be consulted at the earliest opportunity. In appropriate circumstances the Executive may grant a waiver from the general requirement to obtain shareholders' approval.</p>	<p>board and general managers for action taken or transactions executed shall remain unchanged.</p> <p>Pursuant to Article 104, paragraph 1-<i>bis</i> of the CFA, the shareholders' meeting approval envisaged in paragraph 1 shall also be required for the implementation of any decision taken before the start of the period indicated in paragraph 1, not yet implemented wholly or in part, that does not fall within the normal business practices of the company and the implementation of which could counteract achievement of the aims of the offering.</p> <p>According to Article 104, paragraph 1-<i>ter</i> of the CFA, the provisions set forth in paragraphs 1 and 1-<i>bis</i> may be derogated, wholly or in part, by the company's by-laws. Any derogation must be (i) notified to CONSOB and (ii) promptly disclosed to the public in accordance with the procedures laid down by CONSOB in its regulations.</p>	
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CAPITALIZATION AND INDEBTEDNESS

The tables below set out the Group's consolidated capitalization and indebtedness as of March 31, 2023.

The information set forth in the table below should be read in conjunction with, and is qualified by reference to, "Operating and Financial Review" and the Financial Statements.

The Company will not receive any of the proceeds from the sale of the Shares in the Offer.

Capitalization

	As of March 31, 2023 (€ thousand)
Total current debt (including current portion of non-current debt)	12,835
Guaranteed.....	-
Secured	189
Unguaranteed/Unsecured	12,646
Total non-current debt (excluding current portion of non-current debt)	23,325
Guaranteed.....	-
Secured	1,527
Unguaranteed/Unsecured	21,798
Shareholders' equity	795,025
Share capital.....	338,483
Other reserves ⁽¹⁾	456,542
Total	831,185

(1) Other reserves include retained earnings and the profit for the period.

Indebtedness

The table below sets out the Group's indebtedness as of March 31, 2023.

	As of March 31, 2023 (€ thousand)
A. Cash	101,435
B. Cash equivalents	160,000
C. Other current financial assets	75,283
D. Liquidity (A + B + C)	336,719
E. Current financial debt (including debt instruments, but excluding current portion of non-current financial debt) ⁽¹⁾	3,210
F. Current portion of non-current financial debt ⁽²⁾	9,625
G. Current financial indebtedness (E + F)	12,835
H. Net current financial indebtedness (G – D)	(323,884)
I. Non-current financial debt (excluding current portion and debt instruments) ⁽³⁾	23,325
J. Debt Instruments	0
K. Non-current trade and other payables.....	0
L. Non-current financial indebtedness (I + J + K)	23,325
M. Total financial indebtedness (H + L)	(300,559)

(1) Includes liabilities associated to short term financing to Group's companies and accrued interest payables.

(2) Includes liabilities related to leases equal to €9.0 million.

(3) Includes liabilities related to leases equal to €18.7 million.

There has been no material change in the Group's capitalization or indebtedness since March 31, 2023.

Working capital statement

In the Company's opinion, the Group's working capital is sufficient to meet its present requirements for at least the twelve months following the Prospectus Date.

SELECTED FINANCIAL AND OTHER INFORMATION

The following tables set forth the Group's selected consolidated income statement, selected consolidated statement of financial position and selected consolidated statement of cash flows and other financial data as of the dates and for the periods indicated. The selected consolidated financial information as at and for the three-month period ended March 31, 2023, and 2022 and the years ended December 31, 2022, 2021 and 2020 has been derived from the Financial Statements. The selected consolidated financial information set out below may not contain all of the information that is important to prospective investors and, accordingly, should be read in conjunction with the Financial Statements, "Important Information" and "Operating Financial Review."

Consolidated income statement

The following table sets forth selected information from our consolidated income statement for the three-month periods ended March 31, 2023, and March 31, 2022:

	Three-month period ended March 31, (unaudited)	
	2023	2022
	(€ thousand)	
Revenue	290,811	262,969
Commissions and other costs related to revenue	(10,503)	(6,542)
Net revenue	280,308	256,427
Change in inventories of work-in- process, semi-finished and finished goods	20,160	(1,692)
Cost capitalized	7,528	7,267
Other income	4,365	1,675
Raw materials and consumables used	(147,751)	(130,777)
Contractors costs	(43,797)	(34,215)
Costs for trade shows, events and advertising	(7,139)	(5,160)
Other service costs	(26,558)	(27,265)
Rentals and leases	(1,585)	(1,374)
Personnel costs	(31,761)	(28,838)
Other operating expenses	(1,852)	(3,048)
Provisions and impairment	(11,907)	(6,872)
Depreciation and amortization	(16,016)	(13,555)
Share of loss of a joint venture	—	(9)
Financial income	2,844	4
Financial expenses	(802)	(1,103)
Foreign exchange gains/(losses) ..	(94)	293
Profit before tax	25,942	11,757
Income tax	(7,386)	1,360
Profit for the year/period	18,557	13,117
Attributable to:		
Shareholders of the Company	18,519	13,151
Non-controlling interests	38	(34)

The following table sets forth selected information from our consolidated income statement for the years ended December 31, 2022, 2021 and 2020:

	For the year ended December 31,		
	2022	2021	2020
	(€ thousand)		
Revenue.....	1,072,449	927,477	638,194
Commissions and other costs related to revenue	(42,350)	(29,056)	(26,839)
Net revenue.....	1,030,099	898,421	611,355
Change in inventories of work-in-process, semi-finished and finished goods.....	35,181	(32,650)	(21,727)
Cost capitalized.....	31,982	28,063	34,076
Other income	16,002	14,034	15,027
Raw materials and consumables used	(514,468)	(424,277)	(291,768)
Contractors costs.....	(166,051)	(138,027)	(91,604)
Costs for trade shows, events and advertising	(19,963)	(12,485)	(9,446)
Other service costs	(117,680)	(95,196)	(69,837)
Rentals and leases	(8,931)	(6,913)	(5,582)
Personnel costs.....	(128,810)	(112,417)	(92,454)
Other operating expenses.....	(9,052)	(7,062)	(7,366)
Provisions and impairment.....	(33,115)	(15,099)	(17,272)
Depreciation and amortization	(53,089)	(48,519)	(42,493)
Share of loss of a joint venture.....	(44)	(24)	—
Financial income	2,328	224	133
Financial expenses.....	(4,452)	(5,940)	(6,897)
Foreign exchange gains/(losses)	9,448	(1,459)	(618)
Profit before tax.....	69,385	40,674	3,527
Income tax	(8,839)	(3,291)	18,455
Profit for the year/period	60,546	37,383	21,982
Attributable to:	60,274	37,545	22,006
Shareholders of the Company			
Non-controlling interests	271	(162)	(24)

Consolidated statement of the financial position

The following table sets forth certain information from our consolidated statement of financial position as of March 31, 2023, December 31, 2022, 2021 and 2020:

	As of March 31, 2023 (unaudited)	As of December 31, 2022, 2021, 2020 (€ thousand)		
		2022	2021	2020
Current assets				
Cash and cash equivalents.....	261,435	317,759	173,010	32,830
Trade and other receivables.....	66,806	59,432	41,689	36,422
Contract assets	138,974	115,372	111,794	176,037
Inventories	221,549	198,120	144,387	176,941
Advances on inventories	41,105	39,156	24,606	15,139
Other current financial assets	75,283	86,732	8,731	3,592
Income tax recoverable	1,616	2,091	982	2,114
Total current assets	806,768	818,663	505,199	443,075
Non-current assets				
Property, plant and equipment.....	348,975	303,394	259,854	231,651
Intangible assets	263,331	264,070	258,174	262,349
Other non-current assets	4,396	5,031	5,189	3,019
Deferred tax assets.....	11,805	16,397	17,660	18,349
Total non-current assets	628,507	588,893	540,887	515,368
Total assets	1,435,275	1,407,556	1,046,076	958,443
Current liabilities				
Minority Shareholder's loan.....	1,000	1,000	—	—
Bank and other borrowings	11,835	14,500	31,157	79,024
Provisions (current)	46,875	42,946	31,056	37,148
Trade and other payables (current)	349,660	337,364	278,809	222,476
Contract liabilities	178,677	185,914	131,664	55,704
Income tax payable (current).....	4,508	1,683	754	75
Total current liabilities	592,555	583,408	473,440	394,427
Non-current liabilities				
Bank and other borrowings	23,325	24,056	57,326	84,846
Provisions	16,004	13,049	9,383	7,542
Non-current employee benefits	7,410	7,646	7,506	7,794
Non-current trade and other payables	956	1,006	355	509
Total non-current liabilities	47,695	45,757	74,570	100,691
Total liabilities	640,250	629,165	548,010	495,118
Share capital and reserves				
Share capital.....	338,483	338,483	250,735	250,735
Reserves.....	456,120	439,525	247,543	212,640
Equity attributable to shareholder of the Company.....	794,603	778,007	498,278	463,375
Non-controlling interest.....	422	384	(212)	(50)
Total equity.....	795,025	778,391	498,066	463,325
Total liabilities and equity	1,435,275	1,407,556	1,046,076	958,443

Consolidated statement of cash flows

The following table sets forth certain information from our consolidated statement of cash flow for the three-month periods ended March 31, 2023 and March 31, 2022:

Three-month period ended March 31, (unaudited)		
	2023	2022
	(€ thousand)	
Operating profit before changes in working capital	51,058	27,780
Operating profit after changes in working capital	(1,980)	53,791
Income tax paid	-	-
Net cash generated from operating activities	(1,980)	53,792
Net cash used in investing activities	(44,699)	(15,418)
Net cash generated from/(used in) financing activities ...	(7,574)	210,386
Net (decrease)/increase in cash and cash equivalents	(54,254)	248,759
Cash and cash equivalents at the beginning of the period ...	317,759	173,010
Effect of foreign exchange rate changes, net	(2,070)	1,454
Cash and cash equivalents at the end of the period	261,435	423,223

The following table sets forth certain information from our consolidated statement of cash flow for the years ended December 31, 2022, 2021 and 2020:

For the year ended December 31,			
	2022	2021	2020
	(€ thousand)		
Operating profit before changes in working capital	130,041	91,002	50,885
Operating profit after changes in working capital	150,243	271,627	57,341
Income tax paid	(4,546)	—	—
Net cash generated from operating activities	145,697	271,627	57,341
Net cash used in investing activities	(162,632)	(74,144)	(69,934)
Net cash generated from/(used in) financing activities	158,044	(58,050)	7,723
Net (decrease)/increase in cash and cash equivalents	141,109	139,433	(4,870)
Cash and cash equivalents at the beginning of the period	173,010	32,830	39,164
Effect of foreign exchange rate changes, net	3,641	747	(1,464)
Cash and cash equivalents at the end of the period	317,759	173,010	32,380

Non-IFRS Measures and other metrics

The Non-IFRS Measures are not recognized measures of financial performance under IFRS and have not been audited or reviewed. These Non-IFRS Measures and other metrics are presented because they are used by management to monitor the performance of the business and operations. These measures also provide additional information to investors to enhance their understanding of Group's results. For more details on ESMA Guideline on Alternative Performance Measures (ESMA/2015/1415), see – “Important information – Definitions of the Non-IFRS measures”.

As of / for the three-month period ended March 31 (unaudited)			As of / For the year ended December 31,		
	2023	2022	2022	2021	2020
	(€ thousand, except percentages)				
EBITDA	40,071	26,087	113,204	94,909	52,784
Adjusted EBITDA	40,013	31,563	139,989	102,569	59,066
Net revenue without pre-owned	280,308	242,089	996,119	851,422	571,904
Adjusted EBITDA/net revenue without pre-owned margin	14.3%	13.0%	14.1%	12.0%	10.3%
Net Working Capital	(62,795)	(*)	(110,790)	(87,769)	128,398
Net Financial Indebtedness	(300,559)	(*)	(364,935)	(93,258)	127,448
Net Capital Employed	494,467	(*)	413,456	404,808	590,773
Return on Equity (ROE)	(**)	(**)	9.5%	7.8%	4.8%
Return on Total Assets (ROTA)	(**)	(**)	4.9%	3.7%	2.3%
Cash Conversion Ratio	86.0%	81.8%	70.2%	74.8%	64.3%

(*) Data as of March 31, 2022 are not represented.

(**) Data for interim periods are not meaningful and therefore are not represented.

For discussion and analysis on these Non-IFRS Measures, see “Operating and financial review —Non-IFRS Measures and other metrics.”

The following tables set forth a reconciliation of Net revenue without pre-owned to net revenue for the periods indicated:

	For the three-month period ended March 31, (unaudited)		For the year ended December 31,		
	2023	2022	2022	2021	2020
	(€ thousand)				
Total net revenue	280,308	256,427	1,030,099	898,421	611,355
Trading of pre-owned yachts	0	14,338	33,980	46,999	39,451
Net revenue without pre-owned	280,308	242,089	996,119	851,422	571,904

The following tables set forth a reconciliation of EBITDA and Adjusted EBITDA to profit for the periods indicated:

	For the three-month period ended March 31, (unaudited)		For the year ended December 31,		
	2023	2022	2022	2021	2020
	(€ thousand)				
Profit for the year/period.....	18,557	13,117	60,546	37,383	21,982
Income tax (benefit)/expense	7,387	(1,360)	8,839	3,291	(18,455)
Foreign financial exchange gains/(losses)	154	(324)	(11,393)	—	—
Financial income	802	1,103	(2,328)	(224)	(133)
Financial expenses.....	(2,844)	(4)	4,452	5,940	6,897
Depreciation and amortization	16,016	13,555	53,089	48,519	42,493
EBITDA.....	40,071	26,087	113,204	94,909	52,784
Special Items related to EBITDA ⁽¹⁾	2	5,436	24,796	6,177	5,664
Foreign exchange losses	(60)	31	1,945	1,459	618
Share of loss of a joint venture.....	—	9	44	24	—
Adjusted EBITDA	40,013	31,563	139,989	102,569	59,066
Adjusted EBITDA/net revenue without pre-owned.....	14.3%	13.0%	14.1%	12%	10.3%

(1) Special Items related to EBITDA include:

	For the three-month period ended March 31, (unaudited)		For the year ended December 31,		
	2023	2022	2022	2021	2020
	(€ thousand)				
Listing expenses	—	4,875	4,872	3,514	0
Management Incentive Plan.....	-	-	17,178	5,110	0
Litigation	-	-	—	(4,877)	1,082
Other (income)/expenses	2	561	2,747	2,430	4,582
Special Items related to EBITDA	2	5,436	24,796	6,177	5,664

The following table sets forth a summary of the composition of the Net Working Capital for the periods indicated:

	As of March 31, (unaudited)		As of December 31,		
	2023	2022	2021	2020	
	(€ thousand except percentages)				
Trade and other receivables.....	66,806	59,432	41,689		36,422
Contract assets	138,974	115,372	111,794		176,037

	As of March 31, (unaudited)	As of December 31,		
	2023	2022	2021	2020
	(€ thousand except percentages)			
Inventories	221,549	198,120	144,387	176,941
Advances on inventories	41,105	39,156	24,606	15,139
Income Tax recoverable (current)...	1,616	2,091	982	2,114
Trade and other payables (current) .	(349,660)	(337,364)	(278,809)	(222,476)
Contract liabilities	(178,677)	(185,914)	(131,664)	(55,704)
Income tax payable (current).....	(4,508)	(1,683)	(754)	(75)
Net Working Capital	(62,795)	(110,790)	(87,769)	128,398

The following table sets forth the calculation of Net Financial Indebtedness (calculated accordingly to ESMA recommendations 32-382-1138 issued on March 4, 2021) for the periods indicated:

	As of March 31, (unaudited)	As of December 31,		
	2023	2022	2021	2020
	(€ thousand)			
Cash	101,435	129,632	173,010	32,830
Cash and cash equivalents	160,000	188,127	0	0
Other current financial assets	75,283	86,732	8,731	3,592
Liquidity	336,719	404,491	181,741	36,421
Current financial debt (including debt instruments, but excluding current portion of non-current financial debt).....	3,210	5,607	1,354	61,287
Current portion of non-current financial debt	9,625	9,894	29,803	17,737
Current financial indebtedness	12,835	15,500	31,157	79,024
Net current financial indebtedness	(323,884)	(388,991)	(150,584)	42,603
Non-current financial debt (excluding current portion and debt instruments)	23,325	24,056	57,326	84,846
Debt instruments	0	0	0	0
Non-current trade and other payables	0	0	0	0
Non-current financial indebtedness	23,325	24,056	57,326	84,846
Total Financial Indebtedness	(300,559)	(364,935)	(93,258)	127,449

The following table sets forth the calculation of the Net Capital Employed for the for the periods indicated:

	As of March 31, (unaudited)	As of December 31,		
	2023	2022	2021	2020
	(€ thousand except percentages)			
Net Working Capital	(62,795)	(110,790)	(87,769)	128,398
Non-current assets	628,507	588,893	540,877	515,368
Other assets and liabilities.....	(71,245)	(64,647)	(48,300)	(52,993)
Net Capital Employed	494,467	413,456	404,808	590,773

The following sets forth the calculation of the ROE for the periods indicated:

	For the year ended December 31,		
	2022	2021	2020
	(€ thousand)		
Profit for the year attributable to Shareholders of the Company.....	60,274	37,545	22,006
Equity attributable to Shareholders of the Company ⁽¹⁾	778,007	498,278	463,375
ROE⁽²⁾	7.8%	7.8%	4.8%

⁽¹⁾ Represents an average between the equity at the beginning of the period compared to equity at the end of the period.
⁽²⁾ Data for the three-month period ended March 31 are not material and therefore are not represented.

The following sets forth the calculation of the ROTA for the periods indicated:

	For the year ended December 31,		
	2022	2021	2020
	(€ thousand)		
Profit for the year.....	60,546	37,383	21,982
Total assets.....	1,407,556	1,046,076	958,443
ROTA⁽¹⁾	4.9%	3.7%	2.3%

⁽¹⁾ Data for the three-month period ended March 31 are not material and therefore are not represented.

The following sets forth the calculation of the Cash Conversion Ratio for the periods indicated:

	For the three-month period ended March 31, (unaudited)		For the year ended December 31,		
	2023	2022	2022	2021	2020
	(€ thousand)				
Adjusted EBITDA.....	40,013	31,563	139,989	102,569	59,066
Maintenance Capex.....	5,620	5,742	41,739	25,818	21,113
Cash Conversion Ratio	86.0%	81.8%	70.2%	74.8%	64.3%

OPERATING AND FINANCIAL REVIEW

The following is a discussion and analysis of the Group's results of operations and financial condition as of and for the three-month period ended March 31, 2023 and 2022 and for the years ended December 31, 2022, December 31, 2021 and December 31, 2020.

The discussion of the Group's results of operations below is based on information extracted from the Financial Statements. The discussion in this section contains forward-looking statements that reflect the Group's plans, estimates and beliefs and involve risks and uncertainties. The Group's actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly in "*Risk Factors*" and "*Important information—Information regarding forward-looking statements.*"

The following discussion of the financial condition and results of operations of the Group should be read in conjunction with the rest of this Prospectus, including the information set forth in "*Selected Consolidated Financial Information and Other Data*" as well as the Financial Statements beginning on page F-1 of this Prospectus.

For further information on the significant and critical accounting policies, judgments, estimates and assumptions, see the Financial Statements beginning on page F-1 of this Prospectus.

For a discussion of the presentation of the Group's historical information included in this Prospectus, see "*Important information—Information regarding forward-looking statements.*"

Overview

The Group is an established player in the global luxury yacht market, leader in the global luxury composite inboard yacht market with a market share of 15% as of June 30, 2022 (*source*: Group calculation based on data from PD&A) and among the top players in the super yachts segment (*source*: Group calculation based on data from SuperYacht Times).

Since its founding, the Group has played an important role in steering the development of the global luxury yacht industry by acquiring and integrating other leading yacht brands and production facilities, and now owns a portfolio with seven brands, including some of the oldest in the industry: Riva, Wally, Ferretti Yachts, Pershing, Itama, CRN and Custom Line, each with distinctive features and identity, recognized as symbols of luxury, exclusivity, Italian design, craftsmanship, innovation and performance. The Group designs, produces and sells a broad and diversified range of yachts, including luxury composite, made-to-measure, and super yachts from 8 to 95 meters (approximately 27 and 312 feet), catering for the personal tastes and specific requirements of its clientele. With its market leadership, history and iconic brand portfolio, the Group is positioned as a trend-setter of the global luxury yacht industry and an ambassador of Italian nautical craftsmanship to the world. For further information, see "*Business—Products and brands.*"

During the Track-Record Period, despite the short-term adverse impact of the COVID-19 lock-down restrictions in 2020 and the conflict between Russia and Ukraine that started in early 2022, the Group has achieved strong financial results. As of March 31, 2023, Group's order backlog was €1,496.3 million. As of December 31, 2022, 2021 and 2020, Group's order backlog was €1,295.6 million, €1,015.8 million and €691.6 million, respectively, growing at 87.3% from 2020 to 2022. For the three-month period ended March 31, 2023, the Group recorded net revenue of €280.3 million and a net profit of €18.6 million. For the years ended December 31, 2022, 2021 and 2020, the Group recorded net revenue of €1.03 billion, €898.4 million and €611.4 million, respectively and a net profit of €60.5 million, €37.4 million and €22.0 million, respectively. For a breakdown of Group's order backlog and net revenues by business line, see "*—Key factors affecting the Group's performance—Order intake and order backlog,*" "*—Period to period comparison—Comparison of the three-month period ended March 31, 2023 and March 31, 2022—Revenue*" "*—Period to period comparison—Comparison of the years ended December 31, 2022 and December 31, 2021—Revenue,*" and "*—Period to period comparison—Comparison of the years ended December 31, 2021 and December 31, 2020—Revenue.*"

Segment information

For management purposes, the Group has only one reportable operating segment, which is the design, construction and marketing of yachts and recreational boats. For management purposes, the Group has only one reportable operating segment, which is the design, construction and marketing of yachts and recreational boats.

Current trading and recent developments

Except for the acquisition by the Company on March 20, 2023 of a shipyard, the "Cantiere San Vitale", of approximately 53,000 sq.m. located in Ravenna, since December 31, 2022, there have been no material developments in the Group's business. In addition, no significant change in the financial position of the Group has occurred since March 31, 2023 (for further information on the acquisition, see "*Business—Material Agreements—Corporate transactions—Acquisition of Cantiere San Vitale.*").

Trend information

Despite the conflict between Russia and Ukraine, since March 31, 2023, there have been no significant changes in the Group's production, sales and inventory, nor in the prices at which it purchases raw materials or sells its products, which could significantly affect its business and results of operations. In particular, the Group's overall performance has not been materially impacted by fluctuations in raw material prices.

Since March 31, 2023, the increase in energy prices has not significantly affected the Group's financial condition, with energy costs remaining substantially in line with those for the three months period ended March 31, 2022.

The Group's core reference market, the global luxury inboard yacht market, is expected to grow at an 8.5% CAGR from 2022 to 2025, thus at a lower rate compared to the 13.3% CAGR recorded for the same market from 2020 to 2022.

To the Company's knowledge, (i) there have been no significant changes in the Company's financial condition between March 31, 2023 and the Prospectus Date; (ii) as of the Prospectus Date, there are no trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for the current financial year and (iii) as of March 31, 2023, the general operating performance is in line with budgets and forecasts included in the most recent business plan.

Key factors affecting the Group's performance

Set out below is a description of the main factors affecting the Group's performance for the three-month period ended March 31, 2023 and for the years ended December 31, 2022, December 31, 2021 and December 31, 2020.

Growth of the global yacht industry

The Group believes that the overall growth of the global yacht industry has significantly impacted and will continue to significantly impact its revenue growth. Revenues of the global inboard yacht market, one segment of the global yacht market, grew at a CAGR of 5.0% between 2016 and 2021, partly as a result of the COVID-19 pandemic, which has, to a certain extent, changed the traditional customer perception of, and significantly increased the desire for, yachts. Because luxury yachts ensure privacy and security and allow for social distancing, their appeal has increased. As a result, luxury yachting has demonstrated greater resilience to COVID-19 pandemic than other luxury products. The global yacht industry is forecasted to continue to grow at a CAGR of 9.2% from €18.9 billion in 2020 to €29.3 billion in 2025, with a growth trend which is expected to become a "new normal" due to the structural and long-lasting changes in spending behaviors. For more details see "*Business—Market and Competition*."

Investments in research and development for product portfolio expansion and renewal

The Group has been continuously renewing and broadening its product portfolio. For the years ended December 2022, 2021 and 2020, the Group incurred research and development expenses €33.3 million, €31.4 million and €35.4 million, respectively, in connection with its product development and innovation. During the same period, the Group developed and launched 24 new models, meaning that approximately 50% of its total product portfolio (comprising 49 models as of the Prospectus Date) is less than three years old. These new models in the aggregate represented approximately 50% of the Group's order backlog as of December 31, 2022. The Group intends to continue making significant investments in renewing and broadening its product portfolio in the coming years, which the Group believes is a key driver to sustaining the growth of its business. See "*Business—Strategies*."

Expansion of production capacity

The Group strategically made significant investments to modernize its shipyards and increase their total indoor area by approximately 32% compared to that as of December 31, 2016. For example, the Group has recently both refurbished and expanded the La Spezia, Ancona, Forlì and Mondolfo shipyards by adding new hangars and working stations and on March 20, 2023 the Group acquired a production site of over 70,000 square meters, including a dry dock, in Ravenna. The Group will continue to invest to internalize of high value-added activities. See "*Business—Strategies*."

Order intake and order backlog

The Group defines "order intake" as the total amount of orders signed, net of commissions, for new vessels for which the customer has provided a down payment of approximately 10%. The Group defines "order backlog" as the total amount of existing orders, net of commissions, for new vessels not yet delivered to customers. The Group's order intake and order backlog, as well as its ability to convert its order intake and order backlog into revenue, have impacted and will continue to impact the growth of its revenue. For the three-month period ended March 31, 2023, the Group's order intake was €307.5 million. For the years ended December 31, 2022, 2021 and 2020, the Group's order intake was €1,162.5 million, €971.5 million and €541.8 million, respectively. For the three-month period ended March 31, 2023, the Group's order backlog was €1,496.3 million. For the years ended December 31, 2022, 2021 and 2020, the Group's order backlog was €1,295.6 million, €1,015.8 million and €691.6 million, respectively. See "*Business—Products and Brands—Product Portfolio*." Order backlog

differs from the amounts expected to be recognized as revenue shown in the Group's Financial Statements included elsewhere in this Prospectus. In particular, the amount expected to be recognized as revenue refers to order backlog less the revenue already recognized in respect of vessels under construction but not yet delivered to end customers. The table below sets forth a reconciliation of order backlog and the amounts expected to be recognized as revenue for the periods indicated:

	As of December 31,			As of March 31,
	2022	2021	2020	2023
	(€ thousand)			
Order backlog.....	1,295,629	1,015,841	691,618	1,496,298
Performance obligations partially satisfied.....	(545,721)	(504,908)	(346,685)	(690,350)
Amount expected to be recognized as revenue (transaction priced allocated to the remaining performance obligations, unsatisfied or partially unsatisfied)	749,908	510,933	344,933	805,948

Revenue mix

The Group measures the profitability of its business lines based on net revenue less variable costs, including raw material costs, costs of outsourced activities, direct labor costs and other costs varying with revenue, divided by net revenue. With respect to the types of yachts sold by the Group, made-to-measure yachts are generally the most profitable, primarily because they offer the customer a higher degree of customization than composite yachts. This enables the Group to charge a premium, while still maintaining the cost advantages associated with the use of moulds (unlike for super yachts). In addition, within each business line, each yacht differs in terms of size, materials used, degree of customization, mode of construction and required lead time, with consequent impacts on profitability. The Group's overall profitability is therefore a function of its product mix. The Group has experienced modest fluctuations in the profitability of its three main business lines, which were mainly attributable to changes in the mix of yachts sold in each year.

The COVID-19 outbreak

The global COVID-19 pandemic has led to strict government controls on business operations and travel. Due to the outbreak of COVID-19 pandemic, the Group temporarily and partially suspended the operations of its six shipyards for two months in 2020 (namely, from March to April 2020), which was imposed by the Italian government (emergency statutory provisions adopted for coping with the pandemic). The suspension of operations of its shipyards contributed to decreases in the Group's net revenue, change in inventories of work-in-progress, semi-finished and finished goods, raw materials and consumables used and personnel costs for the year ended December 31, 2020. The Group's costs for trade shows, events and advertising also decreased, mainly due to the cancellation of major boat shows in 2020 as a result of the outbreak of COVID-19 pandemic. The Group has also introduced targeted and tightened sanitary and monitoring protocols in response to epidemic disease control and prevention measures implemented by the local governments and incurred total costs of €2.3 million and €2.4 million for the years ended December 31, 2021 and 2020 See “—Period to Period Comparison of Results of Operations.”

With a significant portion of the population in Italy vaccinated, the Italian government started to lift most travel restrictions in May 2020. Therefore, the recent emergence of new variants, such as the Delta and Omicron strains, did not have a material adverse impact on the Group's procurement, production, logistics and sales activities. In June 2020, the Company temporarily breached the Leverage Ratio, primarily due to COVID-19 restrictions imposed by the Italian government, which led to a two-month suspension of the operations at the Group's six shipyards, and, in turn, to a delay in achieving production milestones, delayed payment collection from customers and postponement of orders. The breach was subsequently waived by the lender.

Future developments and R&D activities

The Group expects to continue to grow in the market in which it operates, capitalizing on its unique and effective business model, strong heritage of iconic brands, unparalleled focus on product excellence and innovation, tailored approach for cultivating an exclusive community of luxury customers and its distinctive sales model. For further information on the Group key strategy, see “Business—Strategies.”

To support that growth through technological and design innovation, the Group has dedicated a substantial amount of resources to the Research and Development team. For further information on the Group research and development investments, see “Business—Business Model—Product Development and Innovation.”

Consolidated income statement

The following table sets forth the Group's consolidated income statement for the three-month period ended March 31, 2023 and 2022 and for the years ended December 31, 2022, 2021 and 2020:

	Three-month period ended March 31, (unaudited)		For the year ended December 31,		
	2023	2022	2022	2021	2020
	(€ thousand)				
Revenue	290,811	262,969	1,072,449	927,477	638,194
Commissions and other costs related to revenue	(10,503)	(6,542)	(42,350)	(29,056)	(26,839)
Net revenue	280,308	256,427	1,030,099	898,421	611,355
Change in inventories of work-in-process, semi-finished and finished goods	20,160	(1,692)	35,181	(32,650)	(21,727)
Cost capitalized	7,528	7,267	31,982	28,063	34,076
Other income	4,365	1,675	16,002	14,034	15,027
Raw materials and consumables used	(147,751)	(130,777)	(514,468)	(424,277)	(291,768)
Contractors costs	(43,797)	(34,215)	(166,051)	(138,027)	(91,604)
Costs for trade shows, events and advertising	(7,139)	(5,160)	(19,963)	(12,485)	(9,446)
Other service costs	(26,558)	(27,265)	(117,680)	(95,196)	(69,837)
Rentals and leases	(1,585)	(1,374)	(8,931)	(6,913)	(5,582)
Personnel costs	(31,761)	(28,838)	(128,810)	(112,417)	(92,454)
Other operating expenses	(1,852)	(3,048)	(9,052)	(7,062)	(7,366)
Provisions and impairment	(11,907)	(6,872)	(33,115)	(15,099)	(17,272)
Depreciation and amortization	(16,016)	(13,555)	(53,089)	(48,519)	(42,493)
Share of loss of a joint venture	—	(9)	(44)	(24)	—
Financial income	2,844	4	2,328	224	133
Financial expenses	(802)	(1,103)	(4,452)	(5,940)	(6,897)
Foreign exchange gains/(losses)	(94)	293	9,448	(1,459)	(618)
Profit before tax	25,942	11,757	69,385	40,674	3,527
Income tax	(7,386)	1,360	(8,839)	(3,291)	18,455
Profit for the year/period	18,557	13,117	60,546	37,383	21,982
Attributable to:					
Shareholders of the Company	18,519	13,151	60,274	37,545	22,006
Non-controlling interests	38	(34)	271	(162)	(24)

Description of key income statement line items

Revenue

The Group generates revenue from its four business lines, namely, (i) composite yachts; (ii) made-to-measure yachts; (iii) super yachts; and (iv) other businesses, which includes (a) yacht brokerage, chartering and management services; (b) after-sales and refitting services; (c) brand extension activities, such as lifestyle merchandise; (d) manufacturing and installation of wooden furnishings for nautical interiors; (e) trading of pre-owned yachts, offering trade-in opportunities to its customers as a complementary service and a lever to facilitate the sales of new yachts and (f) the sale of coastal patrol vessels by its Ferretti Security Division. The Group also records revenue from sales of Wally sailing super yachts under “Other businesses” since that brand is still in a start-up phase following its acquisition in 2019. To facilitate comparison, the Group records its revenue net of commissions and other costs paid to dealers and brokers. When a yacht is sold “through” a dealer, such that the sale is made and invoiced directly to the end customer, revenue is recorded on a gross basis, with the dealer’s commission recorded as a deduction to revenue. By contrast, when the sale of new yachts is made to a dealer (for onward sale to customer), the related revenue is recognized net of commissions.

Change in inventories of work-in-process, semi-finished and finished goods

Change in inventories mainly represents changes in inventories of composite yachts not covered by sales contracts. In general, for made-to-measure yachts and super yachts, the Group only launches the production process after it has a sales contract in place.

Cost capitalized

Cost capitalized consists of costs incurred for labor, materials and manufacturing overheads capitalized in connection with development and production of the Group’s yachts. The costs are capitalized when they are identifiable, can be measured reliably and will generate future economic benefits. The fluctuations in the Group’s cost capitalized from period to period are a function of the timing of the development and launch of its new models and the production cycles for yachts with long lead times.

Raw materials and consumables used

Raw materials and consumables used consists of (i) purchases of raw materials and components used in the Group's production of new vessels, (ii) purchases of pre-owned yachts and (iii) changes in inventory of raw materials and consumables.

Contractors costs

Contractors costs mainly represents the costs associated with the use of contractors in the Group's production process. The Group typically outsources to third-party contractors the production and construction of some more complex parts, components and systems of yachts (such as the assembly of fiberglass hulls and superstructures as well as the construction and installation of electrical parts and other systems).

Costs for trade shows, events and advertising

Costs for trade shows, events and advertising mainly consists of costs for boat shows and special events. See "*Business—Brand Promotion*."

Other service costs

Other service costs primarily consists of (i) service cost for building, comprising insurance, utilities, maintenance, cleaning and waste management, and surveillance costs, (ii) consulting services, comprising technical consulting (mainly relate to service fees paid to the Group's external naval architects and designers), tax, legal and administrative consulting services, and outsourced general and administrative service costs; and (iii) transportation, insurance and customs clearance costs; and (iv) service cost for employees, comprising recruitment and training costs and travel and per diem expenses.

Rentals and leases

Rentals and leases comprises (i) charges paid on the properties and assets held under operating leases used in the business; and (ii) royalties paid to external naval architects and designers. The Group adopted IFRS 16 "Leases" from January 1, 2019, which provides new provisions for the accounting treatment of leases and requires lessees to recognize certain leases on the statements of financial position. Specifically, for any lease with a term of more than 12 months, unless the underlying asset is of low value (namely, a value under €5,000), the Group recognizes a right-of-use asset representing its right to use the underlying leased asset in its consolidated statements of financial position and depreciation of the right-of-use asset is recognized over the lease term on a straight-line basis in its consolidated income statements. In addition, the Group records a lease liability representing its obligation to make lease payments based on present value, calculated by using the effective interest method, in its consolidated statements of financial position and interest on the lease liability is recognized in its consolidated income statements.

Personnel costs

Personnel costs comprises (i) wages and salaries to the Group's employees; (ii) social security contributions paid for employees; and (iii) employee severance indemnities and other allocations which are primarily related to post-employment benefit obligations.

Other operating expenses

Other operating expenses comprises mainly cost under-accruals, compensation and settlement expenses and re-billable costs. The Group's cost under-accruals represent under-estimates of costs recorded in prior accounting periods for the supplies of raw materials and services.

Compensation and settlement expenses mainly represent penalties and liquidated damages we paid for delay in delivery to customers. Re-billable costs represent certain costs we paid on behalf of, and recharged to, dealers and suppliers.

Provisions and impairment

Provisions and impairment primarily comprises provisions for product warranties and provisions for miscellaneous risks. See "*Certain Balance Sheet Items—Provisions*."

Provisions for product warranties are based on the Group's estimated future liabilities under warranties issued on new yachts sold to customers during the relevant accounting period and adjustments to past estimates of future liabilities on warranties issued on new yachts sold in the prior accounting periods. See "*Business—After-sales services*." The Group calculates the reserves required to cover its expected warranty liabilities based on the level of historical claims incurred, management's best estimates of the costs required to repair or to replace items under product warranties and its projections of the nature, frequency and costs of potential future claims under performance warranties, as well as future expectations which take into account the launch of new products and the impact of a warranty period of up to 24 months.

Depreciation and amortization

Depreciation and amortization comprises depreciation of property, plant and equipment (including owned assets and right-of-use assets representing the Group's rights to use the leased assets) and amortization of intangible assets.

Financial income and financial expenses

Financial income mainly consists of (i) interest income from bank savings and (ii) other interest income mainly comprising interest the Group received from customers who delayed in payment; while the Group's financial expenses primarily comprise interest expenses on bank and other loans.

Foreign exchange gains/(losses).

Foreign exchange gains/(losses) consists of gain or losses deriving from the different exchange rates applicable to the recognition of a financial instrument, either at its settlement date or at the reporting date (for monetary items).

Income tax

Income tax consists of current tax and deferred tax.

Period to period comparison of results of operations

Comparison of the three-month period ended March 31, 2023, and March 31, 2022

Revenue

Net revenue by business line

The table below provides a breakdown of the Group's net revenue by business line for the periods indicated:

	Three-month period ended March 31, (unaudited)			
	2023	%	2022	%
	<i>(€ thousand, except percentages)</i>			
Composite yachts	147,328	52.6%	109,836	42.8%
Made-to-measure yachts	99,872	35.6%	96,141	37.5%
Super yachts	18,095	6.5%	24,672	9.6%
Other businesses	15,013	5.4%	25,779	10.1%
- Yacht brokerage, chartering and management services	1,416	9.4%	3,314	12.9%
- After-sales and refitting services and brand extension activities	4,919	32.8%	4,035	15.6%
- Manufacturing and installation of wooden furnishings for nautical interiors	2,223	14.8%	2,766	10.7%
- Trading of pre-owned yachts	0	0%	14,338	55.6%
- FSD	1,018	6.8%	103	0.4%
- Wally sailing super yachts	5,436	36.2%	1,223	4.7%
Total net revenue	280,308	100.0%	256,427	100.0%

The Group's net revenue increased by €23.8 million, or 9.3%, from €256.4 million for the three-months period ended March 31, 2022 to €280.3 million for the three-months period ended March 31, 2023, primarily due to an increase of €37.5 million from sales of composite yachts;

The Group's net revenue generated from composite yachts increased by €37.5 million, or 34.2%, from €109.8 million for the three-month period ended March 31, 2022 to €147.3 million for the three-month period ended March 31, 2023 as a result of higher order intake.

The Group's net revenue generated from made-to-measure yachts increased by €3.7 million, or 3.9%, from €96.1 million for the three-month period ended March 31, 2022 to €99.9 million for the three-month period ended March 31, 2023.

The Group's net revenue generated from super yachts decreased by €6.6 million, or 26.7%, from €24.7 million for the three-month period ended March 31, 2022 to €18.1 million for three-month period ended March 31, 2023, as a result of fewer super yachts, associated to clients orders in the production phase.

The Group's net revenue generated from other businesses decreased by €10.8 million, or 41.9%, from €25.8 million for the three-month period ended March 31, 2022 to €15 million for the three-month period ended March 31, 2023, primarily due to fewer pre-owned yachts available for resale.

Net revenue by geographic regions

The table below provides a breakdown of the Group's net revenue by geographical region for the periods indicated based on customers' location:

	Three-month period ended March 31, (unaudited)			
	2023	%	2022	%
	(€ thousand, except percentages)			
EMEA	135,167	48.2%	120,260	46.9%
APAC	31,997	11.4%	15,585	6.1%
AMAS	80,035	28.6%	70,130	27.3%
Global ⁽¹⁾	18,095	6.5%	24,672	9.6%
Other businesses ⁽²⁾	15,013	5.4%	25,779	10.1%
Total net revenue	280,308	100.0%	256,427	100.0%

⁽¹⁾ Represents revenue attributable to super yachts not allocable to an individual country because, for example, the customer's country of residence is different from the vessel's country of registration

⁽²⁾ Comprises revenue attributable to the Group's fourth line of business (see "—Description of key income statement line items—Revenue").

The Group's net revenue generated from EMEA increased at € 135.2 million.

The Group's net revenue generated from APAC increased by more than 100% from €15.6 million for the three-month period ended March 31, 2022 to €32 million for the three-month period ended March 31, 2023, mainly due to higher order intake.

The Group's net revenue generated from AMAS increased by 14.1% from €70.1 million for the three-month period ended March 31, 2022 to €80 million for three-month period ended March 31, 2023, mainly due to higher order intake.

The Group's net revenue generated from Global decreased by 26.7% from €24.7 million for the three-month period ended March 31, 2022 to €18.1 million for the three-month period ended March 31, 2023, as a result of fewer super yachts, associated to clients orders in the production phase.

The Group's net revenue generated from other business decreased by 41.9% from €25.8 million for the three-month period ended March 31, 2022 to €15 million for three-month period ended March 31, 2023 primarily due to fewer pre-owned yachts available for resale.

Change in inventories of work-in-process, semi-finished and finished goods

The change in inventories of work-in-process, semi-finished and finished goods increased by €21.9 million, or more than 100%, from (€1.7 million) for three-month period ended March 31, 2022 to €20.2 million for three-month period ended March 31, 2023 primarily due to the need to rebuild a minimum level of finished goods.

Cost capitalized

The Group's cost capitalized remained relatively stable at €7.5 million for the three-month period ended March 31, 2023, compared to €7.3 million for three-month period ended March 31, 2022.

Other income

The table below sets forth the Group's other income for three-month periods ended March 31, 2023, and 2022:

	Three-month period ended March 31, (unaudited)	
	2023	2022
	(€ thousand)	
Cost over-accruals.	1,101	302
Compensation and settlement income	1,166	8
Gain on disposal of property, plant and equipment	81	6

Three-month period ended March 31, (unaudited)		
	2023	2022
	(€ thousand)	
Discounts from suppliers.....	1,175	474
Rental income	210	222
Miscellaneous cost re-charged to customers and dealers.....	172	85
Others ⁽¹⁾	460	576
Total other income	4,365	1,675

⁽¹⁾ Mainly comprises (i) income derived from trademark co-branding agreements, and (ii) recharge to suppliers due to the non-conformity of materials received.

The Group's total other income increased by €2.7 million, or more than 100%, from €1.7 million for the three-month period ended March 31, 2022 compared to €4.4 million for the three-month period ended March 31, 2023.

Raw materials and consumables used

The table below sets forth the Group's raw materials and consumables for the three-month periods ended March 31, 2023 and 2022:

Three-month period ended March 31, (unaudited)		
	2023	2022
	(€ thousand)	
Purchase of raw materials and components	144,227	111,261
Purchases of pre-owned yachts.....	1,236	14,918
Changes in inventory	2,288	4,598
Total raw materials and consumables used	147,751	130,777

The Group's raw materials and consumables used increased by €17 million, or 13%, from €130.8 million for the three-month period ended March 31, 2022 to €147.8 million for the three-month period ended March 31, 2023 primarily due to an increase in production activities driven by an increase in order intake.

Contractor costs

The Group's contractor costs increased by €9.6 million, or 28.0%, from €34.2 million for the three-month period ended March 31, 2022 to €43.8 million for the three-month period ended March 31, 2023 due to an increase in production activities driven by an increase in order intake.

Costs for trade shows, events and advertising

The Group's costs for trade shows, events and advertising increased by €2.0 million, or 38.4%, from €5.2 million for the three-month period ended March 31, 2022 to €7.1 million for the three-month period ended March 31, 2023 primarily due to due to the resumption of boat shows following the COVID-19 pandemic years, during which certain boat shows were cancelled.

Other service costs

The table below set forth the Group's other service costs for the three-month periods ended March 31, 2023, and 2022:

Three-month period ended March 31, (unaudited)		
	2023	2022
	(€ thousand)	
Service cost for building	6,306	7,218
Consulting services.....	4,314	8,447
Transportation, insurance and customs clearance costs.....	6,135	3,823
Service cost for employees.....	1,810	1,241
Fees paid to members of corporate governance bodies	1,596	700
Entertainment expenses.....	917	764
Bank charges and guarantees.....	590	479
Others ⁽¹⁾	4,889	4,593
Total other service costs.....	26,558	27,265

⁽¹⁾ Comprises other miscellaneous service costs.

The Group's other service costs remained relatively stable decreasing slightly from €27.3 million for the three-month period ended March 31, 2022 to €26.6 million for the three-month period ended March 31, 2023.

Rentals and leases

The table below sets forth the Group's rentals and leases for the three-month periods ended March 31, 2023 and 2022:

Three-month period ended March 31, (unaudited)		
	2023	2022
	(€ thousand)	
Expenses relating to:	630	553
Short-term leases		
Leases of low-valued assets	204	389
Royalties	750	432
Total rentals and leases.....	1,585	1,374

The Group's rentals and leases increased by €0.2 million, or 15.4%, from €1.4 million for the three-month period ended March 31, 2022 to €1.6 million for the three-month period ended March 31, 2023.

Personnel costs

The table below sets forth the Group's personnel costs for the three-month periods ended March 31, 2023, and 2022:

Three-month period ended March 31, (unaudited)		
	2023	2022
	(€ thousand)	
Wages and salaries.....	22,721	20,095
Social security contributions	7,637	7,346
Employee severance indemnities and other allocations.....	1,403	1,398
Total personnel costs.....	31,761	28,838

The Group's personnel costs increased by €2.9 million, or 10%, from €28.9 million for the three-month period ended March 31, 2022 to €31.8 million for the three-month period ended March 31, 2023 primarily due to an increase in headcount to support the growth of the Group's business.

Other operating expenses

The table below sets forth the Group's other operating expenses for the three-month periods ended March 31, 2023, and 2022:

	Three-month period ended March 31, (unaudited)	
	2023	2022
	(€ thousand)	
Cost under-accruals ⁽¹⁾	948	1,625
Compensation and settlement expenses ⁽²⁾	98	222
Other taxes	357	356
Membership fees	188	115
Advertising and promotional materials	84	44
Re-billable costs	74	185
Loss on disposal of property, plant and equipment	16	6
Loss on receivables.....	3	0
Others ⁽¹⁾	84	495
Total other operating expenses	1,852	3,048

⁽¹⁾ Represents under-estimates of costs recorded in prior years for the supplies of raw materials and services.

⁽²⁾ Represents compensation paid in relation to several private agreements.

The Group's other operating expenses decreased by €1.2 million, or 39.2%, from €3 million for the three-month period ended March 31, 2022 to €1.9 million for the three-month period ended March 31, 2023 primarily due to lower under-estimates of costs recorded in prior years for the supplies of raw materials and services.

Provisions and impairment

The table below sets forth the Group's provisions and impairment for the three-month periods ended March 31, 2023 and 2022:

	Three -month period ended March 31, (unaudited)	
	2023	2022
	(€ thousand)	
Provision for product warranties.....	11,232	5,121
Provision for miscellaneous risk, net	675	1,518
Impairment of trade receivables	-	232
Total provisions and impairment	11,907	6,872

The Group's provisions and impairment increased by €5 million, or 73.3%, from €6.9 million for the three-month period ended March 31, 2022 to €11.9 million for the three-month period ended March 31, 2023 primarily due to an increase in provision for product warranties.

Depreciation and amortization

The table below sets forth the Group's depreciation and amortization for the three-month periods ended March 31, 2023 and 2022:

	Three -month period ended March 31, (unaudited)	
	2023	2022
	(€ thousand)	
Depreciation of property, plant and equipment		
Owned assets.....	12,460	10,716
Right-of-use assets.....	2,142	1,800
Amortization of intangible assets.....	1,414	1,039
Total depreciation and amortization	16,016	13,555

The Group's depreciation and amortization increased by €2.5 million, or 18.2%, from €13.6 million for three-month period ended March 31, 2022 to €16 million for three-month period ended March 31, 2023, which was driven by the increase in the Group's property, plant and equipment as well as intangible assets, reflecting the significant investments the Group made to renew and expand its product portfolio and upgrade its production facilities.

Share of loss of a joint venture

The Group did not have any share of loss of a joint venture for the three-month periods ended March 31, 2023.

Financial income and financial expenses

The table below sets forth the Group's financial income and financial expenses for the three-month periods ended March 31, 2023, and 2022:

	Three-month period ended March 31, (unaudited)	
	2023	2022
	(€ thousand)	
Financial income		
Bank interest income	1,329	-
Other interest income	1,515	4
Total Financial income	2,844	4
Financial expenses		
Interest on bank and other loans	303	781
Interest on lease liabilities	54	32
Interest on provision for severance benefits and pension.....	55	2
Bank charges and others	389	289
Total Financial expenses	802	1,103
Financial income/(expenses), net	2,042	(1,099)

The Group's financial income increased from €0.004 million for the three-month period ended March 31, 2022 to €2.8 million for the three-month period ended March 31, 2023 primarily due to the interest income on bank accounts.

The Group's financial expenses decreased by €0.3 million, or 27.3%, from €1.1 million for the three-month period ended March 31, 2022 to €0.8 million for the three-month period ended March 31, 2023.

Foreign exchange gains/(losses)

The Group's foreign exchange loss amounted to (€94 thousand) for the three-month period ended March 31, 2023 and its foreign exchange gain amounted to €293 thousand for the three-month period ended March 31, 2022.

The table below sets forth the Group's income tax for the three-month period ended March 31, 2023, and 2022:

Three-month period ended March 31, (unaudited)		
	2023	2022
	(€ thousand)	
Current tax		
Corporate income tax.....	(603)	(169)
Regional tax	(1,476)	(39)
Federal tax	(674)	(647)
Total	(2,753)	(856)
Under/(over)-provision in prior years	(75)	-
Deferred tax	(4,559)	2,215
Total income tax benefit/(expense)	(7,386)	1,360

The Group's income tax decreased from €1.4 million for the three-month period ended March 31, 2022 to (€7.4 million) for the three-month period ended March 31, 2023 primarily due to an increase in current tax as a result of a significant increase in its profit before tax.

Profit for the period

As a result of the foregoing, the Group's profit for the period increased by €5.4 million, or 41.5%, from €13.1 million for the three-month period ended March 31, 2022 to €18.6 million for the three-month period ended March 31, 2023. The Group's net profit margin, which represents profit for the period as a percentage of net revenue, increased from 5.1% for the three-month period ended March 31, 2022 to €6.6% for the three-month period ended March 31, 2023.

Comparison of the years ended December 31, 2022, and December 31, 2021

Revenue

Net revenue by business lines

The table below provides a breakdown of the Group's net revenue by business lines for the periods indicated:

For the year ended December 31,				
	2022	%	2021	%
	(€ thousand, except percentages)			
Composite yachts.....	439,309	42.6%	464,291	51.7%
Made-to-measure yachts.....	405,810	39.4%	249,734	28.0%
Super yachts	95,441	9.3%	84,561	9.4%
Other businesses	89,539	8.7%	99,835	11.1%
- Yacht brokerage, chartering and management services	14,312	1.4%	13,237	1.5%
- After-sales and refitting services and brand extension activities	14,894	1.4%	9,677	1.1%
- Manufacturing and installation of wooden furnishings for nautical interiors.....	16,909	1.6%	15,259	2.0%
- Trading of pre-owned yachts	33,980	3.3%	46,999	5.2%
- FSD	2,945	0.3%	10,676	1.2%
- Wally sailing super yachts	6,500	0.6%	3,987	0.4%
Total net revenue	1,030,099	100.0%	898,421	100.0%

The Group's net revenue increased by €131.7 million, or 14.7%, from €898.4 million for the year ended December 31, 2021 to €1.030 million the year ended December 31, 2022, primarily due to (i) an increase of €156.1 from sales of made-to-measure yachts; and (ii) an increase of €10.9 million from sales of super yachts.

The Group's net revenue generated from composite yachts slightly decreased by €24.9 million, or 5.4%, from €464.3 million for the year ended December 31, 2021 to €439.3 for the year ended December 31, 2022 as a result of the Group's strategy to expand its offering in the made-to-measure and larger alloy super yacht segments.

The Group's net revenue generated from made-to-measure yachts increased by €156.1 million, or 62.5%, from €249.7 million for the year ended December 31, 2021 to €405.8 million the year ended December 31, 2022, primarily due to an increase in order intake, which increased from €289.3 million for the year ended December 31, 2021 to €473.0 million for the year ended December 31, 2022.

The Group's net revenue generated from super yachts increased by €10.9 million, or 12.9%, from €84.6 million for the year ended December 31, 2021 to €95.4 million for the year ended December 31, 2022, primarily due to an increase in order intake due to (i) the success of two flagship super yachts models under Riva and Pershing brands launched in 2019 and the recently presented Custom Line flagship alloy model; and (ii) continued growth of the CRN brand.

The Group's net revenue generated from other businesses decreased by €10.3 million, or 10.3%, from €99.8 million for the year ended December 31, 2021 to €89.5 million for the year ended December 31, 2022, primarily due to a decrease in revenues of pre-owned yachts (due to lower available used boats) and in FSD (driven by a decrease in the related order intake).

Net revenue by geographic regions

The table below provides a breakdown by geographical regions of the Group's net revenue for the periods indicated based on customers' location:

	For the year ended December 31,			
	2022	%	2021	%
	(€ thousand, except percentages)			
EMEA	376,755	36.6%	376,021	41.9%
APAC	95,876	9.3%	49,280	5.5%
AMAS	372,487	36.2%	288,724	32.1%
Global ⁽¹⁾	95,441	9.3%	84,561	9.4%
Other businesses ⁽²⁾	89,538	8.7%	99,835	11.1%
Total net revenue.....	1,030,099	100.0%	898,421	100.0%

⁽¹⁾ Represents revenue attributable to super yachts not allocable to an individual country because, for example, the customer's country of residence is different from the vessel's country of registration

⁽²⁾ Comprises revenue attributable to the Group's fourth line of business (see "—Description of key income statement line items—Revenue").

The Group's net revenue generated from EMEA remained relatively stable at €376.8.

The Group's net revenue generated from APAC increased by 95% from €49.3 million for the year ended December 31, 2021, to €95.9 million for the year ended December 31, 2022, as travel restrictions introduced by the COVID-19 pandemic were lifted and APAC customers resumed travels to Europe and boat shows.

The Group's net revenue generated from AMAS increased by 29% from €288.7 million for the year ended December 31, 2021, to €372.5 million for the year ended December 31, 2022, mainly due to the positive momentum experienced since the outbreak of COVID-19 pandemic, which resulted in higher order intake for the year ended December 31, 2022.

The Group's net revenue generated from Global increased by 13% from €84.6 million for the year ended December 31, 2021 to €95.4 million for the year ended December 31, 2022 as a result of the same factors mentioned above.

The Group's net revenue generated from other business decreased by 10% from €99.8 million for the year ended December 31, 2021 to €89.5 million for the year ended December 31, 2022.

Change in inventories of work-in-process, semi-finished and finished goods

The change in inventories of work-in-process, semi-finished and finished goods increased by €67.8 million, or more than 100%, from €32.7 million for the year ended December 31, 2021 to €35.2 million for the year ended December 31, 2022 primarily due to the need to rebuild a minimum level of finished goods.

Cost capitalized

The Group's cost capitalized increased by €3.9 million, or 14.0%, from €28.1 million for the year ended December 31, 2021 to €32.0 million the year ended December 31, 2022 primarily due to fewer of new models launches in 2021.

Other income

The table below sets forth the Group's other income for the year ended December 31, 2022 and December 31, 2021:

	For the year ended December 31,	
	2022	2021
	(€ thousand)	
Cost over-accruals	2,891	2,195
Compensation and settlement income	205	1,530
Gain on disposal of property, plant and equipment	205	14
Discounts from suppliers	2,550	3,725
Rental income	1,285	733
Miscellaneous cost re-charged to customers and dealers	1,050	961
Others ⁽¹⁾	7,816	4,876
Total other income	16,002	14,034

⁽¹⁾ Mainly comprises (i) income derived from trademark co-branding agreements, and (ii) recharge to suppliers due to the non-conformity of materials received.

The Group's total other income remained relatively stable at 16 million for the year ended December 31, 2022 compared to €14.0 million for the year ended December 31, 2021.

Raw materials and consumables used

The table below sets forth the Group's raw materials and consumables for the year ended December 31, 2022 and December 31, 2021:

	For the year ended December 31,	
	2022	2021
	(€ thousand)	
Purchase of raw materials and components	492,802	391,629
Purchases of pre-owned yachts	30,907	47,970
Changes in inventory	(9,242)	(15,322)
Total raw materials and consumables used	514,468	424,277

The Group's raw materials and consumables used increased by €90.2 million, or 21.3%, from €424.3 million for the year ended December 31, 2021 to €514.5 million for the year ended December 31, 2022 primarily due to an increase in production activities driven by an increase in order intake.

Contractor costs

The Group's contractor costs increased by €28.0 million, or 20.3%, from €138.0 million for the year ended December 31, 2021 to €166.1 million for the year ended December 31, 2022 primarily due to an increase in production activities driven by an increase in order intake.

Costs for trade shows, events and advertising

The Group's costs for trade shows, events and advertising increased by €7.5 million, or 59.9%, from €12.5 million for the year ended December 31, 2021 to €19.9 million for the year ended December 31, 2022 primarily due to the resumption of these activities following the COVID-19 pandemic years, during which many of these activities were cancelled.

Other service costs

The table below set forth the Group's other service costs for the year ended December 31, 2022 and December 31, 2021:

	For the year ended December 31,	
	2022	2021
	(€ thousand)	
Service cost for building.....	26,754	19,231
Consulting services	26,767	25,433
Transportation, insurance and customs clearance costs ...	23,793	17,667
Service cost for employees	6,864	5,616
Fees paid to members of corporate governance bodies....	8,287	5,435
Entertainment expenses	4,739	3,622
Bank charges and guarantees	1,911	2,315
Others ⁽¹⁾	18,565	15,876
Total other service costs	117,680	95,196

⁽¹⁾ Comprises other miscellaneous service costs.

The Group's other service costs increased by €22.5 million, or 23.6%, from €95.2 million for the year ended December 31, 2021 to €117.7 million for the year ended December 31, 2022 mainly due to an increase of production volumes, comprising transportation, technical consulting, cleaning and security and utilities costs. Fees paid to directors includes €4.8 million for the payment of the cash bonus, part of the management incentive plan.

Rentals and leases

The table below sets forth the Group's rentals and leases for the year ended December 31, 2022 and December 31, 2021:

	For the year ended December 31,	
	2022	2021
	(€ thousand)	
Expenses relating to:		
Short-term leases	4,510	3,626
Leases of low-valued assets.....	682	377
Royalties	3,739	2,910
Total rentals and leases	8,931	6,913

The Group's rentals and leases increased by €2.0 million, or 29.2%, from €6.9 million for the year ended December 31, 2021 to €8.9 million the year ended December 31, 2022 primarily due to (i) an increase in royalties payable to yacht designers, mainly attributable to the increase in the number of new yachts delivered; and (ii) an increase in expenses relating to short-term leases, which was generally in line with the growth of the Group's business.

Personnel costs

The table below sets forth the Group's personnel costs for the year ended December 31, 2022 and December 31, 2021:

	For the year ended December 31,	
	2022	2021
	(€ thousand)	
Wages and salaries.....	94,426	80,761
Social security contributions.....	28,692	26,721
Employee severance indemnities and other allocations ...	5,691	4,935
Total personnel costs	128,810	112,417

The Group's personnel costs increased by €16.4 million, or 14.6%, from €112.4 million for the year ended December 31, 2021 to €128.8 million for the year ended December 31, 2022 primarily due to the management incentive plan cash bonus of €12.3 million, and an increase in the average headcount to support the growth in the Group's business.

Other operating expenses

The table below sets forth the Group's other operating expenses for the year ended December 31, 2022 and December 31, 2021:

	For the year ended December 31,	
	2022	2021
	(€ thousand)	
Cost under-accruals ⁽¹⁾	1,619	1,305
Compensation and settlement expenses ⁽²⁾	793	1,221
Other taxes	1,426	1,432
Membership fees	702	556
Advertising and promotional materials	585	634
Re-billable costs	1,293	617
Loss on disposal of property, plant and equipment	105	405
Loss on receivables	3	95
Others ⁽¹⁾	2,527	797
Total other operating expenses	9,052	7,062

⁽¹⁾ Represents under-estimates of costs recorded in prior years for the supplies of raw materials and services.

⁽²⁾ Represents compensation paid in relation to several private agreements.

The Group's other operating expenses increased by €2.0 million, or 28.2%, from €7.1 million for the year ended December 31, 2021 to €9.1 million the year ended December 31, 2022 primarily due to an increase of the production volumes.

Provisions and impairment

The table below sets forth the Group's provisions and impairment for the year ended December 31, 2022 and December 31, 2021:

	For the year ended December 31,	
	2022	2021
	(€ thousand)	
Provision for product warranties	26,097	18,767
Provision for miscellaneous risk, net	6,493	(4,414)
Impairment of trade receivables	525	746
Total provisions and impairment	33,115	15,099

The Group's provisions and impairment increased by €18.0 million, or more than 100%, from €15.1 million for the year ended December 31, 2021 to €33.1 million for the year ended December 31, 2022 primarily due to (i) an increase in provision for product warranties and miscellaneous risks, which was generally in line with the increase in new yachts delivered, and (ii) off-setting impact in 2021 of the release of €5 million in provisions for certain legal disputes. The release of the €5 million is due to a legal proceeding with Luxury Yacht Corporation S.p.A. whose risk, in the year ended December 31, 2021, has been reassessed as ceased to exist.

Depreciation and amortization

The table below sets forth the Group's depreciation and amortization for the year ended December 31, 2022 and December 31, 2021:

	For the year ended December 31,	
	2022	2021
	(€ thousand)	
Depreciation of property, plant and equipment		
Owned assets	40,396	35,045
Right-of-use assets	7,706	6,627
Amortization of intangible assets	4,986	6,847
Total depreciation and amortization	53,089	48,519

The Group's depreciation and amortization increased by €4.6 million, or 9.4%, from €48.5 million for the year ended December 31, 2021 to €53.1 million for the year ended December 31, 2022, which was driven by the increase in the Group's property, plant and equipment as well as intangible assets, reflecting the significant investments the Group made to renew and expand its product portfolio and upgrade its production facilities.

Share of loss of a joint venture

The Group's share of loss of a joint increased from €24,000 for the year ended December 31, 2021 to €44,000 the year ended December 31, 2022 primarily due to the costs of Restart S.p.A. in liquidazione (*i.e.*, the 50:50 joint venture not operative

established between the Group and Sanlorenzo for the acquisition of Perini Navi S.p.A.) for the entire year compared with costs for only eight months in the year ended December 31, 2021, the year in which the joint venture company was incorporated.

Financial income and financial expenses

The table below sets forth the Group's financial income and financial expenses for the year ended December 31, 2022 and December 31, 2021:

	For the year ended December 31,	
	2022	2021
	(€ thousand)	
Financial income		
Bank interest income	636	15
Other interest income	1,692	209
Total Financial income	2,328	224
Financial expenses		
Interest on bank and other loans	(3,037)	(4,566)
Interest on amounts due to the immediate holding company	—	—
Interest on lease liabilities	(153)	(187)
Interest on provision for severance benefits and pension	(41)	(10)
Bank charges and others	(1,221)	(1,177)
Total Financial expenses	(4,452)	(5,940)
Financial expenses, net	(2,124)	(5,716)

The Group's financial income increased from €0.2 million for the year ended December 31, 2021 to €2.3 million for the year ended December 31, 2022 primarily due to the interest income on bank accounts, increased for the positive operating cash flow and proceeds of the 2022 Offer.

The Group's financial expenses decreased by €1.5 million, or 25.1%, from €5.9 million for the year ended December 31, 2021 to €4.5 million for the year ended December 31, 2022 primarily due to a decrease in the interest on bank loans, which was mainly attributable to a decrease in average bank loan balances driven by the substantial improvement in the Group's net financial indebtedness and a significant increase in the Group's cash and cash equivalents.

Foreign exchange gains/(losses)

The Group's foreign exchange losses amounted to €1.5 million for the year ended December 31, 2021 and its foreign exchange gains amounted to €9.5 million for the year ended the December 31, 2022 primarily due to the gains related to financial transactions, among which the change of proceeds of the 2022 Offer from HK dollars to Euro for €11,393.

Income tax

The table below sets forth the Group's income tax for the year ended December 31, 2022 and December 31, 2021:

	For the year ended December 31,	
	2022	2021
	(€ thousand)	
Current tax		
Corporate income tax	(837)	—
Regional tax	(2,891)	(2,009)
Federal tax	(2,516)	(1,566)
Total	(6,244)	(3,575)
Under/(over)-provision in prior years	1,296	748
Deferred tax	(3,891)	(464)
Total income tax benefit/(expense)	(8,839)	(3,291)

The Group's income tax increased from €3.3 million for the year ended December 31, 2021 to €8.8 million for the year ended December 31, 2022 primarily due to (i) an increase in current tax as a result of a significant increase in its profit before tax; and (ii) a decrease in deferred tax assets recognized in respect of prior tax losses.

Profit for the period

As a result of the foregoing, the Group's profit for the period increased by €23.2 million, or 62%, from €37.4 million for the year ended December 31, 2021 to €60.5 for the year ended December 31, 2022. The Group's net profit margin, which represents profit for the period as a percentage of net revenue, increased from 4.1% for the year ended December 31, 2021 to 5.9% for the year ended December 31, 2022.

Comparison of the years ended December 31, 2021 and December 31, 2020

Revenue

Net revenue by businesses lines

The table below provides a breakdown of the Group's net revenue by business lines for the periods indicated:

	For the year ended December 31,			
	2021	%	2020	%
	<i>(€ thousand, except percentages)</i>			
Composite yachts	464,291	51.7%	298,368	48.8%
Made-to-measure yachts.....	249,734	28.0%	168,506	27.6%
Super yachts	84,561	9.4%	63,742	10.4%
Other businesses	99,835	11.1%	80,739	13.2%
- Yacht brokerage, chartering and management services	13,237	1.5%	5,932	1.0%
- After-sales and refitting services and brand extension activities	9,677	1.1%	6,051	1.0%
- Manufacturing and installation of wooden furnishings for nautical interiors.....	15,259	2.0%	10,231	1.7%
- Trading of pre-owned yachts	46,999	5.2%	39,451	6.5%
- FSD.....	10,676	1.2%	19,074	3.1%
- Wally sailing super yachts.....	3,987	0.4%	—	—
Total net revenue.....	898,421	100.0%	611,355	100.0%

The Group's net revenue increased by €287.1 million, or 47.0%, from €611.4 million for the year ended December 31, 2020 to €898.4 million for the year ended December 31, 2021, due to (i) an increase of €165.9 million in revenue generated from composite yachts; (ii) an increase of €81.2 million in revenue generated from made-to-measure yachts; (iii) an increase of €19.1 million in revenue generated from other businesses; and (iv) an increase of €20.8 million in revenue generated from super yachts.

The Group's net revenue generated from composite yachts increased by 55.6%, from €298.4 million for the year ended December 31, 2020, to €464.3 million for the year ended December 31, 2021, driven by (i) increased product demand as result of continuous renewal and broadening of the product portfolio and (ii) recovery from the short-term adverse impact of the COVID-19 pandemic.

The Group's net revenue generated from made-to-measure yachts increased by 48.2%, from €168.5 million for the year ended December 31, 2020, to €249.7 million for the year ended December 31, 2021, mainly the result of the same factors mentioned above.

The Group's net revenue generated from super yachts increased by 32.7%, from €63.7 million for the year ended December 31, 2020, to €84.6 million for the year ended December 31, 2021, mainly driven by (i) increased orders for Riva and Pershing branded super yachts; and (ii) continued growth of the CRN brand.

The Group's net revenue generated from other businesses increased by 23.7%, from €80.7 million for the year ended December 31, 2020, to €99.8 million for the year ended December 31, 2021, primarily due to growth in yacht brokerage, chartering and management services and trading of pre-owned yacht, partially offset by a decrease in revenues from FSD.

Net revenue by geographic regions

The table below provides a breakdown by geographical regions of the Group's net revenue for the periods indicated based on customers' location:

	For the year ended December 31,			
	2021	%	2020	%
	<i>(€ thousand, except percentages)</i>			
EMEA	376,021	41.9%	254,027	41.6%
APAC	49,280	5.5%	62,925	10.3%
AMAS	288,724	32.1%	149,922	24.5%
Global ⁽¹⁾	84,561	9.4%	63,742	10.4%
Other business ⁽²⁾	99,835	11.1%	80,739	13.2%
Total net revenue	898,421	100.0%	611,355	100.0%

(1) Representing revenue attributable to super yachts not allocable to an individual country because, for example, the customer's country of residence is different from the vessel's country of registration.

(2) Comprises revenue attributable to the Group's fourth line of business (See "—Description of key income statement line items—Revenue").

The Group's net revenue from EMEA increased by 48%, from €254.0 million for the year ended December 31, 2020, to €376.0 million for the year ended December 31, 2021, driven by (i) the renewal and expansion of the product portfolio and (ii) recovery from the short-term adverse impact of the COVID-19 pandemic.

The Group's net revenue generated from APAC decreased by 21.7% from €62.9 million for the year ended December 31, 2020 to €49.3 million for the year ended December 31, 2021, driven by the outbreak of COVID-19 pandemic which caused significant travel restrictions for APAC customers to visit Europe in 2020 and therefore, resulted in a decrease in order intake from APAC, especially for larger yachts that have relatively longer production cycles.

The Group's net revenue generated from AMAS increased by 92.6% from €150.0 million for the year ended December 31, 2020 to €288.7 million for the year ended December 31, 2021, by the same factors mentioned above, and proportion of revenue from AMAS on the Total Net revenue increased to the relatively lower revenue contribution in 2020 was mainly due to the outbreak of COVID-19 pandemic, which resulted in postponement of certain deliveries to the first quarter of 2021.

The Group's net revenue generated from Global increased by 32.7% from €63.7 million for the year ended December 31, 2020 to €84.6 million for the year ended December 31, 2021 as a result of the same factors mentioned above.

The Group's net revenue generated from other businesses increased by 23.7% from €80.7 million for the year ended December 31, 2020 to €99.8 million for the year ended December 31, 2021.

Change in inventories of work-in-process, semi-finished and finished goods

Change in inventories of work-in-process, semi-finished and finished goods increased by €10.9 million, or 50.3%, from €21.7 million for the year ended December 31, 2020 to €32.7 million for the year ended December 31, 2021, primarily due to an increase in production volumes of composite yachts.

Cost capitalized

Cost capitalized decreased by €6.0 million, or 17.6%, from €34.1 million for the year ended December 31, 2020 to €28.1 million for the year ended December 31, 2021, primarily because of the increase in the number of new models launched in 2020.

Other income

The table below sets forth the Group's other income for the year ended December 31, 2021 and December 31, 2020:

	For the year ended December 31,	
	2021	2020
	<i>(€ thousand)</i>	
Cost over-accruals.....	2,195	4,791
Compensation and settlement income	1,530	2,101
Gain on disposal of property, plant and equipment	14	1,822
Discounts from suppliers.....	3,725	1,780
Rental income.....	733	641
Miscellaneous cost re-charged to customers and dealers	961	256
Others ⁽¹⁾	4,876	3,636
Total other income	14,034	15,027

⁽¹⁾ Mainly comprises (i) income derived from trademark co-branding agreements, and (ii) recharge to suppliers due to the non-conformity of materials received.

The Group's other income remained relatively stable at €15.0 million for the year ended December 31, 2020 and €14.0 million for the year ended December 31, 2021.

The Group's cost over-accruals mainly includes over-estimates of raw material costs, contractors costs and personnel costs recorded in closing of prior accounting periods, which is incidental in nature and considered to be part of the ordinary course of its business. The Group's compensation and settlement income mainly comprises (i) proceeds of insurance compensation for damages to yachts due to unexpected events in the production and transportation, such as bad weather; and (ii) compensation from suppliers as a result of legal proceedings and disputes that arise in the ordinary course of business, such as non-compliant materials.

Raw materials and consumables used

The table below sets forth the Group's raw materials and consumables for the year ended December 31, 2021 and December 31, 2020:

	For the year ended December 31,	
	2021	2020
	(€ thousand)	
Purchase of raw materials and components.....	391,629	265,865
Purchases of pre-owned yachts	47,970	49,058
Changes in inventory.....	(15,322)	(23,155)
Total raw materials and consumables used	424,277	291,768

The Group's raw materials and consumables used increased by €132.5 million, or 45.4%, from €291.8 million for the year ended December 31, 2020 to €424.3 million for the year ended December 31, 2021, primarily due to an increase in production activities driven by (i) an increase in order intake and (ii) recovery from the short-term adverse impact of the COVID-19 pandemic as the Group temporarily and partially suspended the operations of six shipyards for two months in 2020.

Contractor costs

Contractor costs increased by €46.4 million, or 50.7%, from €91.6 million for the year ended December 31, 2020 to €138.0 million for the year ended December 31, 2021, primarily due to an increase in production activities driven by (i) an increase in order intake and (ii) recovery from the short-term adverse impact of the COVID-19 pandemic, as the Group temporarily and partially suspended the operations of six shipyards for two months in 2020.

Costs for trade shows, events and advertising

The Group's costs for trade shows, events and advertising increased by €3.0 million, or 32.2%, from €9.4 million for the year ended December 31, 2020 to €12.5 million for the year ended December 31, 2021, as attendance at major boat shows resumed in 2021, following Covid-related cancellations in 2020.

Other service costs

The table below set forth the Group's other service costs for the year ended December 31, 2021 and December 31, 2020:

	For the year ended December 31,	
	2021	2020
	(€ thousand)	
Service cost for building.....	19,231	15,844
Consulting services	25,433	20,829
Transportation, insurance and customs clearance costs	17,667	13,753
Service cost for employees	5,616	3,751
Fees paid to members of corporate governance bodies	5,435	3,402
Entertainment expenses	3,622	1,507
Bank charges and guarantees	2,315	1,907
Others ⁽¹⁾	15,876	8,844
Total other service costs	95,196	69,837

⁽¹⁾ Comprises other miscellaneous service costs.

The Group's other service costs increased by €25.4 million, or 36.3%, from €69.8 million for the year ended December 31, 2020 to €95.2 million for the year ended December 31, 2021, which was generally in line with the growth of the Group's business.

Rentals and leases

The table below sets forth the Group's rentals and leases for the year ended December 31, 2021 and December 31, 2020:

	For the year ended December 31,	
	2021	2020
	<i>(€ thousand)</i>	
Expenses relating to:		
Short-term leases	3,626	3,409
Leases of low-valued assets	377	370
Royalties.....	2,910	1,803
Total rentals and leases	6,913	5,582

The Group's rentals and leases increased by €1.3 million, or 23.8%, from €5.6 million for the year ended December 31, 2020 to €6.9 million for the year ended December 31, 2021, primarily due to (i) an increase in royalties mainly attributable to the increase in new yachts delivered; and (ii) an increase in expenses relating to short-term leases, which was generally in line with the growth of the Group's business.

Personnel costs

The table below sets forth the Group's personnel costs for the year ended December 31, 2021 and December 31, 2020:

	For the year ended December 31,	
	2021	2020
	<i>(€ thousand)</i>	
Wages and salaries	80,761	65,540
Social security contributions	26,721	22,438
Employee severance indemnities and other allocations.....	4,935	4,476
Total personnel costs	112,417	92,454

The Group's personnel costs increased by €20.0 million, or 21.6%, from €92.5 million for the year ended December 31, 2020 to €112.4 million for the year ended December 31, 2021, primarily due to an increase in the average headcount to support the growth of the Group's business.

Other operating expenses

The table below sets forth the Group's other operating expenses for the year ended December 31, 2021 and December 31, 2020:

	For the year ended December 31	
	2021	2020
	<i>(€ thousand)</i>	
Cost under-accruals ⁽¹⁾	1,305	1,511
Compensation and settlement expenses ⁽²⁾	1,221	1,458
Other taxes	1,432	1,334
Membership fees.....	556	545
Advertising and promotional materials.....	634	454
Re-billable costs	617	447
Loss on disposal of property, plant and equipment	405	335
Loss on receivables	95	—
Others.....	797	1,282
Total other operating expenses	7,062	7,366

⁽¹⁾ Represents under-estimates of costs recorded in prior years for the supplies of raw materials and services.

⁽²⁾ Represents compensation paid in relation to several private agreements during the Track Record Period.

The Group's other operating expenses remained relatively stable at €7.4 million for the year ended December 31, 2020 and €7.1 million for the year ended December 31, 2021.

Provisions and impairment

The table below sets forth the Group's provisions and impairment for the year ended December 31, 2021 and December 31, 2020:

	For the year ended December 31,	
	2021	2020
	(€ thousand)	
Provision for product warranties.....	18,767	15,084
Provision for miscellaneous risk, net.....	(4,414)	1,558
Impairment of trade receivables.....	746	630
Total provisions and impairment.....	15,099	17,272

The Group's provisions and impairment decreased by €2.2 million, or 12.6%, from €17.3 million for the year ended December 31, 2020 to €15.1 million for the year ended December 31, 2021, primarily due to the release €5 million in provisions for certain legal disputes, partially offset by an increase in provision for product warranties which was generally in line with the increase in new yachts delivered.

Depreciation and amortization

The table below sets forth the Group's depreciation and amortization for the year ended December 31, 2020 and December 31, 2021:

	For the year ended December 31,	
	2021	2020
	(€ thousand)	
Depreciation of property, plant and equipment		
Owned assets.....	35,045	30,782
Right-of-use assets.....	6,627	5,772
Amortization of intangible assets.....	6,847	5,939
Total depreciation and amortization	48,519	42,493

The Group's depreciation and amortization increased by €6.0 million, or 14.2%, from €42.5 million for the year ended December 31, 2020 to €48.5 million for the year ended December 31, 2021, which was driven by the increase in the Group's property, plant and equipment as well as intangible assets, reflecting the significant investments the Group made to renew and expand its product portfolio and upgrade its production facilities.

Share of loss of a joint venture

The Group's share of loss of a joint venture increased from nil for the year ended December 31, 2020 to €24 thousand for the year ended December 31, 2021, as a result of losses incurred by Restart S.p.A. in liquidazione.

Financial income and financial expenses

The table below sets forth the Group's financial income and financial expenses for the year ended December 31, 2020 and December 31, 2021:

	For the year ended December 31,	
	2021	2020
	(€ thousand)	
Financial income		
Bank interest income	15	37
Other interest income.....	209	96
Total Financial income	224	133
Financial expenses		
Interest on bank and other loans	(4,566)	(5,975)
Interest on amounts due to the immediate holding company	—	—
Interest on lease liabilities.....	(187)	(163)
Interest on provision for severance benefits and pension	(10)	(29)
Bank charges and others	(1,177)	(730)
Total Financial expenses.....	(5,940)	(6,897)
Financial expenses, net	(5,716)	(6,764)

The Group's financial income increased from €0.1 million for the year ended December 31, 2020 to €0.2 million for the year ended December 31, 2021. The Group's financial expenses decreased by €1.0 million, or 13.9%, from €6.9 million for the year ended December 31, 2020 to €5.9 million for the year ended December 31, 2021, primarily due to a decrease in the interest on bank loans, which was mainly attributable to a decrease in average bank loan balances driven by the substantial improvement in the Group's net financial indebtedness and a significant increase in the Group's cash and cash equivalents.

Foreign exchange losses

The Group's foreign exchange losses increased by €0.9 million, from €0.6 million for the year ended December 31, 2020 to €1.5 million for the year ended December 31, 2021, primarily due to the appreciation in the exchange rate of the U.S. dollar against the Euro.

Income tax

The table below sets forth the Group's income tax for the year ended December 31, 2020 and December 31, 2021:

	For the year ended December 31,	
	2021	2020
	<i>(€ thousand)</i>	
Current tax		
Corporate income tax	—	—
Regional tax.....	(2,009)	(840)
Federal tax.....	(1,566)	(683)
Total	(3,575)	(1,523)
Under/(over)-provision in prior years.....	748	1,543
Deferred tax	(464)	18,435
Total income tax benefit/(expense)	(3,291)	18,455

The Group recorded income tax expense of €3.3 million for the year ended December 31, 2021, compared to income tax benefit of €18.5 million for the year ended December 31, 2020, primarily due to (i) an increase in current tax as attributable to the significant increase in its profit before tax; and (ii) a decrease in deferred tax assets recognized in respect of prior tax losses.

Profit for the year

As a result of the foregoing, the Group's profit for the year increased by €15.4 million, or by 70.1%, from €22.0 million for the year ended December 31, 2020 to €37.4 million for the year ended December 31, 2021. The Group's net profit margin, which represents profit for the year as a percentage of net revenue, increased from 3.6% for the year ended December 31, 2020 to 4.1% for the year ended December 31, 2021.

Non-IFRS Measures and other metrics

	As of / For the three-month period ended March 31,		As of / For the year ended December 31,		
	2023	2022	2022	2021	2020
	<i>(€ thousand, except percentages)</i>				
Adjusted EBITDA.....	40,014	31,563	139,989	102,569	59,066
Return on Equity (ROE)	n.s.	n.s.	9.5%	7.8%	4.8%
Return on Total Assets (ROTA)	n.s.	n.s.	4.9%	3.7%	2.3%
Cash Conversion Ratio	86.0%	81.8%	70.2%	74.8%	64.3%
n.s. Not significant					

Adjusted EBITDA for the three-month period ended March 31, 2023 amounted to €40.0 million, with an increase of 26.8% as compared to €31.6 million for the three-month period ended March 31, 2022. The adjusted EBITDA/net revenue without pre-owned margin increased from 13.0% the three-month period ended March 31, 2022 to 14.3% for the three-month period ended March 31, 2022. The increase in the Group's adjusted EBITDA/net revenue without pre-owned margin of approximately 350 basis points in 2023 was driven by industrial reasons, commercial aspects and strategic positioning, most of which are structural, hence expected to remain in the long-term. Cash Conversion Ratio the three-month period ended

March 31, 2023 amounted to 86.0%, with an increase of 4.2% as compared to 81.8% the three-month period ended March 31, 2022. The increase was driven by an increase in the Adjusted EBITDA (+26.8%) and a decrease in the Maintenance Capex (-2.1%).

Adjusted EBITDA for the year ended December 31, 2022 amounted to €140.0 million, with an increase of 36.5% as compared to €102.6 million for the year ended December 31, 2021. The adjusted EBITDA/net revenue without pre-owned margin increased from 12.0% for the year ended December 31, 2021 to 14.1% for the year ended December 31, 2022. The increase in the Group's adjusted EBITDA/net revenue without pre-owned margin of approximately 200 basis points in 2022 was driven by industrial reasons, commercial aspects and strategic positioning, most of which are structural, hence expected to remain in the long-term. Cash Conversion Ratio for the year ended December 31, 2022 amounted to 70.2%, with a decrease of 4.6% as compared to 74.8% for the year ended December 31, 2021. The decrease was driven by a lower increase in the Adjusted EBITDA (+36.5%), than in the Maintenance Capex (+61.7%).

Adjusted EBITDA for the ended December 31, 2021 amounted to €102.6 million, with an increase of 73.7% as compared to €59.1 million in 2020. The adjusted EBITDA/net revenue without pre-owned margin increased from 10.3% for the year ended December 31, 2020 to 12.0% for the ended December 31, 2022. The increase in the Group's adjusted EBITDA/net revenue without pre-owned margin of 1.7 percentage points in 2021 was attributable to industrial, commercial and strategic positioning reasons, most of which are long-term. Cash Conversion Ratio for the year ended December 31, 2021 amounted to 74.8%, with an increase of 10.5% as compared to 64.3% for the year ended December 31, 2020. The increase was driven by a higher increase in the Adjusted EBITDA (+73.6%), than in the Maintenance Capex (+22.3%).

ROE and ROTA consistently increase in the Three-Year Period, from 4.8% in the year ended December 31, 2020 to 9.5% in the year ended December 31, 2022 and from 2.3% in the year ended December 31, 2020 to 4.9% in the year ended December 31, 2022 as result of the foregoing, while ROE and ROTA calculated at an interim date are not meaningful.

For further information on Non-IFRS measures, see “*Selected Financial and Other Information—Non-IFRS Measures and other metrics*”.

Liquidity and capital resources

Overview

During the Track-Record Period, the Group financed its capital expenditure and working capital requirements mainly through cash generated from operating activities and bank borrowings. As of December 31, 2022, 2021 and 2020, the Group had cash and cash equivalents of €317.8 million, €173.0 million and €32.4 million, respectively.

As of the Prospectus Date, pursuant to the Facilities Agreement, the Company has granted pledges on certain banks accounts with BNP Paribas Milan Branch and with respect to these accounts, the Company must deposit on an annual basis at least €30,000,000 in sales proceeds and maintain a minimum balance of €2,000 in each pledged bank account.

In addition, under the terms of the Facilities Agreement, the Group is required to maintain a specified Leverage Ratio (calculated as the ratio of net debt to EBITDA (non-IFRS measure)) and a Backlog Ratio (calculated as the ratio of order backlog to the amounts outstanding under the Revolving Pre-Finance Facility).

For further information, see “*Business—Material Agreements—Facilities Agreement dated August 2, 2019 (as subsequently amended)*.” and “*—Indebtedness and contingent liabilities—Indebtedness.*”.

Cash flows

Three-month periods ended March 31, 2023, and March 31, 2022

The following table sets forth a summary of our statement of cash flows for the three-month periods ended March 31, 2023 and 2022:

	Three-month period ended March 31, (unaudited)	
	2023	2022
	(€ thousand)	
Operating profit before changes in working capital	51,058	27,780
Operating profit after changes in working capital	(1,980)	53,792
Income tax paid	-	-
Net cash generated from operating activities	(1,980)	53,792
Net cash used in investing activities	(44,699)	(15,418)

Net cash generated from/(used in) financing activities.....	(7,574)	210,386
Net (decrease)/increase in cash and cash equivalents.....	(54,254)	248,759
Cash and cash equivalents at the beginning of the period	317,759	173,010
Effect of foreign exchange rate changes, net.....	(2,070)	1,454
Cash and cash equivalents at the end of the period.....	261,435	423,223

Net cash generated from operating activities

The Group's cash inflow from operating activities comes primarily from the receipt of payments from yacht sales. The Group's cash outflow from operating activities is primarily for payments to its suppliers and contractors.

	Three-month period ended March 31,	
	(unaudited)	
	2023	2022
	<i>(in thousands Euro)</i>	
Profit before tax	25,942	11,757
Depreciation and amortization	16,016	13,555
Loss/(gain) on disposal of property, plant and equipment	(65)	(1)
Provisions	6,649	2,494
Financial income	(2,844)	(4)
Financial expenses	802	1,103
Share of loss of joint venture	-	9
Impairment of trade receivables, net	-	232
Provision/(reversal of provision) against inventories, net	4,558	(1,365)
Decrease/(increase) in inventories	(29,937)	13,132
Change in contract assets and contract liabilities	(30,839)	24,680
Decrease/(increase) in trade and other receivables	(3,772)	(7,191)
Increase/(decrease) in trade and other payables	12,245	(5,646)
Change in other operating liabilities and assets	(737)	1,036
Income tax paid	-	-
Cash flows from / absorbed by operating activities	(1,980)	53,792

For the three-month period ended March 31, 2023, the Group had net cash absorbed by operating activities of €2 million. This net cash outflow was primarily due to profit before tax of €25.9 million, adjusted to reflect non-cash items that primarily included depreciation and amortization of €16.0 million and changes in working capital of €(53.0) million. In particular, there was a net operating cash outflow for the three-month period ended March 31, 2023 of €2 million mainly as a result of the items "*Change in contract assets and contract liabilities*" of €31 million and "*Decrease/(increase) in inventories*" of Euro 30 million. In line with the industry in which the Company operates, the balance at each reporting date is impacted by the progress on production of yachts under contract and the timing of receipt of the corresponding advance payments. As a result, there is some variation from quarter to quarter due to differences - in the specific period - between the cash absorbed from the production of yachts and the cash inflows from advance payments, for such reason, the Group monitors its operating performance on a short-term basis, using Adjusted EBITDA and order backlog, consistent with practice in its industry. The increase in inventories is due to higher production volumes to support the growth in revenues.

For the three-month period ended March 31, 2022, the Group had net cash generated from operating activities of €53.8 million. This net cash inflow was primarily due to profit before tax of €11.8 million, adjusted to reflect non-cash items that primarily included depreciation and amortization of €13.6 million and changes in working capital of €26.0 million.

Net cash generated from investing activities

The Group's cash outflow from investing activities primarily consists of payments for the purchase of property, plant and equipment and intangible assets. See "*Capital Expenditures and Commitments*." The Group's cash inflow from investing activities primarily consists of proceeds from the disposal of property plant and equipment and intangible assets.

	Three-month period ended March 31,	
	(unaudited)	
	2023	2022
	<i>(in thousands Euro)</i>	
Purchases of property, plant and equipment and intangible assets	(60,282)	(16,934)
Proceeds from disposal of property, plant and equipment and intangible assets	18	-
Acquisition of subsidiaries	-	-
Change in the financial investments	13,454	1,512

Interest received	2,110	4
Cash flows used in investing activities	(44,699)	(15,418)

For the three-month period ended March 31, 2023, the Group's net cash used in investing activities amounted to €44.7 million, primarily due to purchases of property, plant and equipment and intangible assets of €60.3 million and the disinvestment of financial investment of €13.5 million, due to the net decrease in time deposit accounts included in "Other Current Assets".

For the three-month period ended March 31, 2022, the Group's net cash used in investing activities amounted to €15.4 million, primarily due to purchases of property, plant and equipment and intangible assets.

Net cash generated from/used in financing activities

The Group's cash inflow from financing activities primarily consisted of proceeds from new bank and other borrowings as well as capital contributions. The Group uses cash in financing activities primarily for repayment of bank and other borrowings.

	Three-month period ended March 31,	
	(unaudited)	
	2023	2022
	<i>(in thousands Euro)</i>	
Proceeds from issue of shares	-	212,128
Dividends paid	-	-
New bank and other borrowings	-	-
Repayment of bank and other borrowings	(6,772)	(976)
Interest paid	(802)	(766)
Cash flows from/(used in) financing activities	(7,574)	210,386

For the three-month period ended March 31, 2023, the Group's net cash used in financing activities amounted to €7.6 million, primarily due to repayment of bank and other borrowings.

For the three-month period ended March 31, 2022, the Group's net cash generated in financing activities amounted to €210.4 million, primarily due to the proceeds from issue of shares.

Years ended December 31, 2022, 2021 and 2020

The following table sets forth a summary of our statement of cash flows for the three years ended December 31, 2022, 2021 and 2020:

	For the year ended December 31,		
	2022	2021	2020
	<i>(€ thousand)</i>		
Operating profit before changes in working capital	130,041	91,002	50,885
Operating profit after changes in working capital.....	150,243	271,627	57,341
Income tax paid.....	(4,546)	—	—
Net cash generated from operating activities	145,697	271,627	57,341
Net cash used in investing activities.....	(162,632)	(74,144)	(69,934)
Net cash generated from/(used in) financing activities.....	158,044	(58,050)	7,723
Net (decrease)/increase in cash and cash equivalents.....	141,109	139,433	(4,870)
Cash and cash equivalents at the beginning of the period	173,010	32,830	39,164
Effect of foreign exchange rate changes, net.....	3,641	747	(1,464)
Cash and cash equivalents at the end of the period.....	317,759	173,010	32,380

Net cash generated from operating activities

The Group's cash inflow from operating activities comes primarily from the receipt of payments from yacht sales. The Group's cash outflow from operating activities is primarily for payments to its suppliers and contractors.

The table below sets forth a of the Group's a detail of the Net cash generated from operating activities for the periods indicated:

	For the year ended December 31,		
	2022	2021	2020
	(<i>€ thousand</i>)		
Profit before tax.....	69,385	40,674	3,527
Depreciation and amortization	53,089	48,519	42,493
Loss/(gain) on disposal of property, plant and equipment	(100)	391	(1,487)
Provisions.....	15,696	(4,540)	(3,930)
Financial income	(13,761)	(224)	(133)
Financial expenses	4,452	5,940	6,897
Share of loss of joint venture.....	44	24	-
Impairment of trade receivables, net	558	746	630
Provision/(reversal of provision) against inventories, net.....	678	(528)	2,888
Decrease/(increase) in inventories	(64,167)	23,615	7,961
Change in contract assets and contract liabilities	50,672	140,200	(11,013)
Decrease/(increase) in trade and other receivables.....	(18,060)	19,745	12,948
Increase/(decrease) in trade and other payables	52,370	(848)	(4,798)
Change in other operating liabilities and assets	(612)	(2,087)	1,358
Income tax paid.....	(4,546)	—	—
Cash flows from operating activities.....	145,697	271,627	57,341

For the year ended December 31, 2022, the Group had net cash generated from operating activities of €145.7 million. This net cash inflow was primarily due to profit before tax of €69.4 million, adjusted to reflect non-cash items that primarily included depreciation and amortization of €53.1 million.

For the year ended December 31, 2021, the Group had net cash generated from operating activities of €272 million. This net cash inflow was primarily due to profit before tax of €40.7 million, adjusted to reflect non-cash items that primarily included depreciation and amortization of €48.5 million and changes in working capital of €180.6 million.

For the year ended December 31, 2020, the Group had net cash generated from operating activities of €57.3 million. This net cash inflow was primarily due to profit before tax of €3.5 million, adjusted to reflect non-cash items that primarily included depreciation and amortization of €42.5 million.

Net cash generated from investing activities

The Group's cash outflow from investing activities primarily consists of payments for the purchase of property, plant and equipment and intangible assets. See “—*Capital Expenditures and Commitments*.” The Group's cash inflow from investing activities primarily consists of proceeds from the disposal of property plant and equipment and intangible assets.

The table below sets forth a of the Group's a detail of the Net cash used in investing activities for the periods indicated:

	For the year ended December 31,		
	2022	2021	2020
	(<i>€ thousand</i>)		
Purchases of property, plant and equipment and intangible assets	(81,453)	(76,314)	(72,278)
Proceeds from disposal of property, plant and equipment and intangible assets	1,330	2,665	5,526
Acquisition of subsidiaries	(9,153)	(719)	(3,315)
Other financial investments	(75,278)	—	—
Interest received	1,923	224	133
Cash flows used in investing activities	(162,632)	(74,144)	(69,934)

For the year ended December 31, 2022, the Group's net cash used in investing activities amounted to €162.6 million, primarily due to purchases of property, plant and equipment and intangible assets of €81.5 million and the investment in financial instruments of €75.3 million due to the increase in time deposit accounts included in “*Other current assets*” and in life insurance financial assets.

For the year ended December 31, 2021, the Group's net cash used in investing activities amounted to €74.1 million, primarily due to purchases of property, plant and equipment and intangible assets.

For the year ended December 31, 2020, the Group's net cash used in investing activities amounted to €69.9 million, primarily due to purchases of property, plant and equipment and intangible assets of €72.3 million.

Net cash generated from/used in financing activities

The Group's cash inflow from financing activities primarily consisted of proceeds from new bank and other borrowings as well as capital contributions. The Group uses cash in financing activities primarily for repayment of bank and other borrowings.

The table below sets forth a of the Group's a detail of the Net cash generated from/(used in) financing activities for the periods indicated:

	For the year ended December 31, (€ thousand)		
	2022	2021	2020
Proceeds from issue of shares.....	234,753	-	-
Dividends paid	(6,707)	(3,510)	(6,582)
New bank and other borrowings.....	2,723	57,673	89,343
Repayment of bank and other borrowing	(70,143)	(106,249)	(68,141)
Interest paid.....	(2,582)	(5,964)	(6,897)
Cash flows from/(used in) financing activities	158,044	(58,050)	7,723

For the year ended December 31, 2022, the Group's net cash generated in financing activities amounted to €158.0 million, primarily due to proceeds from the issue of shares of €234.8 million and the Repayment of bank and other borrowing of €70.1 million.

Fort the year ended December 31, 2021, the Group's net cash used in financing activities amounted to €58.0 million, primarily due to repayments of bank and other borrowings.

For the year ended December 31, 2020, the Group's net cash generated from financing activities amounted to €7.7 million, primarily due to new bank and other borrowings of €89.3 million. This net cash inflow was partially offset by repayments of bank and other borrowings of €68.1 million.

Reclassified statements of financial position

The following table sets forth a reclassified statement of the financial position of the Group as of March 31, 2023, December 31, 2022, 2021 and 2020 presenting the sources and uses of the Group's working capital:

	As of March 31, (unaudited)	As of December 31,			Changes					
	2023	2022	2021	2020	Mar 2023 vs Dec 2022	%	2021 vs 2022	%	2020 vs 2021	%
	(€ thousand except percentages)									
Trade and other receivables.....	66,806	59,432	41,689	36,422	7,374	12.4%	17,743	42.6%	5,267	14.5%
Contract assets	138,974	115,372	111,794	176,037	23,602	20.5%	3,578	3.2%	(64,243)	(36.5%)
Inventories.....	221,549	198,120	144,387	176,941	23,429	11.8%	53,733	37.2%	(32,554)	(18.4%)
Advances on inventories.....	41,105	39,156	24,606	15,139	1,949	5.0%	14,550	59.1%	9,467	62.5%
Income tax recoverable (current).....	1,616	2,091	982	2,114	(475)	(22.7%)	1,109	>100.0%	(1,132)	(53.5%)
Trade and other payables (current)	(349,660)	(337,364)	(278,809)	(222,476)	(12,296)	3.6%	(58,555)	21.0%	(56,333)	25.3%
Contract liabilities.....	(178,677)	(185,914)	(131,664)	(55,704)	7,237	(3.9%)	(54,250)	41.2%	(75,960)	>100.0%
Income tax payable (current) ..	(4,508)	(1,683)	(754)	(75)	(2,825)	>100.0%	(929)	>100.0%	(679)	>100.0%
Net Working Capital	(62,795)	(110,790)	(87,769)	128,398	47,995	(43.3%)	(23,021)	26.2%	(216,167)	(>100.0%)
Non-current assets.....	628,507	588,893	540,877	515,368	39,614	6.7%	48,016	8.9%	25,509	4.9%
Other assets and liabilities.....	(71,245)	(64,647)	(48,300)	(52,993)	(6,598)	10.2%	(16,347)	33.8%	4,693	(8.9%)
Net Capital Employed	494,467	413,456	404,808	590,773	81,011	19.6%	8,648	2.1%	(185,965)	(31.5%)
Net Financial Indebtedness	(300,558)	(364,935)	(93,258)	127,448	64,377	(17.6%)	(271,677)	>100.0%	(220,706)	(>100.0%)
Total equity	795,025	778,391	498,066	463,325	16,634	2.1%	280,325	56.3%	34,741	7.5%
Total Financing Sources.....	494,467	413,456	404,808	590,773	81,011	19.6%	8,648	2.1%	(185,965)	(31.5%)

Net Working Capital

The following table sets forth a summary of the composition of the Group's Net Working capital as of March 31, 2023, December 31, 2020, 2021 and 2022:

	As of March 31, (unaudit ed)	As of December 31,				Changes				
	2023	2022	2021	2020	2023 vs 2022	%	2021 vs 2022	%	2020 vs 2021	%
(€ thousand except percentages)										
Trade and other receivables	66,806	59,432	41,689	36,422	7,374	12.4%	17,743	42.6%	5,267	14.5%
Contract assets...	138,974	115,372	111,794	176,037	23,602	20.5%	3,578	3.2%	(64,243)	(36.5%)
Inventories	221,549	198,120	144,387	176,941	23,429	11.8%	53,733	37.2%	(32,554)	(18.4%)
Advances on inventories.....	41,105	39,156	24,606	15,139	1,949	5%	14,550	59.1%	9,467	62.5%
Income Tax recoverable (current)	1,616	2,091	982	2,114	(0,475)	(22.7%)	1,109	>100.0%	(1,132)	(53.5%)
Trade and other payables (current)	(349,660)	(337,364)	(278,809)	(222,476)	(12,296)	(3.6%)	(58,555)	21.0%	(56,333)	25.3%
Contract liabilities	(178,677)	(185,914)	(131,664)	(55,704)	(7,237)	(3.9%)	(54,250)	41.2%	(75,960)	>100.0%
Income tax payable (current)	(4,508)	(1,683)	(754)	(75)	2,825	>100%	(929)	>100.0%	(679)	>100.0%
Net Working Capital	(62,795)	(110,790)	(87,769)	128,398	47,995	43.3%	(23,021)	26.2%	(216,167)	(>100.0%)

Net Working Capital as of March 31, 2023 was (€62.8 million) compared to €110,790 as of December 31, 2022. This change was mainly due to an increase in the items in the items “*Inventories*” by €23.4 million and “*Contract Asset*” by €23.6 million.

Net Working Capital as of December 31, 2022, was (€110.8 million) compared to (€87.8 million) as of December 31, 2021. This change was mainly due to an increase in the items “*Trade and other payables*” by €58.6 million and “*Contract liabilities*” by €54.3 million and an increase in the items “*Inventories*” by €14.6 million and “*Income tax payable*” by €0.9 million.

Net working capital as of December 31, 2021, was (€87.8 million) compared to €128.4 million as of December 31, 2020. This change was mainly due to an increase in the items “*Trade and other payables*” by €56.3 million and “*Contract liabilities*” by €76 million and a decrease in the items “*Contract assets*” by €64.2 million and “*Inventories*” by €32.5 million, partially offset by an increase in the items “*Trade and other receivables*” by €5.3 million and “*Advance on inventories*” by €9.5 million.

Trade and other receivables

The following table details Trade and other receivables as of March 31, 2023, December 31, 2020, 2021 and 2022:

	As of March 31, (unaudited)	As of December 31,		
	2023	2022	2021	2020
Trade receivables	19,345	17,011	9,124	12,250
Other receivables	47,461	42,421	32,565	24,172
Total trade and other receivables	66,806	59,432	41,689	36,422

In light of the type of customers targeted by the Group's products and services and the commercial policies it has adopted — which envisage, in most of transactions, that the balance of the contract amount, net of advances collected, is paid before or concurrently with the delivery of the boat — the Group believes that its credit risk is not material. Advances must be paid at certain contractually defined dates and upon achievement of production milestones. As a result, trade receivables do not

usually include receivables arising from core businesses but only from other businesses (*e.g.*, yacht brokerage, chartering and management services, after-sales and refitting services and brand extension activities, manufacturing and installation of wooden furnishings for nautical interiors).

The table below reports residual amounts — *i.e.*, gross of any write-downs — which even if expired at the reporting date are considered fully recoverable:

	Balance at Reporting Date	Not due	Past due			
			30 days	30-60	60-90	Beyond
	<i>(€ thousand except percentages)</i>					
%	14%	0%	0%	4%	7%	41%
Trade receivables	22,560	10,020	2,818	1,404	703	7,614
Provision for doubtful accounts	(3,215)	-	(4)	(50)	(50)	(3,111)
Total at March 31, 2023	19,345	10,020	2,815	1,354	653	4,503
%	16%	0%	0%	1%	8%	38%
Trade receivables	20,227	6,975	2,309	1,373	1,586	7,984
Provision for doubtful accounts	(3,216)	-	(3)	(9)	(131)	(3,073)
Total at December 31, 2022	17,011	6,975	2,306	1,364	1,455	4,911
%	39%	0%	0%	0%	0%	58%
Trade receivables	14,869	2,367	2,045	395	229	9,833
Provision for doubtful accounts	(5,745)	-	-	-	-	(5,745)
Total at December 31, 2021	9,124	2,367	2,045	395	229	4,088
%	35%	0%	0%	0%	0%	66%
Trade receivables	18,839	7,491	-	1,231	103	10,014
Provision for doubtful accounts	(6,589)	-	-	-	-	(6,589)
Total at December 31, 2020	12,250	7,491	-	1,231	103	3,425

None of Group's trade receivables have a maturity of over 12 months or are linked to legal disputes. For further information on Group's financial risk management (including credit risk) during the Track-Record Period, see the Financial Statements beginning on page F-1 of this Prospectus.

Other receivables mainly refer to VAT.

Contract assets

The Group's contract assets represent amounts of the contract works completed in excess of payment by customers under sales contracts for new yachts as of the end of each of the relevant period.

The Group's contract assets increase from €115.4 million as of December 31, 2022 to €139.0 million as of March 31, 2023 primarily due to an increase in contract works mainly attributable to an increase in order intake.

The Group's contract assets increase from €111.8 million as of December 31, 2021 to €115.4 million as of December 31, 2022 primarily due to an increase in contract works mainly attributable to an increase in order intake.

The Group's contract assets decreased from €176.0 million as of December 31, 2020 to €111.8 million as of December 31, 2021 primarily due to an increase in the advances received mainly attributable to an increase in order intake.

Inventories

	March 31, 2023 (unaudited)			December 31, 2022			December 31, 2021			December 31, 2021		
	Gross value	Allowa nce for write- downs	Net amount	Gross value	Allowa nce for write- downs	Net amount	Gross value	Allowa nce for write- downs	Net amount	Gross value	Allowa nce for write- downs	Net amount
	<i>(€ thousand)</i>											
Raw materials and components inventory	65,806	(10,541)	55,266	64,896	(8,354)	56,541	52,534	(6,928)	45,606	34,706	(4,750)	29,956
Work in progress and semi-finished goods	103,486	-	103,486	92,783	-	92,783	62,919	-	62,919	53,886	-	53,886
New boats	38,851	-	38,851	32,263	(230)	32,032	20,931	(330)	20,601	62,809	(685)	62,124
Used boats	29,641	(5,695)	23,946	19,856	(3,093)	16,763	19,003	(3,742)	15,261	37,068	(6,093)	30,975
Total inventories	237,785	(16,236)	221,549	209,797	(11,678)	198,120	155,387	(11,000)	144,387	188,469	(11,528)	176,941

The "Raw materials and components inventory" is adjusted by an allowance for write-downs that reflects an estimate of slow-moving and/or potentially obsolete inventory items.

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

The item “New boats”, refers to boats not covered by orders, whose production had been completed at the closing date of the financial year. The carrying amount of finished boats not covered by orders was adjusted by means of an allowance to bring it down to the lower of the cost or estimated realizable value.

The carrying amount of the used boats was adjusted by means of an allowance for write-downs to bring the purchase cost down to its estimated realizable value.

Trade payables and other payables

The table below sets forth a breakdown of trade payables and other payables during the Track-Record Period:

	As of March 31, (unaudited)		As of December 31,	
	2023	2022	2021	2020
	<i>(€ thousand except percentages)</i>			
Financial instruments included in trade payables and other payables ^(*)	(300,853.0)	(293,150.0)	(242,155.0)	(196,338.0)
Other (accruals and deferred income)	(48,807.0)	(44,214.0)	(36,654.0)	(26,138.0)
Trade and other payables (current)	(349,660.0)	(337,364.0)	(278,809.0)	(222,476.0)

^(*) This item refers to payables to suppliers and other creditors, considering that the payables to suppliers represented by invoices are considered as financial instruments for the purposes of the IFRS.

The table below sets forth future cash flows required for payments of the Group’s financial instruments included in trade payables and other payables, which do not any include any significant amount expired at the reporting date:

	Balance at Reporting Date	Less than 3 months	4 to 9 months	10 to 12 months	1 to 5 years	More than 5 years
	<i>(€ thousand)</i>					
Total at March 31, 2023	(300,853)	(249,589)	(49,658)	(1,606)	-	-
Total at December 31, 2022	(293,150)	(245,786)	(45,758)	(1,606)	-	-
Total at December 31, 2021	(242,155)	(189,334)	(51,112)	(1,709)	-	-
Total at December 31, 2020	(196,338)	(138,089)	(46,606)	(11,643)	-	-

None of Group’s trade payables have a maturity of over 12 months. For further information on Group’s financial risk management (including liquidity risk) during the Track-Record Period, see the Financial Statements beginning on page F-1 of this Prospectus.

Contract liabilities

The Group’s contract liabilities represent amounts paid by its customers under sales contracts for new yachts that have not been fully executed. Such liabilities comprise advances received in excess of the contract works completed or in respect of works not yet commenced, as of the end of each of the relevant period.

The Group’s contract liabilities decreased from €185.9 as of December 31, 2022 to €178.7 million as of March 31, 2023 primarily due to in contract works.

The Group’s contract liabilities increased from €131.6 million as of December 31, 2021 to €185.9 million as of December 31, 2022 primarily due to an increase in the advances received mainly attributable to an increase in order intake.

The Group’s contract liabilities increased from €55.7 million as of December 31, 2020 to €131.6 million as of December 31, 2021 primarily due to an increase in the advances received mainly attributable to an increase in order intake.

Non-current assets

The following table sets forth a summary of the composition of the Group's non-current assets as of March 31, 2023, December 31, 2022, 2021 and 2020

	As of March 31, (unaudited)	As of December 31,			Changes			
	2023	2022	2021	2020	2021 vs 2022	%	2020 vs 2021	%
<i>(€ thousand except percentages)</i>								
Property, plant and equipment	348,975	303,394	259,854	231,651	43,540	16.8%	28,203	12.2%
Intangible assets	263,331	264,070	258,174	262,349	5,896	2.3%	(4,175)	(1.6%)
Other non-current assets.....	4,396	5,031	5,189	3,019	(158)	(3.0%)	2,170	71.9%
Deferred tax assets.....	11,805	16,397	17,660	18,349	(1,263)	(7.2%)	(689)	(3.8%)
Non-current assets	628,507	588,893	540,877	515,368	48,106	8.2%	25,509	(4.9%)

As of March 31, 2023

The Group's non-current assets increased to €628.5 million as of March 31, 2023 compared to €588.9 million as of December 31, 2022 primarily due to an increase in property, plant and equipment.

As of December 31, 2022, 2021 and 2020

Property, plant and equipment

The following table sets forth the movements of the Group's property, plant and equipment assets as of December 31, 2022, 2021 and 2020:

	As of December 31,			Changes			
	2022	2021	2020	2021 vs 2022	%	2020 vs 2021	%
<i>(€ thousand except percentages)</i>							
Land and buildings	183,098	153,650	134,234	29,448	19.2%	19,416	14.5%
Plant, machinery and equipment.....	18,714	15,410	11,238	3,304	21.4%	4,172	37.1%
Other property, plant and equipment	22,315	16,495	17,074	5,820	35.3%	-579	-3.4%
Models and moulds.....	79,268	74,299	69,105	4,969	6.7%	5,194	7.5%
Total	303,394	259,854	231,651	43,540	16.8%	28,203	12.2%

As of December 31, 2022, the Group's net carrying amounts of property, plant and equipment increased to €303.4 million compared to €259.8 million as at December 31, 2021 and €231.7 million as of December 31, 2020 mainly due significant investments the Group made to renew and expand its product portfolio and upgrade its production facilities.

Intangible assets

The following table sets forth the movements of the Group's intangible assets as of December 31, 2022, 2021 and 2020:

	As of December 31,			Changes			
	2022	2021	2020	2021 vs 2022	%	2020 vs 2021	%
<i>(€ thousand except percentages)</i>							
Goodwill	8,914	1,631	1,631	7,283	>100.0%	-	0.0%
Trademarks	244,448	243,980	243,840	468	0.2%	140	0.1%
Other intangible assets	10,709	12,563	16,878	(1,854)	-14.8%	(4,315)	-25.6%
Total	264,070	258,174	262,349	5,897	2.3%	(4,175)	-1.6%

The item Goodwill relates to the investment in the subsidiary Zago S.p.A., the subsidiary Ferretti Group (Monaco)S.a.M. and the new subsidiaries acquired during the year ended December 31, 2022, Il Massello S.r.l. and Fratelli Canalicchio S.p.A.

The following table sets forth a breakdown of the value of “Trademarks” for the periods under review:

	As of December 31,			Changes			
	2022	2021	2020	2021 vs 2022	%	2020 vs 2021	%
	<i>(€ thousand except percentages)</i>						
<i>Ferretti Yachts</i>	95,318	95,318	95,318	-	0.00%	-	0.00%
<i>CRN</i>	46,528	46,528	46,528	-	0.00%	-	0.00%
<i>Custom Line</i>	36,718	36,718	36,718	-	0.00%	-	0.00%
<i>Riva</i>	30,848	30,716	30,716	132	0.43%	-	0.00%
<i>Wally</i>	25,434	25,434	25,434	-	0.00%	-	0.00%
<i>Pershing</i>	8,609	8,609	8,609	-	0.00%	-	0.00%
<i>Easy Boat</i>	9	9	9	-	0.00%	-	0.00%
<i>Costs for trademark protection</i>	983	648	508	335	51.70%	140	27.60%
Trademark (indefinite useful life)	244,448	243,980	243,840	468	0.19%	140	0.10%

The item Other intangible assets includes (i) Concessions with a net book value of €1,519 thousand, relating primarily, to the costs incurred to acquire docking rights in a marina located in Cattolica within the framework of the detailed public initiative plan for port facilities in the Municipality of Cattolica. The docking rights will be valid until 2053. Besides the docking rights, the net value of the investment is €613 thousand; the right will remain valid until 2067; (ii) Intellectual property rights with a net book value of €8,151 thousand include the costs of the projects carried out by the Group, which extended to the main business areas, in view of constant improvement and complete integration of the various Group companies operating in Italy and abroad, as part of the reorganisation of the Group initiated in previous years. This item also includes the design work to develop naval platforms for the construction of the CRN models. The Group conducted research and development on innovative solutions for each model to be applied to all units built. In particular, the projects being developed include: the creation of special gates, built on land before the steel boat structure arrives in the shipyard; standardisation of the plant processes; study of the installation of plastic pipes to optimise footprint; development of an engine room optimised for the passage of pipes and conduits; and the study and development of light-weight furnishings, with support from the Engineering Department.

The residual value of the item Other intangible assets equal to €1,038 thousand refers to the net value of licences for new IT applications and the net value of patents.

Other non-current assets

The item “Other non-current assets” refer to advances on commissions paid on the basis of interim receipts from customers for boats that will be delivered after the following year, prepaid expenses due after year-end and to security deposits.

The Group carried out impairment tests in accordance with IAS 36, allocating to its CGUs all of its operating assets and liabilities, including Property, plant and equipment, and Intangible assets (including Goodwill and Trademarks).

Based on the impairment test carried out as of December 31, 2022, the recoverable amounts of the CGUs were determined considering their value in use, from the point of view of the entity that carries out the business, for which it assumes a value proportionate to the expected cash flows arising from its continued use and disposal at the end of activities. The Group used its 2023-2027 business plan, approved by the Company’s Board of Director on March 8, 2023, to calculate the value in use of the CGUs and extrapolated perpetuity. Having considered the historically strong overperformance of the global luxury yacht market and the expectation to continue to overperform the underlying market in the mid- to long -term, the Group forecasted its revenues coherently with the main trends of the global luxury yacht market, as estimated by the Group using data from the report “Recreational Boat Market, Global Outlook and Forecast 2022-2027” issued by Arizton Advisory & Intelligence and the report “Industry Report on the Global Yacht Industry” issued by China Insight Consultancy.

On the basis of its analysis, the Group’s management concluded that CGUs carrying amount significantly exceeded their recoverable amount. The Group also conducted sensitivity analyses of the parameters applied in the base version of the test, increasing or decreasing the WACC discount rate and/or the g-rate. On the basis of its analysis, the Group’s management has not identified any reasonably possible change in the key parameters that could cause the carrying amount of the CGUs to exceed the recoverable amount.

As of March 31, 2023, taking into account order intake, revenue and Adjusted EBITDA for the three-month period ended March 31, 2023, as well as the results of the impairment test performed at December 21, 2022 (including sensitivities), the Group did not identify any impairment indicators and therefore no impairment test has been performed.

For further information on the Group's impairment tests, see the Financial Statements beginning on page F-1 of this Prospectus.

In addition, the Group did not identify any indicators of impairment since March 31, 2023 that might impact the recoverability of its non-current assets, including trademarks and goodwill.

Other assets and liabilities

Other assets and liabilities mainly include provision and non-current employee benefits.

Provisions

The table below shows the changes that occurred in "Provisions" during the period ended March 31, 2023:

	Provision for product warranties	Provisions for miscellaneous risks	Total provisions
	<i>(€ thousand except percentages)</i>		
Balance at January 1, 2023 (audited)	26,300	29,693	55,995
Additions	11,232	5,330	16,561
Utilisations during the period	(6,807)	(2,870)	(9,676)
Total at March 31, 2023 (unaudited)	30,725	32,154	62,880

The table below shows the changes that occurred in "Provisions" during the year ended December 31, 2020, 2021 and 2022

	Provision for product warranties	Provisions for miscellaneous risks	Total provisions
	<i>(€ thousand except percentages)</i>		
Balance at January 1, 2020 (audited)	15,949	32,404	48,353
Additions	15,084	6,178	21,262
Utilisations during the period	(15,775)	(9,150)	(24,925)
Total at December 31, 2020 (audited)	15,258	29,432	44,690
Balance at January 1, 2021 (audited)	15,258	29,432	44,690
Additions	18,767	7,346	26,113
Utilisations during the period	(15,158)	(15,206)	(30,364)
Total at December 31, 2021 (audited)	18,867	21,572	40,439
Balance at January 1, 2022 (audited)	18,867	21,572	40,438
Additions	26,097	16,302	42,399
Utilisations during the period	(18,663)	(8,181)	(26,843)
Total at December 31, 2022 (audited)	26,300	29,693	55,995

Provision for product warranties

	As of March 31, (unaudited)		As of December 31,	
	2023	2022	2021	2020
	<i>(€ thousand except percentages)</i>			
Current portion	14,722	13,251	9,484	7,716
Non-current portion	16,004	13,049	9,283	7,542

Total provision for product warranties	30,725	26,300	18,867	15,258
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The “Provision for product warranties” reflects the best possible estimate based on available information of the warranty obligations that may be incurred after the reporting date for products sold before that date.

The Group’s provision for product warranties increased from €15.3 million as of December 31, 2020 to €30.7 million as of March 31, 2022 which was generally in line with the increase in new yachts delivered.

Provisions for miscellaneous risk

	As of March 31, (unaudited)	As of December 31,		
	2023	2022	2021	2020
	<i>(€ thousand except percentages)</i>			
Legal proceedings and tax and employment law litigation	9,060	9,171	6,359	16,928
Dealer incentives	10,305	10,007	8,392	6,798
Provisions for completion of boats	2,658	2,813	1,512	1,808
Provisions for other risks	10,131	7,702	5,309	3,898
Total provisions for miscellaneous risks	32,154	29,693	21,572	29,432

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

The Group is involved mainly in two tax litigation proceedings: (i) litigation related to VAT for the 2009 period and its appeal was granted in the first and second instance from the Company. The Italian Revenue Agency lodged an appeal in the third instance, that in March 2023 the Court requested to archive. No formal decision has been communicated to the Group at the date of the approval of this report; (ii) litigation related to the so-called “splafonamento” (VAT threshold) for the 2012 tax year. The Provincial Tax Commission accepted the appeal presented by the Company, against which The Revenue Agency notified its appeal. Total claims under the two proceedings is approximately €5 million.

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

The “*Provisions for other risks*” were established to cover liabilities that are likely to arise as a future result of legal transactions that Group companies could enter into in the normal course of business.

In addition, in connection with the Company’s development project for public land in La Spezia, the Company presented a new project entailing significant modifications from the original one approved in 2006 in relation to the reclamation of seabed. It should be noted that any changes to the project require further inquiries relating to the initiatives to be pursued to conclude the process of reclaiming the seabed since the procedure has yet to be completed pursuant to Article 242 et seq. of Legislative Decree No. 152/2006. The expected costs of this reclamation project have been estimated by the Company to amount to between €200 thousand and €400 thousand and as of the date of approval of the Financial Statements, the Group is waiting for indications from the Port Authority of La Spezia on the actions to be taken.

Total equity

The table below sets forth the changes in the Group’s total equity for the period under review:

	For the three-month period ended March 31, (unaudited)	For the year ended December 31,		
	2023	2022	2021	2020
	<i>(€ thousand)</i>			
At the beginning of the year/ period	778,391	498,066	463,325	449,325
.....				

Profit for the year/period	18,557	60,546	37,383	21,982
Other comprehensive income / (loss) for the year/period	(1,923)	4,316	868	(1,400)
Dividends	-	(6,707)	(3,510)	(6,582)
Issue of share capital	-	231,496	-	-
Transaction costs	-	(8,176)	-	-
Acquisition of subsidiaries	-	(1,155)	-	-
At the end of the year/period	795,025	778,391	498,066	463,325

The items “Issue of share capital” and “Transaction costs” refer to the 2022 Offer and the allotment and the issuance of the over-allotment Shares at HK\$22.88 (equal to approximately €2.63) in relation to the over-allotment option granted by the Company in respect of an aggregate of 4,167,700 Shares.

Indebtedness and contingent liabilities

Net financial indebtedness

The table below sets forth a breakdown of the Group’s net indebtedness as of the dates indicated, calculated based on ESMA recommendations 32-382-1138 issued on March 4, 2021:

	As of March 31, (unaudited)	As of December 31,		
	2023	2022	2021	2020
		(€ thousand)		
Cash	101,435	129,632	173,010	32,830
Cash and cash equivalents	160,000	188,127	0	0
Other current financial assets	75,283	86,732	8,731	3,592
Liquidity	336,719	404,491	181,741	36,421
Current financial debt (including debt instruments, but excluding current portion of non-current financial debt)	3,210	5,607	1,354	61,287
Current portion of non-current financial debt	9,625	9,894	29,803	17,737
Current financial indebtedness	12,835	15,500	31,157	79,024
Net current financial indebtedness	(323,884)	(388,991)	(150,584)	42,603
Non-current financial debt (excluding current portion and debt instruments)	23,325	24,056	57,326	84,846
Debt instruments	0	0	0	0
Non-current trade and other payables	0	0	0	0
Non-current financial indebtedness	23,325	24,056	57,326	84,846
Total Financial Indebtedness	(300,559)	(364,935)	(93,258)	127,449

Cash and cash equivalents

The following table sets forth a summary of the composition of cash and cash equivalents as of March 31, 2023, December 31, 2020, 2021 and 2022:

	As of March 31, (unaudited)	As of December 31,		
	2023	2022	2021	2020
		(€ thousand)		
Bank and postal accounts	101,415	129,615	172,957	32,804
Time deposit accounts.....	160,000	188,127	-	-
Cash and securities on hand	20	17	53	26
Total cash and cash equivalents.....	261,435	317,759	173,010	32,830

The Group's cash and cash equivalents decreased to €261.4 million as of March 31, 2023 compared to €317.8 million as of December 31, 2022 mainly due to a decrease in bank and postal accounts and time deposit accounts mainly due to cash used in invested activities. The significant increase to €317.8 million as of December 31, 2022 compared to €173 million as of December 31, 2021 and €32.8 million as of December 31, 2020 was mainly due to an increase in bank and postal accounts mainly due to Cash flows from operating activities and the proceeds from issue of shares.

The table below sets forth a breakdown by country of the Group's cash and cash equivalents as of the dates indicated:

	As of March 31, (unaudited)	As of December 31,		
	2023	2022	2021	2020
		(€ thousand)		
Italy	238,334	295,186	115,393	18,904
AMAS	20,289	18,642	27,898	12,966
APAC	2,263	3,668	29,476	707
Other	549	264	243	252
Cash and cash equivalents.....	261,435	317,759	173,010	32,830

The Group has a centralized finance management, aimed to better manage the financial resources of the Group, coordinates and finance of its subsidiaries in AMAS and APAC, and also has cash pooling agreements in place with the subsidiaries Zago S.p.A., Fratelli Canalicchio S.p.A. and Il Massello S.r.l.. In addition during the year ended December 31, 2022, the Company has signed time deposit accounts agreements with four primary banks, in order to benefit of increasing interest rates, with maturities ranging from one month to six months. For further information on Group's financial risk management during the Track-Record Period, see the Financial Statements beginning on page F-1 of this Prospectus.

Other current assets

The following table sets forth a summary of the composition of the Group's other current assets as of March 31, 2023, December 31, 2020, 2021 and 2022:

	As of March 31, (unaudited)	As of December 31,		
	2023	2022	2021	2020
		(€ thousand)		
Escrow accounts	761	1,346	2,224	3,592
Time deposit accounts and other financial investments...	73,853	83,267	-	-
Incidental borrowings costs.....	643	641	-	-
Other.....	27	1,478	6,508	-
Other current assets.....	75,283	86,732	8,731	3,592

The Group's other current assets totalled €75.2 million as of March 31, 2022, compared to €86.7 million as of December 31, 2022, €8.7 as of December 31, 2021 and €3.6 million as of December 31, 2020.

The escrow accounts for €1.4 million as of December 31, 2022 refers to the deposits received by the subsidiary Allied Marine Inc. for its brokerage service (€2,224 as of December 31, 2021). These funds, which are provided by customers upon the signing of an order, are held in escrow until the boat is delivered to the corresponding customer.

During the year ended December 31, 2022, the Company has signed time deposit accounts agreements with four primary banks, in order to benefit of increasing interest rates. The deposits have maturities ranging from one month to six months

and outstanding amounts with a maturity of more than three months are classified as “Other current assets” for a total of €40 million.

On May 20, 2022, the Company subscribed two insurance investment product policies. In accordance with the terms and conditions of these policies, Mr. Alberto Galassi is the insured person (*soggetto assicurato*) and the Company is the policy holder and recipient (*beneficiario*) of the policies. The first product is a unit-linked insurance plan with CNP Vita Assicurazioni S.p.A. used for investment in instruments selected by the Company, as policy holder, for a one-off premium (*premio unico*) of €38 million. The second product is a combined insurance and investment plan with Bipiemme Vita S.p.A. used for investment in instruments selected by the Company, as policy holder, for a premium of €5 million. Both these premiums are invested into segregated funds composed by a combination of several securities chosen by the Company and, on the basis of the performance of such securities, the policy holder will obtain an annual coupon (*cedola 192pecia*). The Company is entitled to request at any time the reimbursement of the premiums paid subject to payment of minimum penalties whose amount decrease based on the time that accrued since the date of signature of the policies. The premium of the first product will be released in case of death of the insured person (*i.e.*, Mr. Alberto Galassi). The premium of the second product will be released in case of death of the insured person (*i.e.*, Mr. Alberto Galassi) before the termination of the policy or at the termination of the policy in case of outliving of the insured person (*i.e.*, Mr. Alberto Galassi).

The “Incidentals borrowing costs” refer for €641 thousands to the committed Revolving Credit Facility and Revolving Pre-Finance Facility, not in use on December 31, 2022, but available until August 2024.

The item “Other” includes a receivable claimed by the Company from Perini Navi S.p.A. for €1,432 thousand, purchased from a financial institution (Banca Ifis S.p.A.). This receivable amounts to around one-third of the nominal value of the receivable. This receivable was purchased in relation to the project to acquire Perini Navi S.p.A. and was collected in the first quarter of 2023.

Indebtedness

During the Track-Record Period, the Group’s indebtedness mainly comprised bank borrowings, maturity-factoring liabilities and lease liabilities. The table below sets forth a breakdown of the Group’s indebtedness as of the dates indicated:

	As of March 31, (unaudited)	As of December 31,		
	2023	2022	2021	2020
	(€ thousand)			
Included in current liabilities				
Due to banks net of incidental borrowing costs	2,882	4,025	23,126	41,617
Due to maturity factoring liabilities	–	–	–	29,639
Lease liabilities	8,953	8,799	8,031	7,768
Minority Shareholders’ Loan	1,000	1,000	–	–
Others		1,676	–	–
Subtotal.....	12,835	15,500	31,157	79,024
Included in non-current liabilities				
Due to banks net of incidental borrowing costs	2,636	2,786	34,556	55,989
Lease liabilities	18,734	19,359	22,770	28,857
Other	1,956	1,912	0	0
Subtotal.....	23,325	24,056	57,326	84,846
	36,160	39,556	88,483	163,870

The table below sets forth the interest rate profile of the Group’s indebtedness as of the dates indicated:

	As of March 31, 2023 (unaudited)			As of December 31,								
	2023			2022			2021			2020		
	Effective int rate			Effective int rate			Effective int, rate			Effective int. rate		
	(%)	Maturity	€	(%)	Maturity	€	(%)	Maturity	€	(%)	Maturity	€
<i>(€ thousand except percentages)</i>												
Current												
Due to banks, secured	Euribor* +1.6	2024	189	Euribor* +1.6	2023	150	Euribor* +1.5-2.9	2022	23,047	Euribor* +2.6-3.0	2021	32,501
Due to banks, unsecured	Euribor* +1.0-3.5	2024	2,693	Euribor* +1.0-3.5	2023	3,878	1.8-9.2	2022	1,354	1.2-2.0	2021	10,648
Incidental borrowing costs			—			—			(1,275)			(1,532)
Due to banks net of incidental borrowing costs			2,882			4,025			23,126			41,617
Due to maturity factoring liabilities			—			—			—	1.5	2021	29,639
Lease liabilities	1.7 – 4.7	2024	8,953	1.7-4.7	2023	8,799	1.7-4.7	2022	8,031	2.0-4.7	2021	7,768
Minority Shareholders’ Loan		2024	1,000			1,000			0			0
Others			—			1,676			0			0
Total short- term			12,835			15,500			31,157			79,024
Non-current												
Due to banks, secured	Euribor* +1.6	2024	1,528	Euribor* +1.6	2024	1,605	Euribor* +1.5-2.9	2024	35,792	Euribor* +2.6-3.0	2024	58,499
Due to banks, unsecured	Euribor* +1.0-3.5	2024	1,108	Euribor* +1.0-3.5	2024	1,181						
Incidental borrowing costs			—			—			(1,236)			(2,510)
Due to banks net of incidental borrowing costs			2,636			2,786			34,556			55,989
Lease liabilities	1.7 – 4.7	2031	18,734	1.7-4.7	2031	19,359	1.7-4.7	2031	22,770	2.0-4.7	2031	28,857
Other			1,956			1,912			0			0
Total medium- /long-term			23,325			24,056			57,326			84,846
Total bank and other borrowings ..			36,160			39,556			88,483			163,870
<i>Of which:</i>												
<i>Floating interest rate</i>	15%		<u>5,518</u>	17%		<u>6,814</u>	64%		<u>56,328</u>	53%		<u>86,958</u>
<i>Fix interest rate</i>	85%		<u>30,642</u>	83%		<u>32,742</u>	36%		<u>32,155</u>	47%		<u>76,912</u>
:												

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

During the Track-Record Period cash flow hedging was done in view of the limited exposure to floating interest rate. For further information on Group’s financial risk management (including interest risk) during the Track-Record Period, see “—*Financial risk management*” and the Financial Statements beginning on page F-1 of this Prospectus.

The table below sets forth the maturity profile of the Group's bank and other borrowings as of the dates indicated:

	As of March 31, (unaudited)		As of December 31,	
	2023	2022	2021	2020
			(€ thousand)	
Bank borrowings repayable:				
Within one year or on demand	3,882	6,701	23,161	41,652
In the second to fifth years, inclusive.....	1,679	1,799	34,523	56,286
Beyond five years.....	956	986	-	-
	6,518	9,486	57,979	97,938
Other borrowings repayable:				
Within one year or on demand	8,953	8,799	7,996	37,372
In the second to fifth years, inclusive.....	20,690	16,601	17,763	22,053
Beyond five years.....	-	4,669	4,745	6,508
	29,642	30,069	30,504	65,933
	36,160			
Total		39,566	88,483	163,870

The Group's bank borrowings during the Track-Record Period were denominated in Euro and were used to finance its capital expenditure and working capital requirements. As of March 31, 2023, December 31, 2022, 2021 and 2020, the Group's bank borrowings amounted to €6.5 million €9.5 million, €57.7 million and €97.6 million, of which €1.7 million, €1.8 million, €58.8 million and €91.0 million, were secured mainly by certain buildings.

As of December 31, 2021 and 2020, the Group's bank borrowings mainly relate to amount outstanding under the Facilities Agreement, whilst as of March 31, 2023 and December 31, 2022 the Group's bank borrowings mainly relate to amount under certain loans agreement outstanding in the newly acquired subsidiaries

The following table set forth a detail of these positions as of March 31, 2023:

Bank	Company	Subscription Date	Original Amount	Expiry date	Remaini ng Debt March 31, 2023	Withi n 12 mont hs	Over 12 mont hs
Banco BPM	Fratelli Canalicchio S.p.A.	April 25, 2019	1,100	February 29, 2036	966	72	894
BPER Banca	Fratelli Canalicchio S.p.A.	July 23, 2020	800	July 23, 2026	539	173	367
Banco BPM	Fratelli Canalicchio S.p.A.	September 22, 2022	500	September 30, 2037	487	56	431
BPER Banca	R.A.M. S.p.A.	September 18, 2015	600	September 18, 2025	264	61	204
BCC Bank	Il Massello S.r.l.	February 8, 2019	396	November 8, 2025	217	60	157
BCC Bank	Parola Srl	June 28, 2006	500	May 28, 2030	187	29	158
Minority Shareholders' Loan	Fratelli Canalicchio S.p.A.	September 19, 2019	1,000	<i>on demand</i>	1,000	1,000	-
Other Term Loan Facilities					648	222	426
Other short-term borrowings					2,210	2,210	-
Total					6,518	3,882	2,635

As of the Prospectus Date, the Group is party to several loan agreements containing cross acceleration, cross-default, negative pledge, limitations on the distribution of dividends or change of control clauses. All the cross-default clauses are internal to the Group. In the 2020-2022 period and until the Prospectus Date, none of the cross acceleration, cross-default, negative pledge, limitations on the distribution of dividends or change of control clauses were triggered. In early 2020 the Group negotiated temporary extensions of the installment terms under certain loan agreements in connection with the Covid-19 pandemic outbreak and, as of the Prospectus Date, the Group is in compliance with the commitments and obligations thereunder. Furthermore, the Facilities Agreement is secured, *inter alia*, by a pledge over bank accounts of the Company. With respect to these accounts, the Company must deposit on an annual basis at least €30,000,000 in sales proceeds and maintain a minimum balance of €2,000 in each pledged bank account.

Under the terms of the Facilities Agreement, the Group is required to maintain a specified Leverage Ratio (calculated as the ratio of net debt to EBITDA (non-IFRS measure)) and a Backlog Ratio (calculated as the ratio of order backlog to the amounts outstanding under the Revolving Pre-Finance Facility). For purposes of calculating the Leverage Ratio, EBITDA and total net debt shall be calculated without taking into account (i) IFRS 16 as applicable from January 1, 2019 (save for the financial lease related provisions), (ii) IFRS 3, as it applies to the agreements related to the acquisition of the Wally trademark by Sea Lion S.r.l. and the put-call arrangements on the stake held in Sea Lion S.r.l. and (iii) IAS 38 as it applies

to the Wally trademark. The Leverage Ratio shall be calculated in accordance with the Company's accounting principles and shall be determined with reference to (a) any test date falling on June 30 of any year, on the basis of the Group's most recent consolidated semi-annual financial statements and (b) any test date falling on December 31 of any year, on the basis of the Group's most recent consolidated annual financial statements. In addition, EBITDA shall be determined on a twelve-month rolling basis (taking into account a twelve-month period ending on that test date) with reference to the Group's most recent audited consolidated annual financial statements delivered to the Agent.

In June 2020, the Company temporarily breached the Leverage Ratio, primarily due to COVID-19 restrictions imposed by the Italian government, which led to a two-month suspension of the operations at the Group's six shipyards, and, in turn, to a delay in achieving production milestones, delayed payment collection from customers and postponement of orders. The breach was subsequently waived by the lenders. In line with standard provisions usually included in similar financing transactions, the Facilities Agreement provides for certain customary terms and conditions, including covenants, certain events of default and cross-default. For further information on the main terms and conditions of the Facility Agreement, see "*Business—Material Agreements—Facilities Agreement dated August 2, 2019 (as subsequently amended)*."

As of March 31, 2023, the Group had undrawn credit facilities of €100 million under the Revolving Credit Facility and the Revolving Pre-Finance Facility. For further information, see "*Business—Material Agreements—Facilities Agreement dated August 2, 2019 (as subsequently amended)*."

During the Track-Record Period and up to the Prospectus Date, except for the aforementioned breach of the Facility Agreement in June 2020, the Group has always complied with all the financial covenants set forth in the loan agreements.

In particular, the Group tested the compliance of the financial covenants set forth in the loan agreements as of December 31, 2022. As of the Prospectus Date, the compliance of the financial covenants is in line with the most recent business plan of the Company.

Contingent liabilities

Except as disclosed above, as of March 31, 2023, the Group did not have any outstanding debt securities, mortgage, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or acceptance credits, or other similar indebtedness, leasing and financial leasing commitments, hire purchase commitments or other material contingent liabilities.

Off-balance sheet arrangements

The Group has not entered into, nor does it expect to enter into, any off-balance sheet arrangements. The Group has not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties, except as disclosed below under the heading "*—Guarantees and commitments.*" In addition, the Group has not entered into any derivative contracts that are indexed to its equity interest and classified as owners' equity, or that are not reflected in the Financial Statements. Furthermore, the Group does not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. The Group does not have interest in any unconsolidated structured entity that provides financing, liquidity, market risk or credit support to it or engages in leasing or hedging or research and development services with the Group.

Contractual obligations

The following table summarizes certain of the Group's contractual obligations and commitments owed to third parties, as of March 31, 2023, by maturity:

	Less than 1 year	1-5 years	More than 5 years	Total
	<i>(€ thousand)</i>			
Bank and other borrowings.....	3,882	1,679	956	6,518
Other borrowings ⁽¹⁾	8,953	20,690	-	29,642
Total.....	12,835	22,369	956	36,160

⁽¹⁾Includes liabilities related to leases equal to €27.7 million.

Guarantees and commitments

During the Track-Record Period, certain guarantees were issued, and commitments were undertaken by the Group to secure payables and other obligations. Typical examples of such include:

- guarantees issued by banks in favor of the Group's customers for their advances paid for the construction of yachts;

- surety policies issued for the benefit of tax agencies in connection with the Group's VAT rebate, refund, credit or offsets;
- surety policies issued for the benefit of customs agencies in connection with the Group's custom duties;
- insurance sureties for the benefit of municipal government development projects;
- insurance policies issued to government authorities in relation to concession charges;
- surety policies received for granting the use of public land; and
- surety policies received in relation to the excise incentives on diesel used in engine tests.

The Group had a bank guarantee issued in relation to the process of being awarded the Wally brand, which its Directors estimate will be released upon the fulfilment of conditions stated in the relevant agreements.

There no restrictions on the use of capital resources that have materially affected, or could materially affect, directly or indirectly, the issuer's operations.

As of March 31, 2023, the Group's banks guarantees provided (such as, *inter alia*, mortgages over properties, special liens over travelling cranes (*carri ponte*) and travel lifts, pledge ecc.) in relation to the credit agreements amounted to Euro 85.4 million (a percentage equal to 5.9% of the Group's total assets for the same period). For more information regarding the guarantees (including mortgages over properties of the Group) granted by the Group with reference to the Facility Agreement, see "*Business—Material Agreements—Facilities Agreement dated August 2, 2019 (as subsequently amended)*."

Capital expenditures and commitments

Capital expenditures

The table below sets forth the Group's capital expenditures for the periods indicated:

	As of March 31, (unaudited)	As of December 31,		
	2023	2022	2021	2020
		(€ thousand)		
Property, plant and equipment.....	58,331	81,131	66,411	76,667
Intangible assets	677	4,129	3,342	8,983
Total capital expenditures	59,008	85,260	69,753	85,650

The Group's capital expenditures during the Track-Record Period were primarily in connection with renewing and expanding its product portfolio, including the acquisition of the Wally trademark in 2019, and expanding and upgrading its production facilities. The Group intends to fund its planned capital expenditures through the cash generated from operating activities.

The Group's acquisitions during the Track-Record Period relate to the following: (i) in 2023, the acquisition of a shipyard, the "Cantiere San Vitale", located in Ravenna (€ 41.0 million); (ii) in 2022 Ma.Ri.Na. S.r.l. (€ 0.5 million) and Fratelli Canalicchio S.p.A. (€3.6 million); (iii) in 2021 Il Massello S.r.l. (€6.4 million) and (iv) in 2020 Ram S.r.l. (€0.7 million). For further information, see "*Business—Material Agreements*".

In addition, pursuant to the Program Agreement, the gross aggregate amount of the investments to be made in connection with the Yard Belleli Area located in Taranto is €204.8 million before discounts and depreciations, of which gross €67.2 million before discounts and depreciations (*i.e.*, a net amount of €57.0 million) will be borne by the Company. In connection with this investment, Ferretti Tech submitted the application to Invitalia for the following non-refundable governmental contributions ("*contributi a fondo perduto*"): (i) €12.6 million for industrial investments; and (ii) €1.2 million for research and development investments ("the "**Contributions**"). On April 14, 2023, Invitalia has approved the application of Ferretti Tech for these Contributions. For further information, see "*Business—Material Agreements—Program Agreement dated July 22, 2022*".

The investments attributable to underwritten commitments related to the purchase of the assets described above will be totally self-financed through the cash generated from operating activities.

Except as disclosed above, the Group has not underwritten any other relevant capital expenditure and/or final commitments as of the Prospectus Date.

For further information on Group's capital expenditures and acquisitions during the Track-Record Period, see the Financial Statements beginning on page F-1 of this Prospectus.

Financial risk management

The Group is exposed to a variety of financial risks, including interest rate risk, credit risk, liquidity risk and currency risk, as set out below. The Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. For further information, see the Financial Statements beginning on page F-1 of this Prospectus.

Currency Risk

The Group is primarily exposed to the exchange rate risk in relation to the US Dollar as a result of the sales made by the subsidiary Ferretti Group of America LLC. The Group also incurs costs in US Dollars for the purchase of components and for structural costs of its American subsidiaries, which offsets exposure of its US Dollar sales. To mitigate exchange risk, in 2021 the Company used cash flow hedging financial instruments through simple derivatives, such as currency forwards in place for expected future cash flows. During the three-month period ended March 31, 2023 and the year ended December 31, 2022 no cash flow hedging was done in view of the exchange rate trend. As of March 31, 2023, December 31, 2022 and 2021, there were no currency forwards in place. For the years ended December 31, 2022, 2021 and 2020 the Group recorded foreign exchange gains of €9.4 million and losses of negative €1.5 million and €0.6 million, respectively. For the three-month periods March 31, 2023 and 2022, the Group recorded foreign exchange losses equal to €(0.1) million and a gain of €0.3 million, respectively. For further information, see the Financial Statements beginning on page F-1 of this Prospectus.

The tables below set forth the Group's net revenues from customer contracts and operating costs in Euro, U.S. dollars and other currencies for the years ended December 31, 2022, 2021, and 2020 in absolute terms and as a percentage of total net revenue:

	As of December 31,					
	2022	% of total net revenue	2021	% of total net revenue	2020	% of total net revenue
	(€ thousand or € equivalent thousand)					
EUR	788,759	76.57%	709,960	79.02%	493,419	80.71%
USD	241,340	23.43%	188,461	20.98%	117,936	19.29%
Other currencies	-	-	-	-	-	-
Total net revenues	1,030,099	100.00%	898,421	100.00%	611,355	100.00%

	As of December 31,					
	2022	% of total net revenue	2021	% of total net revenue	2020	% of total net revenue
	(€ thousand or € equivalent thousand)					
EUR	720,475	69.94%	607,264	67.59%	410,285	67.11%
USD	92,670	9.00%	62,695	6.98%	52,255	8.55%
Other currencies	13,948	1.35%	6,940	0.77%	5,697	0.93%
Total operating costs	827,093	80.29%	676,898	75.34%	468,237	76.59%

Credit Risk

Exposure to credit risk arises from the potential inability or unwillingness of the Group's customers to pay amounts due. However, due to the generally creditworthy nature of its VHNWI and UHNWI customers and its conservative commercial policies that require customers to make milestone payments (and pursuant to which the Group does not deliver yachts to customers before it receives full payment), the Group believes this risk is not material.

In addition, the Group believes that it is not subject to material credit risks from milestone payments because of the following considerations:

- for advance payments received, pursuant to the Group's standard sales contracts, (i) if a customer fails to pay a milestone payment during the construction of the yacht, after a grace period of generally 14 days, the Group may terminate the contract due to customer payment default and retain all milestone payments received from the

defaulting customer; and (ii) if a customer cancels the order during the construction of the yacht, the Group retains all milestone payments received from the customer. In other words, the Group's customers will not be able to ask for refunds even if they cancel their order; and

- for contract works completed, as the Group retains the ownership of the yachts until the full payment of the sales price by the customer, in the event of either a customer default or cancellation, the Group retains any milestone payments received prior to default or cancellation as revenue and will also be able to freely sell the yacht to another customer, thereby generating additional revenue. Due to the nature and uniqueness of the luxury industry, the Group has not experienced, nor does it expect to face in the future, any material difficulty in reselling its yachts to other customers.

Interest Rate Risk

Interest rate risk arises from interest-bearing borrowings. The Group currently does not use any interest rate swap contracts or other financial instruments to hedge against interest rate exposure.

The interest-bearing borrowings with floating interest rate amounted to €5.5 million, €6.8 million, €56.3 million and €87.0 million as of March 31, 2023, December 31, 2022, 2021 and 2020, respectively. For information on the interest rate profile of the Group's indebtedness during the Track-Record Period, see the table under “—*Indebtedness and contingent liabilities—Indebtedness.*”.

For further information, see the Financial Statements beginning on page F-1 of this Prospectus.

Liquidity Risk

The Group continuously monitors its cash position, planning its expected cash flows and identifying necessary financing sources, over a monthly horizon to ensure that it maintains sufficient reserve of cash to meet its liquidity requirements in the short and long term. For further information, see the Financial Statements beginning on page F-1 of this Prospectus.

Credit Rating

As of the Prospectus Date, the Company has not obtained nor requested any credit rating.

MANAGEMENT, EMPLOYEES AND CORPORATE GOVERNANCE

The Company

Ferretti S.p.A. is a joint-stock company (*società per azioni*) organized under the laws of Italy and managed by a board of directors (the “**Board of Directors**” or the “**Board**”). The Board of Directors, within the limits prescribed by Italian law, has the power to delegate its general authority to an executive committee or one or more managing directors. The Board of Directors determines the powers of the chief executive officer. In addition, the Italian Civil Code requires the Company to have a board of statutory auditors (the “**Board of Statutory Auditors**”) which functions as a supervisory board.

Board of Directors

The Board of Directors is the executive body of the Company and is responsible for managing the Company in accordance with applicable laws, constitutional documents and shareholder resolutions. The Board supervises the conduct of business and is responsible for the continuity of the Company and its business. The principal functions of the Board of Directors are, among other things, to carry out the Company’s business and to legally represent the Company in the dealings with third parties.

Pursuant to Article 19.1 of the By-Laws, the Board of Directors may consist of between seven and eleven members. The current Board of Directors is made up of nine directors, including two executive directors, four non-executive directors and three independent non-executive directors, appointed at the Shareholders’ Meeting held on May 18, 2023 and in office until the approval of the financial statements for the financial year ending December 31, 2025. The Board of Directors has been appointed taking into account the requirements set forth in the Consolidated Financial Act and the Corporate Governance Code as applicable to the Company from the First Trading Date. The Directors have been appointed by the Shareholders’ Meeting with immediate effect in accordance with the relevant provisions set out in the By-Laws.

On May 18, 2023, the extraordinary Shareholders’ Meeting adopted the new by-laws (the “**New By-Laws**”) in order to ensure compliance with the laws and regulations applicable to companies listed on Euronext Milan. The New By-Laws will come effective as of the First Trading Date. In accordance with Article 19.1 of the New By-Laws, the Board of Directors will be composed of a minimum of seven to a maximum of eleven members, as appointed by the ordinary Shareholders’ Meeting.

The following table sets forth the members of the Board of Directors as of the Prospectus Date and who will remain in office also after the First Trading Date.

Name and Surname	Position	Place and Date of Birth	Date of first appointment
Mr. Tan Xuguang ^(*)	Chairman of the Board of Directors and Non-Executive Director	Weifang, Shandong (People’s Republic of China), February 13, 1961	July 6, 2012
Mr. Alberto Galassi	Chief Executive Officer and Executive Director	Modena (Italy), December 23, 1964	October 23, 2013
Mr. Piero Ferrari ^(*)	Non-Executive Director	Castelvetro di Modena (Italy), May 22, 1945	June 1, 2017
Mr. Xu Xinyu	Executive Director	Weifang, Shandong (People’s Republic of China), June 24, 1963	July 6, 2012
Mr. Li Xinghao ^(*)	Non-Executive Director and Secretary of the Board of Directors	People’s Republic of China, July 7, 1985	March 6, 2020
Mr. Hua Fengmao ^(**)	Independent Non-Executive Director	Hangzhou (People’s Republic of China), July 21, 1968	December 21, 2021
Mr. Stefano Domenicali ^(**) ..	Independent Non-Executive Director	Imola (Italy), May 11, 1965	December 21, 2021
Mr. Patrick Sun ^(**)	Independent Non-Executive Director	Hong Kong (Hong Kong Special Administrative Region of the People’s Republic of China), December 21, 1958	December 21, 2021
Ms. Lan Jiang ^(*)	Non-Executive Director	Beijing (People’s Republic of China), February 28, 1967	May 18, 2023

^(*) Non-executive director.

^(**) Independent non-executive director pursuant to Article 147-ter(4) and Article 148(3) of the Consolidated Financial Act, Article 2 of the Corporate Governance Code and relevant applicable Hong Kong regulations.

Set out below are brief biographies of the directors effective as of the Prospectus Date:

Mr. Tan Xuguang — aged 63, is the Chairman of the Board and non-executive director. Mr. Tan was appointed to the Board on July 6, 2012. Mr. Tan has been the chairman of SHIG since June 2009, the chairman of Weichai Group since

August 2007, the chairman of China National Heavy Duty Truck Group Co., Ltd. since September 2018. Mr. Tan has served as the chairman and the chief executive officer of Weichai Power Co., Ltd., a company listed on the Stock Exchange and the Shenzhen Stock Exchange, since December 2002 and February 2003, respectively. Mr. Tan has over 40 years of extensive engineering management experience in the global equipment manufacturing industry. As a strategic technological entrepreneur with significant impacts at home and abroad, Mr. Tan has earned numerous prizes and awards. Mr. Tan was appointed as a representative of the tenth, eleventh, twelfth and thirteenth National People's Congress of the PRC. He was awarded various honors including the Gold Award of the 4th Yuan Baohua Enterprise Management in March 2008 by the Committee for Management Foundation of Enterprises in China, the China Outstanding Quality Person in 2015 by the China Quality Commission, the Liu Yuan Zhang Quality and Technology Contribution Award in November 2018 by the China Quality Commission, the First Class National Science Technology Advance Award as the first author in December 2018, the Leonardo Award in March 2019 by the Italian Committee of Leonardo, the Outstanding Leaders of Chinese Enterprises' Multinational Operations in October 2019 by Forbes China, the 13th Anniversary of Guanghua Engineering Science and Technology Award in September 2020 by the Awarding Foundation of the Guanghua Engineering Science and Technology and the Top Science and Technology Award of Shandong Province in December 2020. Mr. Tan currently serves as the president, manager and vice president of the China Federation of Chairmen of Industrial Economics Committee, the deputy manager of the China Internal Combustion Engine Industry Association, the vice president and executive general manager of the China Enterprise Confederation/China Entrepreneur Association and the vice president of the China Machinery Industry Federation. Mr. Tan obtained a doctorate degree in Engineering.

Mr. Alberto Galassi — aged 58, is the Chief Executive Officer and executive director. He was appointed to the Board on October 23, 2013 and became the Chief Executive Officer on May 23, 2014. Mr. Galassi is responsible for the formulation of the strategic direction of the Group and the day-to-day management of the Group. Mr. Galassi also serves as director in a number of subsidiaries. Mr. Galassi started his career as a lawyer, between 1993 and 2000, Mr. Galassi was associated with Studio Legale Capece Minutolo, where he specialized in administrative law and international arbitration. In addition to his legal experience, Mr. Galassi has over 20 years of corporate and business experience, he was a board member at Novico S.p.A., an Italian medical device company between 1995 and 1997. In 2000, he became a board member and a member of the company's executive committee at Piaggio Aero Industries S.p.A. ("**Piaggio Aerospace**"), an industry leader in business aviation and defence and security, where he was responsible for sales and marketing. Mr. Galassi played a crucial role in Piaggio Aerospace's re-launch and subsequent international success, and he was appointed as chief executive officer of Piaggio Aerospace in 2009. Mr. Galassi left his position to become the Piaggio Aerospace's chairman in 2014. Mr. Galassi has also been a board member of Manchester City Football Club since June 2012 and of Palermo Football Club S.p.A. since July 2022. Mr. Galassi obtained a degree in Law from the University of Modena in 1990 in Italy and was admitted as a lawyer to the Italian Bar Association in 1996.

Mr. Piero Ferrari — aged 77, is a non-executive director. Mr. Ferrari is vice-chairman and non-executive director of Ferrari N.V. (a company listed on the New York Stock Exchange and Borsa Italiana with stock code RACE and RACE.MI respectively) and has served as vice-chairman of Ferrari S.p.A. since 1988. "Ferrari" is one of the world's leading luxury brands dealing with the design, production and sale of high-performance luxury sports cars also competing in Formula 1. His first position with "Ferrari" dated back to 1965 working on the production of the Dino 206 Competizione racing car. From 1970 to 1988, he covered a variety of management positions in the "Ferrari" motor sport division with increasing responsibilities. He was also responsible for managing Ferrari's relationships with its suppliers, sponsors and the Fédération Internationale de l'Automobile (International Automobile Federation). Mr. Ferrari founded "High Performance Engineering (HPE-COXA)" in 1998 and continues to serve as company chairman since then. From 1999 to 2014, Mr. Ferrari served as the chairman of Piaggio Aerospace, and from 1998 to 2001, he served as chairman of the Italian Motor Sport Commission. He also formerly served as director and vice president of BPER Banca S.p.A., a bank listed at the Borsa Italiana (stock ticker: BPE) from 2002 to 2011 and from 2011 to 2014. The academic awards of Mr. Ferrari include prestigious awards like the honorary degree in Aerospace Engineering from the University of Naples Federico II in September 2004 and the honorary degree in Mechanical Engineering awarded by the University of Modena and Reggio Emilia in November 2005. In October 2004, Mr. Ferrari received from the President of the Republic of Italy, Mr. Carlo Azeglio Ciampi, the title of "Knight of Labor" (*Cavaliere del Lavoro*).

Mr. Xu Xinyu — aged 59, is an executive director. He was appointed to the Board on July 6, 2012. Mr. Xu has served as the vice-chairman and deputy general manager of Weichai Group since September 2020, the director of Weichai Power (Hong Kong) International Development Co., Ltd. since December 2011, the chairman of Weichai Power (Luxembourg) Holding S.à r.l. since November 2012, the chairman of FIH since April 2020 and an executive director of Weichai Power Co., Ltd.* since December 2002, a company listed on the HK Stock Exchange (stock code: 02338) and the Shenzhen Stock Exchange (stock code: 000338). Mr. Xu started his career at the Weifang Diesel Engine Factory from July 1986 to January 1997 as head of the human resources and operations departments. He served as the deputy general manager of Shandong Weichai Import and Export Co., Ltd. from January 1997 to July 1998, the deputy general manager and executive deputy general manager of Weifang Diesel Engine Factory from July 1999 to July 2004, the director of Torch Automobile Group Co., Ltd. from December 2005 to April 2007, the chairman of Weichai Power (Weifang) Investment Co., Ltd. from August 2005 to April 2007, the chairman of Weichai Power (Shanghai) Technology Development Co., Ltd. from August 2009 to August 2013, the chairman of Weichai Power (Beijing) International Resource Investment Co., Ltd. from October 2010 to November 2012, the chairman of Société Internationale des Moteurs Baudouin and the chairman of Weichai America Corp.

from May 2009 to July 2012. Mr. Xu obtained a bachelor degree in Mathematics from Liaocheng University in the PRC in July 1986 and an executive MBA degree from the National University of Singapore in Singapore in June 2006. Mr. Xu became a senior economist in November 2001.

Mr. Li Xinghao — aged 37, is a non-executive director. He was appointed to the Board on March 6, 2020. On June 1, 2014, Mr. Li joined the Group and successively served as the legal counsel and board secretary of the Company from June 2014 to April 2020, and was appointed as board secretary on May 18, 2023. Mr. Li joined Weichai Group in June 2013. He has been the general counsel of Weichai Group since December 2019, a director of legal and compliance department of Weichai Power Co., Ltd. since December 2019 and a director of FIH since April 2020. In addition, Mr. Li has been a supervisor of Kama Co., Ltd. since January 2021, a company listed on the Shanghai Stock Exchange (stock code: 900953). He has served as a director of FISCHER Fuel Cell Compressor AG since June 2021, and a director of Weichai (Weifang) Fuel Cell Air Compressor Co., Ltd. since June 2021. Prior to joining the Group, from July 2011 to May 2013, Mr. Li was an associate in the Shanghai Representative Office of Picozzi & Morigi Law Firm. From January 2021 to September 2021, he served as the chairman of the supervisory committee of Lovol Heavy Industry Co., Ltd. From December 2020 to November 2021, he served as a director of Power Solution International Inc. (Nasdaq ticker: PSIX). Mr. Li obtained a bachelor degree in Law from China University of Political Science and Law in the PRC in July 2009, a master degree in Law from Minzu University of China in the PRC in July 2011. Mr. Li acquired the legal professional qualification certificate granted by the Ministry of Justice of the PRC in March 2011.

Mr. Hua Fengmao — aged 53, is appointed as an independent non-executive director on December 21, 2021. In addition to his position at the Company, Mr. Hua serves as the chairman of the board of China Finance Strategies Investment Holdings since August 2014 and the chief executive officer of Chempartner Pharmatech Co., Ltd., a company listed on Shenzhen Stock Exchange (stock code: 300149) since July 2021. Mr. Hua has more than 15 years of experience in the investment banking industry. Mr. Hua previously worked at a number of investment banking firms where he was mainly responsible for corporate finance, public offering, reorganization, merger and acquisitions as well as other financial consulting work, as specified as follows: (i) prior to August 2005, Mr. Hua held various positions in various investment banks, including CLSA Capital Market Limited and Standard Chartered Securities Hong Kong Limited; (ii) from April 2008 to August 2014, Mr. Hua served as the head of direct investment department and the head of investment banking department in BOCOM International Holdings Company Limited; and (iii) from July 2018 to June 2021, Mr. Hua served as an executive director and the chief financial officer of Viva Biotech Holdings, a company listed on the Stock Exchange (stock code: 1873). Mr. Hua obtained his bachelor's degree in English from Shanghai International Studies University in the PRC in July 1989. He obtained his master's degree in Business Administration from the International University of Japan in June 1997 in Japan.

Mr. Stefano Domenicali — aged 57, is appointed as an independent non-executive director on December 21, 2021. Mr. Domenicali has over 20 years extensive experience in automobile industry, luxury brands and organization promotion. He began his professional career in 1991 with Ferrari where he held various positions, including heading up the Direzione Sportiva F1 from 2004 and the Team Principal for its Formula 1 team from 2008, where he won a total of 14 titles in the F1 Constructors' and Drivers' Championships. From 2009 to 2014, Mr. Domenicali represented Ferrari in the FIA World Motor Sport Council. In November 2014, he became Vice President of the New Business Initiatives at AUDI AG, world's leading producers of premium cars and in March 2016, he became the chief executive officer of Automobili Lamborghini, global leader among super sports car manufacturers. Mr. Domenicali stepped down as the president of the FIA Single Seater Commission in 2020 and in January 2021, he became the President & chief executive officer of Formula 1, the world's most popular annual sporting series, on the back of his illustrious career within the motoring industry, where he has had success within both motorsport and commercial roles. Mr. Domenicali studied Economics and Commerce at the University of Bologna in Italy and graduated in 1991.

Mr. Patrick Sun — aged 64, is appointed as an independent non-executive director on December 21, 2021. In addition to his position at the Company, Mr. Sun serves as an independent non-executive director of Kunlun Energy Company Limited (stock code: 00135) since February 2016 and AustAsia Group Ltd. (stock code: 02425) since December 2022, respectively. Mr. Sun was an independent non-executive director of China Railway Signal & Communication Corporation Limited (stock code: 3969) from May 2015 to August 2018, Trinity Limited (in liquidation) (stock code: 891) from October 2008 to November 2020, China NT Pharma Group Company Limited (stock code: 1011) from March 2010 to December 2019, Sihuan Pharmaceutical Holdings Group Ltd. (stock code: 00460) from October 2010 to April 2023, all of which are listed on the HK Stock Exchange; and CRRC Corporation Limited (stock code: 1766) from June 2015 to December 2021 and China Railway Construction Corporation Limited (stock code: 1186) from October 2014 to December 2021, both of which are listed on the HK Stock Exchange and the Shanghai Stock Exchange. Before that, Mr. Sun was an executive director and chief executive officer of Value Convergence Holdings Limited from 2006 to 2009, an executive director of Sunwah Kingsway Capital Holdings Limited (formerly known as SW Kingsway Capital Holdings Limited) from 2004 to 2006, Senior Country Officer and head of investment banking for Hong Kong of J.P. Morgan from 2000 to 2002, group executive director and head of investment banking for Greater China at Jardine Fleming Holdings Limited from 1996 to 2000. He was the chairman of The Chamber of Hong Kong Listed Companies from 2013 to 2015, a member of the Takeovers & Mergers Panel and the Takeovers Appeal Committee of the Securities and Futures Commission from 1995 to 1997 and from 1999 to 2001, Deputy Chairman of the Listing Committee of the Stock Exchange from 2000 to 2002 and a council member of the Stock Exchange from 1995 to 2000. Mr. Sun graduated from the Wharton School of the University of Pennsylvania, the United

States, with a Bachelor of Science degree in Economics in 1981. Mr. Sun also completed the Stanford Executive Program of Stanford Business School, the United States, in 2000. Mr. Sun is a fellow of the Association of Chartered Certified Accountants, the United Kingdom, and a fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Sun was an independent non-executive director of Trinity Limited (in liquidation) (stock code: 891) from October 2008 until November 2020, which was subsequently ordered to wind up in August 2021 due to the company's failure to repay its debt.

Ms. Lan Jiang — aged 56, is a non-executive director. She was appointed to the Board on May 18, 2023. From 1996 to 2012, she held several positions in Volvo Group China and Volvo Construction Equipment, then, Ms. Lan served as Senior Vice President Sales & Marketing in Doosan Infracore China. From 2014, Ms. Lan is Managing Director at KJE International Holdings Ltd. Ms. Lan obtained a master degree in Business from the Business School of the Oxford University in United Kingdom in 2015.

The business addresses of members of the Board of Directors are the Company's registered office.

Certain corporate governance practices that are required for Italian listed companies have been included in the New By-Laws and will come into effect on the First Trading Date. The list voting system provided for in the New By-Laws, which reserves the appointment of a member of the Board of Directors to the list that is second in number of votes after the majority list and is not connected in any way, not even indirectly, with the shareholders who submitted or voted for the majority list, will apply only from the first renewal of the Board of Directors following the First Trading Date.

Following the First Trading Date, in the context of the renewal of the Board of Directors, pursuant to the New By-Laws, the Board of Directors and shareholders who, alone or jointly with others, at the time of submitting the list, collectively hold shares representing at least the minimum percentage of the share capital with voting rights at the Shareholders' Meeting established by Consob are entitled to submit lists for the renewal of the Board of Directors. In the context of the renewal of the current Board of Directors assuming the current ownership and control structure of the Company, the list that may be submitted by the Board of Directors in office as of the Prospectus Date and who will remain also in office after the First Trading Date and the list is also submitted by the controlling shareholder, such lists would be linked pursuant to Article 147-ter, of the Consolidated Financial Act. In addition, the New By-Laws provide that the directors to be elected must reflect gender balance, in accordance with provisions under Article 147-ter, paragraph 1-ter, of the Consolidated Financial Act. Pursuant to such provisions, which will apply from the first reappointment of the Board of Directors, after the First Trading Date, the less represented gender will account for at least one-fifths of directors for the first reappointment of the Board of Directors and two-fifths for the following six consecutive mandates.

To the best of the Company's knowledge, the members of the Board of Directors meet the integrity requirements under Article 147-quinquies of the Consolidated Financial Act. The professionalism, integrity and independence of the directors were confirmed by the newly appointed Board of Directors on May 18, 2023.

The independence requirements of the independent non-executive Directors, as set out in Articles 147-ter (4) and 148 (3) of the Consolidated Financial Act and Article 2 of the Corporate Governance Code have been verified, with a positive outcome, by the Board of Directors on May 18, 2023.

Except for the Chief Executive Officer and Executive Director, Mr. Alberto Galassi, who is the son-in-law of a Non-Executive Director, Mr. Piero Ferrari, to the best of the Company's knowledge, none of the current members of the Board of Directors has any family relationship, within the meaning of applicable Italian law, with any other member of the same board, nor with any member of the Board of Statutory Auditors or any of the Key Executives.

To the best of the Company's knowledge, none of the members of the Board of Directors in office has been convicted of the crimes of fraud or criminal bankruptcy, nor have they been associated with receivership or winding-up procedures during the performance of their offices, nor have they been subject to official charges and/or penalties by public or supervisory authorities (including the designated professional associations) in the performance of their offices, nor have they been barred from holding administrative, managerial or supervisory offices at the Company or from holding executive or managerial offices at other companies, in the last five years.

To the best of the Company's knowledge, the provisions related to the composition and members of the Board of Directors are compliant with the Hong Kong laws.

The following table sets forth ownership in other companies and the offices currently held on the boards of directors or on the boards of statutory auditors, as well as on audit and control bodies, of other companies by each of the members of the Board of Directors, within the last five years, with an indication of the status of the office and/or the equity interest held as of the Prospectus Date.

Name and Surname	Company	Office / Stake Held	Status
Mr. Tan Xuguang	Weichai Power Co., Ltd.	Chairman of the Board of Directors	Currently held
		Shareholder	Currently held
	Weichai Group Holdings Ltd.	Chairman of the Board of Directors	Currently held
	Shaanxi Heavy-Duty Automobile Co., Ltd.	Chairman of the Board of Directors	Currently held
	KION Group AG	Supervisory Auditor	Currently held
	Shaanxi Fast Gear Co., Ltd.	Director	Currently held
	Weichai Lovol Intelligent Agricultural Technology Co., Ltd.	Chairman of the Board of Directors	Currently held
	China National Heavy Duty Truck Group Co., Ltd.	Chairman of the Board of Directors	Currently held
Mr. Alberto Galassi	Shandong Heavy Industry Group Co. Ltd.	Chairman of the Board of Directors	Currently held
Mr. Alberto Galassi	Ferretti Tech S.r.l.	Sole Director	Currently held
	RAM S.p.A.	Chairman of the Board of Directors	Currently held
Mr. Piero Ferrari.....	Manchester City Football Club	Director	Currently held
	Palermo Football Club S.p.A.	Director	Currently held
	Ferrari N.V.	Director	Currently held
		Shareholder	Currently held
	Piero Ferrari Holding S.r.l.	Director	Currently held
		Shareholder	Currently held
	PF Holding S.r.l.	Shareholder	Currently held
	HPE-OMR S.r.l.	Director	Currently held
		Shareholder	Ceased
	Kheope S.A.	Director	Currently held
		Shareholder	Currently held
	BA Service S.r.l. in liquidazione	Shareholder	Currently held
	FF Società Semplice	Shareholder	Currently held
	F Investments S.A.	Shareholder	Ceased
Mr. Xu Xinyu	Weichai Power Co., Ltd.	Non-independent director	Currently held
		Shareholder	Currently held
	Weichai Group Holdings Ltd.	Director	Currently held
	Ferretti International Holding S.p.A.	Chairman of Board of Directors	Currently held
Mr. Li Xinghao.....			
	Ferretti International Holding S.p.A.	Director	Currently held
	Hengtian Kama Co., Ltd.	Supervisor	Currently held
	Fisher Fuel Cell Compressor AG	Director	Currently held
	Weichai (Weifang) Fuel Cell Air Compressor Co., Ltd.	Director	Currently held
	Lovol Heavy Industry Co., Ltd.	Supervisor	Ceased
Mr. Hua Fengmao.....	Power Solution International Inc.	Director	Ceased
	CFS Capital Limited	Director	Currently held
		Shareholder	
	China Finance Strategies Investment Holdings Limited	Director	Currently held
		Shareholder	
	CFS Healthcare Investment Fund Ltd.	Director	Currently held
		Shareholder	
	DH International Capital Partners Limited	Director	Currently held
		Shareholder	
	China Finance Strategies Investment DB Limited	Director	Currently held
		Shareholder	
	Shenzhen CFS Investment Limited	Director	Currently held
	Shanghai Zhehan Investment Limited	Director	Currently held
	Regent Well Group Limited	Director	Currently held
		Shareholder	
	Queen Success Development Limited	Director	Currently held
		Shareholder	
	SKM Capital Limited	Director	Currently held
		Shareholder	
	SKM Investment Limited	Director	Currently held
		Shareholder	
	H&D Biotech Investment Limited	Shareholder	Currently held
	Shenzhen Tianehu Investment Advisor	Director	Currently held
		Shareholder	
	Onecent Newtech Limited	Director	Currently held
		Shareholder	

	Molecule Arts Partners Ltd.	Director	Currently held
	Biocytogen Pharmaceuticals (Beijing) Co., Ltd.	Shareholder	
	Sirnaomics Ltd.	Director	Currently held
	Lepu Biopharma Co., Ltd.	Director	Currently held
	Viva Biotech Holdings	Shareholder	Currently held
	Biometas Group Limited	Director	Currently held
		Shareholder	
	Biometas Biologics Limited	Director	Currently held
		Shareholder	
	Viva Biotech Holdings	Director	Ceased
	Chempartner Pharmatech Limited	Director	Ceased
		Shareholder	
Mr. Stefano Domenicali	Brunello Cucinelli S.p.A.	Director	Currently held
	Formula One Group	Chairman of the Board of Directors and Chief Executive Officer	Currently held
	Automobili Lamborghini S.p.A.	Chief Executive Officer	Ceased
	Officine del Futuro S.p.A. in liquidazione	Chief Executive Officer	Ceased
	Mugello Circuit S.p.A.	Director	Ceased
	Ferrari S.p.A.	Key Executive	Ceased
	Scuderia Ferrari S.p.A.	Chairman of the Board of Directors	Ceased
Mr. Patrick Sun	East Joy (Hong Kong) Ltd.	Director	Currently held
		Shareholder	Currently held
	DSOBA Charitable Foundation Ltd.	Director	Currently held
	Famous Mind Ltd.	Director	Currently held
		Shareholder	Currently held
	TravelPalyers Ltd.	Director	Currently held
		Shareholder	Currently held
	Sihuan Pharmaceutical Holdings Group	Director	Currently held
	Kunlun Energy Company Ltd.	Director	Currently held
	Timmerton (Liberia) Inc.	Director	Currently held
	Austasia Group Ltd.	Director	Ceased
	Trinity Ltd.	Director	Ceased
	China NT Pharma Group Co. Ltd.	Director	Ceased
	China Railway Construction Corporation Ltd.		
	CRRC Corporation Ltd.	Director	Ceased
Ms. Lan Jiang	KJE International Holdings Limited	Managing Director	Currently held
		Shareholder	Currently held

Powers granted to the Chief Executive Officer

On May 18, 2023, the Board of Directors resolved to grant to the Chief Executive Officer all the broadest ordinary and extraordinary powers, to be exercised with individual signature, as necessary or even only appropriate in order to pursue the Company's corporate purpose, as well as for the implementation of the business plan, budget or any other industrial plan, including, by way of example, the powers to represent the Company with third parties, such as the following powers:

- to represent the Company in proceedings before any judicial, administrative, tax, ordinary, special and arbitral authority, in both criminal and civil proceedings, at any stage and level, both in Italy and abroad, with the power to sign appeals and documents relating to any matter, proposing and supporting legal actions, defenses and legal exceptions, both in the cognition and executive procedures and also in bankruptcy proceedings, to settle, sign and accept waiver acts, including the appointment of lawyers and consultants;
- to represent the Company in all tax-related transactions, including signing the Company's annual VAT and tax returns, declaration of withholding tax, reports on results drafted by tax authorities and fiscal police, questionnaires submitted by tax authorities, and any document required by tax regulations, including the appointment of lawyers and advisors;
- to represent the Company in dealing with central, peripheral and local authorities and administrations, ministries, EU bodies and supranational bodies, as well as with any other political, judicial, military, fiscal, financial, social security and trade union authorities and offices, both in Italy and abroad;
- to allow, even through special attorneys, registrations, deletions, postponements, annotations, subscription, waivers and, in general, any formalities relating to mortgages, pledges, transcriptions made in favor of the

Company, without any limitation, before the land registers and other public registers, the clerks of the courts and third parties, without having to justify their actions to the involved offices and to third parties;

- to sign all the acts of ordinary administration, meaning any transaction related to the execution of resolutions adopted by the competent bodies or representatives, as well as any transaction whose execution is not expressly reserved by law, including regulations governing companies listed on the HK Main Board, or by the By-Laws, to other representatives;
- to enter into and execute the transactions resolved/authorized by the competent bodies of the Company or their representatives, signing on behalf of the Company itself all relevant acts and agreements, supplementary and/or amending acts and consequent formalities, with the right to enter into any clause or additional condition to those predetermined by the competent bodies or their representatives, and with the right to carry out any action necessary for the best protection of the reasons and rights of the Company;
- to execute with public administrations, agencies and public offices all acts and transactions necessary in order to obtain concessions, licenses and authorizations in general, executing and entering into the relevant final deeds and documents;
- to enter into and implement transactions related to granting and/or obtaining licenses related to intellectual or industrial property rights;
- more generally, to perform any other deed upon the order of the Board of Directors and/or executive committees;
- to grant and/or to delegate powers to other individuals, attorneys or employees within the scope of their powers;
- to promote and develop adherence to good conduct, regulatory compliance, ethics and culture in the context of Company's transactions with the regard to the corporate governance principles;
- the powers concerning accident prevention, health and safety protection.

The aforementioned powers of the Chief Executive Officer should not be exercised in the event of the Chief Executive Officer having a potential personal interest in or a conflict of interest of any nature with the Company.

The delegated powers listed above do not concern the following list of matters, which remains within the exclusive competence of the Board of Directors:

- receiving and granting new loans or other financial instruments, other than bank or insurance guarantees, with a value exceeding Euro 50,000,000 and with a duration exceeding 18 months;
- issuing financial instruments to be listed on European or non-European regulated markets and their delisting;
- entering into derivative contracts (a) with a nominal value greater than Euro 100,000,000, and (b) other than those whose sole purpose and/or effect is to hedge corporate risks (e.g., interest rate hedging, foreign exchange hedging, commodity hedging). For the sake of clarity, the conclusion of speculative derivative contracts should be subject, in all cases, to the approval of the Board of Directors;
- the purchase or sale of controlling or associated shareholding in other companies with a value greater than Euro 20,000,000, unless envisaged in the approved business plan;
- the purchase or sale of business or business divisions with strategic significance or, in any case, with a value greater than Euro 20,000,000, unless envisaged in the approved business plan;
- the purchase or sale of assets (excluding yachts) or other activities with strategic significance or in any case with a total value greater than Euro 10,000,000, unless envisaged in the approved business plan;
- the conclusion of material transactions with related parties under applicable laws and regulations;
- the determination, in accordance with the Company's internal policies and applicable laws, of the remuneration of the Chief Executive Officer and directors granted with special offices and, if necessary, the allocation among the members of the Board of Directors of the aggregate remuneration approved by the Shareholders' Meeting;
- the approval of the Group's business plan and/or budget;

- the adoption of the Company’s corporate governance rules and the definition of the Group’s corporate governance guidelines;
- the definition of the guidelines for the internal control system, including the appointment of a director responsible for supervising the internal control system with the definition of duties and powers;
- any other matters that should be granted to the exclusive competence of the Board of Directors under applicable laws and regulations, including those governing companies listed on the HK Main Board, and the By-Laws.

Powers granted to Mr. Xu Xinyu

On May 18, 2023, the Board of Directors resolved to grant to Mr. Xu Xinyu all the powers for “overseeing the execution of Board decisions, improving the Company’s internal audit functions, and supervising the Company’s operations quality”. Such powers are supervisory powers, including functions to oversight the proper and efficient implementation of the Board resolutions at the level of management and operations of the Company as well as monitor the general performance of the business if aligned with the targets and outputs set by the management of the Company, with reporting to the Board of Directors. Such powers also include the monitoring of the internal control and audit functions with powers to assess and support the Board of Directors and the Audit Committee in connection with improvements to the internal control and risk management structure and process, which is consistent with Mr. Xu’s appointment in the role of “officer in charge of establishing and maintaining the internal control and risk management system”. The functions and powers granted to Mr. Xu do not entail any operative role in the operations and management of the Company. Although Mr. Xu cannot be considered “executive” in the standard meaning of the term, given the fact that Mr. Xu has been conferred delegated powers by the Board of Directors and in particular has been appointed to the role of “officer in charge of establishing and maintaining the internal control and risk management system”, the same could be considered “executive” on the basis of the specific definition set forth in the Italian Corporate Governance Code.

Honorary Chairman

On May 18, 2023, the Board of Directors resolved to appoint Mr. Piero Ferrari as Honorary Chairman, considering that this is an honorary title with no delegated powers and no specific functions other than those associated with his role as a Non-Executive Director.

Board of Directors Committees

As of the Prospectus Date, the Company has established the following committees, whose members have been appointed on May 18, 2023:

- the audit committee (the “**Audit Committee**”), consisting of 4 directors, namely Mr. Patrick Sun (currently serving as chairman), Mr. Li Xinghao, Mr. Hua Fengmao and Mr. Stefano Domenicali;
- the remuneration committee (the “**Remuneration Committee**”), consisting of 5 directors, namely Mr. Stefano Domenicali (currently serving as chairman), Mr. Patrick Sun, Mr. Hua Fengmao, Mr. Piero Ferrari and Mr. Xu Xinyu;
- the nomination committee (the “**Nomination Committee**”), consisting of 5 directors, namely Mr. Tan Xuguang (currently serving as chairman), Mr. Alberto Galassi, Mr. Patrick Sun, Mr. Hua Fengmao and Mr. Stefano Domenicali; and
- the environmental, social and governance committee (the “**ESG Committee**”), consisting of 6 directors, namely Mr. Tan Xuguang (currently serving as chairman), Mr. Alberto Galassi, Mr. Xu Xinyu, Mr. Hua Fengmao, Mr. Piero Ferrari and Ms. Lan Jiang.

On March 20, 2023, in order to comply with the recommendations on corporate governance contained in the Corporate Governance Code, the Board of Directors resolved to amend the terms of reference of the Audit Committee, the Remuneration Committee, the Nomination Committee and the ESG Committee, with effect from the First Trading Date. Such terms of reference have been confirmed and ratified by the Board of Directors on May 18, 2023.

As of the Prospectus Date, the composition of the Remuneration Committee is not fully aligned with recommendation no. 26 of the Corporate Governance Code, which recommends that the committee be composed only of non-executive directors, the majority of whom independent, and be chaired by an independent director.

On May 18, 2023, the Board of Directors has resolved to appoint as members of the Remuneration Committee Mr. Stefano Domenicali (Independent Non-Executive Director, currently serving as chairman), Mr. Patrick Sun (Independent Non-Executive Director), Mr. Hua Fengmao (Independent Non-Executive Director), Mr. Piero Ferrari (Non-Executive Director)

and Mr. Xu Xinyu (Executive Director). As a consequence, the Remuneration Committee is currently composed of 5 members, of which 3 members are independent, 1 member is a non-executive director, and 1 member is an executive director. The Chairman is an independent director.

Mr. Xu Xinyu is a director to which the Board of Directors has delegated powers relating to the supervision of the execution of the Board decisions, the improvement of the Company's internal audit functions and the supervision of the Company's operation quality. Mr. Xu Xinyu has an executive role mainly focused on compliance and monitoring the management and operations of the Company; given this role as well as his ability, professionalism and previous experience in the Remuneration Committee, the Company believes that his presence in the Remuneration Committee is consistent with the function of the committee to pursue a remuneration policy aimed at the sustainable success of the Company and, in particular, to safeguard a correct implementation of any such policy. Therefore, in the view of the Company, the current composition of the Remuneration Committee is contributing in any case to a good corporate governance practice.

Pursuant to Article 19, paragraph 2, of Legislative Decree no. 39 of January 27, 2010, the Board of Statutory Auditors also performs supervisory functions in its capacity as committee for internal control and account auditing.

In addition, the Audit Committee has also been designated, starting from the First Trading Date, as the committee responsible for the functions and duties relating to transactions with related parties ("**RPT Committee**"). In accordance with the regulation containing provisions on related party transactions, adopted by CONSOB with Resolution no. 17221 of March 12, 2010, as subsequently amended (the "**Related Party Regulation**"), (i) resolutions relating to procedures for related party transactions must be approved with the favorable opinion of a committee comprising exclusively independent directors, and (ii) prior to the approval by the Board of Directors of any related party transaction, a committee comprising exclusively non-executive and unrelated directors (a majority of which must be independent) must express a non-binding motivated opinion (including for transactions of "greater importance" in reliance on the exemption provided for recently listed companies) regarding the Company's interest in carrying out a transaction with a related party, as well as the economic reasonableness and the substantial fairness of the related terms and conditions. This committee must be provided with complete and adequate information regarding each transaction under approval. The process of approval of related party transactions is governed by the Procedure for Related Parties Transactions, as defined below.

The following is a brief description of the tasks and internal functioning of the committees pursuant to the terms of reference in place starting from the First Trading Date.

Audit Committee

The Audit Committee supports the Board of Directors' assessments and decisions relating to the internal control and risk management system and the approval of periodic financial reports.

Pursuant to applicable Hong Kong law and Article 6 of the Corporate Governance Code, the Audit Committee, is in charge of, and assists the Board of Directors in, *inter alia*: (i) defining the guidelines of the internal control and risk management system so that the main risks to the Company and its subsidiaries are properly identified, adequately managed and monitored, and establishing criteria for the compatibility of such risks with the proper Company management; (ii) assessing the suitability of periodic financial and non-financial information to correctly represent the Company's business model, strategies, the impact of its activities and the performance achieved by coordinating for the part of competence with the ESG Committee; (iii) expressing opinions on specific aspects inherent to the identification of the main corporate risks and supporting the decisions of the Board of Directors related to management of risks; (iv) reviewing periodic and particularly significant reports prepared by the internal audit function; and (v) reporting, at least at the time of the approval of the annual and half-yearly financial report, on the activities carried out as well as on the adequacy of the internal control and risk management system.

Remuneration Committee

The Remuneration Committee is mainly responsible for evaluating the remuneration policies for directors and senior management of the Company and making recommendations thereon to the Board of Directors. The establishment of the Remuneration Committee ensures extensive information and transparency on the remunerations due to the directors and senior management of the Company, as well as on the way such remunerations are determined.

Pursuant to applicable Hong Kong law and Article 5 of the Corporate Governance Code, the Remuneration Committee is in charge of, and supports the Board of Directors in, *inter alia*: (i) the development of the remuneration policy; (ii) submitting proposals or delivering opinions on the remuneration of executive directors and other directors holding special offices, as well the setting of performance objectives related to the variable component of such remuneration; (iii) submitting proposals for the establishment of a transparent procedure for the development of the remuneration policy and monitoring the implementation of the policy; (iv) verifying the consistency of the remuneration paid with the principles and criteria defined in the policy; (v) monitoring on an annual basis, or with the different frequency established by the Board of Directors, the actual application of the policy, in accordance with the modalities set forth in the procedure, verifying, in particular, the actual achievement of the performance objectives related to the variable component of the remuneration of executive

directors or other directors who hold special offices; (vi) evaluating periodically the adequacy and overall consistency of the policy of directors and top management.

Nomination Committee

The Nomination Committee is mainly responsible, among others, for identifying, screening and recommending to the Board of Directors qualified candidates to serve as the directors and monitoring the procedures for evaluating the Board of Directors.

Pursuant to applicable Hong Kong law and Article 4 of the Corporate Governance Code, the Nomination Committee supports the Board of Directors in, *inter alia*: (i) reviewing, at least once a year, the structure and composition of the Board of Directors and its committees; (ii) identifying persons who are qualified and eligible to become members of the Board of Directors (also in case of co-optation); (iii) defining the optimal composition of the Board of Directors and its committees, including expressing opinions on the professional figures whose presence on the board is deemed appropriate; (iv) the possible submission of a list of candidates by the outgoing Board of Directors, ensuring the transparency of the process that led to the list's structure and proposition; (v) expressing, in view of each renewal of the Board of Directors, guidance on its quantitative and qualitative composition deemed optimal, taking into account the results of the board evaluation; (vi) assessing periodically the independence of the independent and non-executive directors (also based on the quantitative and qualitative application criteria approved by the Board of Directors) and the honorability of directors and on the absence of grounds for their incompatibility or ineligibility.

ESG Committee

The ESG Committee supports the Board of Directors in formulating environmental, social and governance (“ESG”) policy and strategies, monitoring ESG issues, reviewing and evaluating sustainability performance, setting metrics and targets, preparing ESG report.

In particular, the ESG Committee is entrusted with the task of, *inter alia*: (i) assuming a proactive, advisory and supervisory role for all matters and issues concerning Corporate Social Responsibility (“CSR”) activities and CSR strategies and policies, including supporting, with reference to the Company and Group business plan, the Board of Directors in analyzing issues relevant to generate a long-term value; (ii) monitoring, the implementation of policies and guidelines set by the Board of Directors on CSR; (iii) issuing opinions to the Board of Directors in defining and updating the Group's sustainability policy; (iv) evaluating the goals and objectives of managerial CSR initiatives and reports to the Board of Directors those deemed most effective and congruent with the Company's broader strategies; (v) evaluating the accuracy and completeness of the procedures relating to the preparation of the consolidated non-financial statement; (vi) monitoring the development and implementation of the Company's ESG objectives, directing and reviewing the identification and prioritization of the materiality of ESG issues of the Group and reviewing annual ESG reports and other ESG-related disclosures, and make recommendations to the Board of Directors for approval.

Board of Statutory Auditors

Pursuant to Article 25 of the By-Laws, the Board of Statutory Auditors comprises three effective statutory auditors and two alternate statutory auditors.

The Board of Statutory Auditors has been appointed by the ordinary Shareholders' Meeting held on June 13, 2023 and its members were scheduled to remain in office until the approval of the financial statements for the financial year ended December 31, 2025.

The following table sets forth the members of the Board of Statutory Auditors as of the Prospectus Date and who will remain in office also after the First Trading Date.

Name and Surname	Position	Place and Date of Birth	Date of First Appointment
Mr. Luigi Capitani	Chairman of the Board of Statutory Auditors	Parma (Italy), November 30, 1965	July 3, 2012
Mr. Luca Nicodemi.....	Effective Statutory Auditor	Milan (Italy), September 20, 1973	June 13, 2023
Ms. Giuseppina Manzo	Effective Statutory Auditor	Taranto (Italy), January 9, 1981	June 13, 2023
Ms. Tiziana Vallone.....	Alternate Statutory Auditor	Taranto (Italy), April 14, 1969	June 13, 2023
Ms. Federica Marone	Alternate Statutory Auditor	Naples (Italy), October 20, 1975	June 13, 2023

Biographies regarding the members of the Board of Statutory Auditors as of the Prospectus Date is briefly summarized below:

Mr. Luigi Capitani —aged 57, was appointed as statutory auditor on July 3, 2012. Mr. Capitani has been a registered Chartered Accountant since 1993 and a registered Auditor since 1995. Mr. Capitani co-founded Studio Capitani Picone in 1994 where he has spent his entire career, specializing in corporate finance, merger and acquisition (M&A) and insolvency transactions as well as private wealth management. He is a director and statutory auditor of numerous companies and, during the 2017–2018 academic year, served as an adjunct professor of accounting in the faculty of economics and commerce at the University of Parma. He is currently the chairman of the board of statutory auditors of several companies in Italy and had also served as a chairman or a member of the board of statutory auditors or directors of several companies in Italy previously.

Mr. Luca Nicodemi — aged 50, was appointed as effective statutory auditor on June 13, 2023. Mr. Nicodemi is a registered Chartered Accountant and statutory auditor who specializes in advising accounting and tax aspects of private equity deals, financial and derivative products, structured finance transactions, securitisations, domestic and cross-border financing and M&A transactions. He is a key player to a number of significant cross-border M&A transactions involving both domestic and international groups such as NOMURA, Prada S.p.A. and Ferrolì Group. He is also a director, chairman and member of the board of statutory auditors for a number of multinational companies and has great involvement in charity work as well. He received the prestigious Capital Elite award from the Italy-China Council Foundation in 2017 and 2020, respectively, in recognition of his advisory work and contribution to fostering collaborations and partnerships for Italian companies in China. Mr. Nicodemi holds a Bachelor of Arts degree from the Luigi Bocconi University in Milan.

Ms. Giuseppina Manzo — aged 42, was appointed as effective statutory auditor on June 13, 2023. Ms. Manzo has been a registered Chartered Accountant and statutory auditor since 2009. She is currently the chairlady of the board of statutory auditors of Unieuro S.p.A., a company listed on the Euronext Star Milan, and an alternate statutory auditor of Digital 360 S.p.A., a company listed on the Euronext Growth Milan. She also assumed the role of a statutory auditor (effective or alternate) for a number of companies from 2014 to 2022. Ms. Manzo is currently an advisor at Wepartner S.p.A. and has extensive experience in providing advisory and consulting work for companies with a focus on valuations, appraisals required by law, M&A work and dispute resolution support. She obtained her master's degree in economics from the Luigi Bocconi University in Milan in 2004 and obtained her executive master in corporate finance and banking from the SDA Bocconi School of Management in Milan in 2013.

Ms. Tiziana Vallone — aged 54, was appointed as alternate statutory auditor on June 13, 2023. Ms. Vallone has been a registered Chartered Accountant and statutory auditor since 2004 and is experienced in advising both private and public companies from strategic, organizational and financial aspects, including but not limited to M&A advisory, corporate valuations and business and debt restructuring. She has been a partner of Gotha Advisory S.p.A. since 2016, which is an advisory firm specialized in M&A, IPO and corporate finance advisory work. She is also a board member and a statutory auditor of several companies in Italy. Ms. Vallone also holds a membership in several commissions and working groups such as the ODCEC Milano and the SASB Alliance. Ms. Vallone graduated from the State University of Bari with a bachelor's degree in economics in 1993 and a master's degree in corporate tax law from the Luigi Bocconi University in Milan in 1995.

Ms. Federica Marone — aged 47, was appointed as alternate statutory auditor on June 13, 2023. Ms. Marone has been a registered Chartered Accountant and statutory auditor since 2006. She is currently a statutory auditor of ICCA S.p.A. and ICCA Trade S.r.l.. Ms. Marone has been an associate of Studio Marone e Associati, Naples since 2007 and provides accounting and tax advisory work and opinions. She has also been conducting courses on tax law at University of Naples since 2013. Ms. Marone obtained her degree in economics and trade, legal curriculum at the University of Naples "Parthenope" in 2002.

The business address of the members of the Board of Statutory Auditors is the Company's registered office.

Certain corporate governance practices that are required for Italian listed companies, adopted by the Company will come into effect on the First Trading Date. The list voting system provided for in the New By-Laws, which reserves the appointment of a statutory auditor and an alternate auditor to the list that is second in number of votes after the majority list and is not connected in any way, not even indirectly, with the shareholders who submitted or voted for the majority list, will apply only from the first renewal of the Board of Directors following the First Trading Date.

In addition, the New By-Laws provide that the members of the Board of Statutory Auditors to be elected must reflect gender balance, in accordance with provisions under Article 148, paragraph 1-*bis*, of the Consolidated Financial Act. Pursuant to such provisions, which will apply from the first reappointment of the Board of Statutory Auditors, after the First Trading Date, the less represented gender will account for at least one-fifths of statutory auditors for the first reappointment of the Board of Statutory Auditors and two-fifths for the following six consecutive mandates.

To the best of the Company's knowledge, none of the current members of the Board of Statutory Auditors has any family relationship, within the meaning of applicable Italian law, with any other member of the same board, nor with any member of the Board of Directors or any of the Key Executives.

Each of the members of the Board of Statutory Auditors has declared that he or she meets the independence requirements under Italian law. Moreover, the members of the Board of Statutory Auditors meet the integrity requirements under Italian law, which generally prohibit persons who are bankrupt or have been prohibited from holding public officer or a managerial position within a public company.

The independence requirements of each of the members of the Board of Statutory Auditors, as set out in Article 148 (3) of the Consolidated Financial Act and Article 2 of the Corporate Governance Code have been verified, with a positive outcome, by the Company's Board of Directors on June 13, 2023. In particular, the Board of Directors concluded that Mr. Luigi Capitani satisfied the independence requirement set forth in the Corporate Governance Code, following its examination and assessment of recommendation 7, lett. e of Article 2 of the Corporate Governance Code and his tenure in office for more than 9 financial years, due to (i) his recognized skills, experience, professionalism and standing and (ii) the fact that in the past he has always demonstrated independent and autonomous judgement in his acting.

In addition, on June 13, 2023, with reference to the independence requirements set forth in Article 148 (3c) of the Consolidated Financial Act and recommendation 7, lett. c of Article 2 of the Corporate Governance Code, to the Company's knowledge (based on the declaration of acceptance of the office executed by Mr. Luigi Capitani) Mr. Luigi Capitani does not have and has not had in the previous three financial years, any commercial, financial or professional relationship, directly or indirectly through his firm, with the Company and/or the Group.

Except as set forth below, to the Company's knowledge, none of the members of the Board of Statutory Auditors in office have been convicted of the crimes of fraud or criminal bankruptcy, nor have they been associated with receivership or winding-up procedures during the performance of their offices, nor have they been subject to official charges and/or penalties by public or supervisory authorities (including the designated professional associations) in the performance of their offices, nor have they been barred from holding administrative, managerial or supervisory offices at the Company or from holding executive or managerial offices at other companies, in the last five years. As of the Prospectus Date, Mr. Luigi Capitani, was fined for €8,000 by CONSOB (by resolution no. 22565 of January 18, 2023) for the failure to comply with certain provisions of the Italian Legislative Decree no. 231 of November 21, 2007 and CONSOB Regulation no. 20570 of September 4, 2018 relating to organizational and internal controls.

To the best of the Company's knowledge, none of the Statutory Auditors exceeds the limits under Italian law on the number of offices held.

In particular, each member of the Board of Statutory Auditors has expressly declared: (i) to be enrolled in the register of auditors and to have exercised the activity of legal control of accounts for a period of no less than three years; (ii) that there is no cause of incompatibility, ineligibility or disqualification under current legislation and, pursuant to Article 148, paragraph 3, of the Consolidated Financial Act; (iii) that he/she possess all other requisites of professionalism, honorableness and independence provided for by current legislation and, pursuant to Article 148, paragraph 4, of the Consolidated Financial Act and the related Ministry of Justice Decree no. 162 of 30 March 2000. The statement by the members regarding their possession of the independence, integrity and professionalism requirements has been verified by the Board of Directors on June 13, 2023.

The following table indicates the companies where the members of the Board of Statutory Auditors currently (i) serve or have previously served as a member of an administrative, management or supervisory body and/or (ii) are or have been holders of an equity stake at any time during the past five years, as well as the status of their position or equity stake.

Name and Surname	Company	Office / Stake Held	Status
Mr. Luigi Capitani	Impianti Sportivi Immobiliare S.p.A.	Shareholder	Currently held
	Missoula Blu S.r.l.	Quotaholder	Currently held
	Cherry One S.r.l.	Quotaholder	Currently held
	Ht Conslab S.r.l.	Quotaholder	Currently held
	CP Board Company S.r.l.	Quotaholder	Currently held
	Retico S.r.l.	Quotaholder	Currently held
	Thunderstruck Holding S.r.l.	Quotaholder	Currently held
	Cherry Picker S.r.l.	Quotaholder	Currently held
	Reda S.r.l.	Quotaholder	Currently held
	CP Trust Company S.r.l.	Quotaholder	Currently held
	Ferretti International Holding S.p.A.	Chairman of the Board of Statutory Auditors	Currently held
	Barilla Holding S.r.l.	Chairman of the Board of Statutory Auditors	Currently held
	Credit Agricole Italia S.p.A.	Chairman of the Board of Statutory Auditors	Currently held
	Credit Agricole Group Solutions S.p.A.	Chairman of the Board of Statutory Auditors	Currently held
	Zago S.p.A.	Chairman of the Board of Statutory Auditors	Currently held
	Numero 5 S.r.l.	Chairman of the Board of Statutory Auditors	Currently held
	R.A.M. S.p.A.	Chairman of the Board of Statutory Auditors	Currently held
	Lega Calcio Service S.p.A.	Alternative Auditor	Currently held
	Gazzetta di Parma Finanziaria S.p.A.	Director	Currently held
	Gazzetta di Parma S.r.l.	Director	Currently held
	Il Massello S.r.l.	Chairman of the Board of Statutory Auditors	Currently held
	Fiere di Parma S.p.A.	Chairman of the Board of Statutory Auditors	Currently held
	Unieuro S.p.A.	Statutory Auditor	Ceased
	Cassa di Risparmio di Cesena	Chairman of the Board of Statutory Auditors	Ceased
	Monclick S.r.l.	Statutory Auditor	Ceased
	Fidor S.p.A.	Statutory Auditor	Ceased
	Orefici S.p.A.	Alternative Auditor	Ceased
	BRW S.p.A.	Director	Ceased
	Industria Compensati Colorno S.r.l.	Statutory Auditor	Ceased
	Overmach Group S.p.A.	Chairman of the Board of Statutory Auditors	Ceased
	Sandra S.p.A.	Director	Ceased
	Overmach Usato S.p.A.	Chairman of the Board of Statutory Auditors	Ceased
	Cad Dogana Logica S.p.A.	Statutory Auditor	Ceased
	Overmach S.p.A.	Chairman of the Board of Statutory Auditors	Ceased
	Italian Kitchen S.r.l.	Statutory Auditor	Ceased
	BRF Property S.p.A.	Statutory Auditor	Ceased
	Mount Fuji S.r.l.	Chairman of the Board of Directors	Ceased
	Next 14 S.p.A.	Statutory Auditor	Ceased
	Missoula Blu S.r.l.	Chairman of the Board of Directors	Ceased
	Analisi S.p.A.	Statutory Auditor	Ceased
	Gambero Rosso S.p.A.	Director	Ceased
	C.R.N. S.p.A.	Chairman of the Board of Statutory Auditors	Ceased
	Ospedali Privati Riuniti S.p.A.	Statutory Auditor	Ceased
	Poliambulatorio Dalla Rosa Prati S.r.l.	Statutory Auditor	Ceased
	GHC Project 2 S.r.l.	Statutory Auditor	Ceased
	Pastiglie Leone S.r.l.	Director	Ceased
	Drake S.r.l.	Chairman of the Board of Directors	Ceased
	L'Eremo di Miazzina S.p.A.	Statutory Auditor	Ceased
	Casa di Cura Villa Berica S.p.A.	Statutory Auditor	Ceased
	IHC Italian Hospitality Collection S.p.A.	Statutory Auditor	Ceased
	Pistacchio S.p.A.	Director	Ceased

Mr. Luca Nicodemi.....	Protea S.p.A.	Chairman of the Board of Statutory Auditors	Ceased
	GHC Project 6 S.r.l.	Statutory Auditor	Ceased
	Clinica San Francesco S.r.l.	Statutory Auditor	Ceased
	Igli S.p.A.	Statutory Auditor	Currently held
	Istituti Ospedalieri Bergamaschi S.r.l.	Chairman of the Board of Statutory Auditors	Currently held
	Vittoria S.p.A.	Chairman of the Board of Statutory Auditors	Currently held
	Mercury Bidco S.p.A.	Chairman of the Board of Statutory Auditors	Currently held
	Fantini Group Vini S.r.l.	Statutory Auditor	Currently held
	Istituto Clinico Villa Aprica S.p.A.	Chairman of the Board of Statutory Auditors	Currently held
	Roche S.p.A.	Statutory Auditor	Currently held
	Roche Diagnostic S.p.A.	Statutory Auditor	Currently held
	Roche Diabetics Care Italy S.p.A.	Statutory Auditor	Currently held
	Aromatagroup S.r.l.	Chairman of the Board of Statutory Auditors	Currently held
	Prima TV S.p.A.	Statutory Auditor	Currently held
	M-I Stadio S.r.l.	Statutory Auditor	Currently held
	Wise Equity SGR S.p.A.	Alternate Auditor	Currently held
	Savills Investment Management SGR S.p.A.	Statutory Auditor	Currently held
	Angel Capital Management S.p.A.	Alternate Auditor	Currently held
	Arcadia S.r.l.	Chairman of the Board of Statutory Auditors	Currently held
	Quaestio Capital SGR S.p.A.	Alternate Auditor	Currently held
	GSD Sistemi e Servizi S.c.a r.l.	Chairman of the Board of Statutory Auditors	Currently held
	Digit'ed S.p.A.	Statutory Auditor	Currently held
	Comdata S.p.A.	Chairman of the Board of Statutory Auditors	Currently held
	PTG S.r.l.	Chairman of the Board of Statutory Auditors	Currently held
	Bormioli Pharma S.p.A.	Chairman of the Board of Statutory Auditors	Currently held
	Nactarome S.p.A.	Chairman of the Board of Statutory Auditors	Currently held
	Rotschild & Co Wealth Management Italy	Chairman of the Board of Statutory Auditors	Currently held
	De Wave S.r.l.	Chairman of the Board of Statutory Auditors	Currently held
	Kyip Capital SGR S.p.A.	Statutory Auditor	Currently held
	Be Cause SICAF S.p.A.	Statutory Auditor	Currently held
	Purelabs S.p.A.	Chairman of the Board of Statutory Auditors	Currently held
	Lorenzi S.r.l.	Statutory Auditor	Currently held
	Alkemias SGR S.p.A.	Chairman of the Board of Statutory Auditors	Currently held
	Ipam S.r.l.	Chairman of the Board of Statutory Auditors	Currently held
	Musinet Engineering S.p.A.	Statutory Auditor	Currently held
	Snaidero Rino S.p.A.	Independent Director	Currently held
	Energreen S.p.A.	Independent Director	Currently held
	Cover 50 S.p.A.	Statutory Auditor	Currently held
	FC Inter S.p.A.	Statutory Auditor	Ceased
	Inter Media S.p.A.	Statutory Auditor	Ceased
	Inter Brand S.r.l.	Statutory Auditor	Ceased
	Pirelli S.p.A.	Statutory Auditor	Ceased
	Pirelli Tyre S.p.A.	Statutory Auditor	Ceased
	TPH Holding S.p.A.	Statutory Auditor	Ceased
	Osella S.p.A.	Statutory Auditor	Ceased
	Next RE SIIQ S.p.A.	Statutory Auditor	Ceased
	Unieuro S.p.A.	Chairman of the Board of Statutory Auditors	Currently held
	Digital 360 S.p.A.	Alternate Auditor	Currently held
	Inalca S.p.A.	Alternate Auditor	Ceased
	Etica SGR S.p.A.	Statutory Auditor	Ceased
Ms. Giuseppina Manzo	Financit S.p.A.	Alternate Auditor	Ceased
	Poste Assicura S.p.A.	Alternate Auditor	Ceased

	MLK Deliveries S.p.A.	Alternate Auditor	Ceased
	Sennder Italia S.r.l.	Statutory Auditor	Ceased
	Italgas S.p.A.	Alternate Auditor	Ceased
	Banca Ifis S.p.A.	Alternate Auditor	Ceased
	Dialybrid S.r.l.	Alternate Auditor	Ceased
	Bioengineering Laboratories S.r.l.	Statutory Auditor	Ceased
	OCM S.p.A.	Statutory Auditor	Ceased
	AIDC (Italian Association of Chartered Accountants – Milan)	Statutory Auditor	Ceased
Ms. Tiziana Vallone.....	Euro Mediolanum Audit S.r.l.	Quotaholder	Currently held
		Sole Director	Currently held
	Gotha Advisory S.p.A.	Shareholder	Currently held
	Immobiliare Fatebenefratelli 19 S.r.l.	Chairman of the Board of Directors	Currently held
	Intermonte SIM S.p.A.	Director	Currently held
	Kryalos SGR S.p.A.	Statutory Auditor	Currently held
	Assidir S.r.l.	Alternate Auditor	Currently held
	Carena Cavi di dott. Ing. Ettore Carena & C – S.r.l.	Statutory Auditor	Ceased
	Il Sole 24 Ore S.p.A.	Chairman of the Board of Statutory Auditors	Currently held
	Kirey Holding S.p.A.	Statutory Auditor	Currently held
	Leonardo Capital SIM S.p.A.	Chairman of the Board of Statutory Auditors	Currently held
	Par-Tec S.p.A.	Statutory Auditor	Currently held
	Tosca Italy S.p.A.	Statutory Auditor	Currently held
	Angeloni & Arpe S.p.A. in liquidazione	Statutory Auditor	Currently held
	Edilb – Tre S.r.l. in liquidazione	Statutory Auditor	Currently held
	Helios Technology S.p.A.	Statutory Auditor	Ceased
	Immobiliare Socovia S.p.A.	Statutory Auditor	Currently held
	Marchesini S.p.A.	Alternate Auditor	Currently held
	Riccicaffè S.p.A.	Statutory Auditor	Ceased
	Immobiliare Fatebenefratelli 19 S.r.l.	Statutory Auditor	Ceased
	Krones S.r.l.	Statutory Auditor	Ceased
	Manageritalia Servizi S.r.l.	Alternate Auditor	Ceased
Ms. Federica Marone	ICCA S.p.A.	Statutory Auditor	Currently held
	ICCA Trade S.r.l.	Statutory Auditor	Currently held

Key Executives

The following table sets out information relating to the Key Executives:

Name and Surname	Position	Place and Date of Birth	Date of Appointment
Mr. Alberto Galassi	Chief Executive Officer	Modena (Italy), December 23, 1964	May 28, 2014
Mr. Marco Zammarchi.....	Chief Financial Officer	Pitigliano (Italy), August 12, 1964	October 3, 2016
Mr. Stefano De Vivo.....	Chief Commercial Officer	Milan (Italy), May 7, 1978	May 29, 2014
Mr. Matteo Cecada	Chief Technical & Operations Officer	La Spezia (Italy), May 16, 1971.	August 1, 2014
Mr. Giuliano Felten	Managing Director FSD	Milan (Italy), December 7, 1961	November 1, 2019
Mr. Nicola Guido Zambelli	Chief Quality Officer	Bergamo (Italy), August 2, 1972	August 27, 2018
Mr. Enrico Sgarbi	Director of Communications	Modena (Italy), October 8, 1975	February 2, 2015
Mr. Andrea Brasini	Chief Human Resources & Organization Officer	Forlì (Italy), March 23, 1974	January 7, 2020
Mr. Cristiano Bozzini	Corporate Finance Director	Genova (Italy), April 13, 1971	July 2, 2015
Mr. Niccolò Pallesi	General Counsel	Rome (Italy), September 13, 1980	May 4, 2020
Ms. Margherita Sacerdoti	Investor Relator & Sustainability Manager	Milan (Italy), June 1, 1983	September 30, 2019
Mr. Danilo Giunchi.....	Engineering Director	Rimini (Italy), February 20, 1975	May 27, 2019
Mr. Mauro Sgobbi	Purchasing Director	Adria (Italy), April 21, 1973	May 2, 2017
Mr. Alessandro Tirelli.....	Sales & Marketing Director “Serial Business”	Udine (Italy), February 9, 1972	January 1, 2006
Mr. Giordano Pellacani.....	Sales & Marketing Director “Custom Business”	Carpi (Italy), February 23, 1980,	September 29, 2014
Mr. Simone Meletti.....	AMAS Managing Director	Fano (Italy), July 12, 1981	December 20, 2000

The business addresses of the Key Executives is the Company’s registered office.

Set out below is a brief biography of each Key Executive who is not also a director.

Mr. Marco Zammarchi — aged 58, joined the Group as the chief restructuring officer of C.R.N. S.p.A. on November 5, 2014 and was appointed as the Chief Financial Officer of the Company on October 3, 2016. Mr. Zammarchi is mainly responsible for the management of financial matters and of strategic development of the Group. Mr. Zammarchi also serves as a board member of a number of the subsidiaries. Mr. Zammarchi has over 26 years of experience in financial controlling and was the financial controller/director in various manufacturing companies including Johnson Control Plastics S.p.A., Schmalbach Lubeca Italia S.r.l., Romaco S.p.A. and TI Group Automotive Systems S.p.A. between June 1995 and December 2001. Prior to joining the Group, he worked with Piaggio Aerospace for 12 years from January 2002 and was the chief financial officer of Piaggio Aerospace and director of Piaggio America Inc. (a wholly-owned subsidiary of Piaggio Aerospace) between February 2008 and October 2014. Mr. Zammarchi obtained a degree in Economics and Banking at School of Economics and Management “Richard M. Goodwin” – University of Siena in 1994 in Siena, Italy.

Mr. Stefano De Vivo — aged 45, joined the Group as the Chief Commercial Officer on May 29, 2014. Mr. De Vivo is responsible for all of the sales of the Group and its strategy. Mr. De Vivo also serves as director of a number of the subsidiaries and from January 2019 he has also been appointed as the managing director for the Wally brand. Prior to joining the Group, Mr. De Vivo started his career with Riva S.p.A., from early 2002 to the end of 2006, as a project manager and later served as aftersales manager and Greater China and Asia Pacific manager, where he focused on developing the sales and aftersales network in the Chinese market. After a stint as the director of sales and marketing for the Benetti division, part of Azimut-Benetti S.p.A., from January 2007 to the end of 2011, Mr. De Vivo worked as an independent consultant in Hong Kong, following projects for various leading companies in fashion and automotive groups with a particular focus on the Chinese market from the beginning of 2012 to the end of May 2014. Mr. De Vivo has been appointed as the managing director of Wally Yachts S.A. since January 2019. Mr. De Vivo obtained a BSc degree in Naval Architecture and Ocean Engineering from University College London in September 2001 in England and an MBA from the Hong Kong University of Science & Technology School of Business and Management in December 2013 in Hong Kong.

Mr. Matteo Cecada — aged 51, joined the Group as the Chief Technical & Operations Officer on August 1, 2014. Mr. Cecada is responsible for all operations of serial and semi-customs composite products, the production sites (shipyards), the purchase office, the program management, the engineering and the infrastructure management. He is also the employer for the company (*Datore di Lavoro*) according to Italian Law on Health and Safety. Mr. Cecada also serves as director in one of the subsidiaries, namely Zago S.p.A. Mr. Cecada has over 20 years of experience in production management. Prior to joining the Group, Mr. Cecada worked in AgustaWestland S.p.A. (now known as Leonardo Helicopter, a subsidiary of Leonardo S.p.A.) which is one of the most important players in the helicopter industry between September 2011 and July 2014, where he held various positions including the head of Production in Vergiate plant from September 2011 and subsequently the

person-in-charge of Vergiate and Tessera F.A.L. from December 2012. Before that, he worked in Piaggio Aerospace since May 2000, where he covered several management roles including flight line testing expert, production manager at the Genova Sestri Ponente plant, and was promoted as director of Genova Sestri Ponente plant in January 2009. Mr. Cecada obtained a master's degree in Aerospace Engineering from the University of Pisa (Italy) in May 1998.

Mr. Giuliano Felten — aged 61, was appointed as the FSD director of the Company on November 1, 2019. Mr. Felten is responsible for the management and operation of the FSD of the Group and serves as the managing director in one of the subsidiary, Ferretti Group (Monaco) S.A.M. Mr. Felten has over 30 years of industry experience. Prior to joining the Group, he worked in Agusta S.p.A. — an Italian state-owned worldwide leader in the helicopter design and manufacturing industry — where he successively served as an international contract manager and program manager from May 1987 until December 1991. In January 1992, he joined Costa Masnaga S.p.A., a family owned rolling-stock manufacturer, as a sales manager and successively held higher positions, including the commercial director and commercial & procurement director of the company. He left Costa Masnaga S.p.A. as general manager in April 2002 when he joined Piaggio Aerospace as chief commercial officer where he further served as deputy general manager of the company since January 2006. Mr. Felten has served as a member of the board of Pratt&Whitney Canada Turbo Engine Corp. since April 2006, and as the president and chief executive director of Piaggio America Inc. since March 2013. Mr. Felten obtained a legal information and technology certificate in 1981 and a degree in international law at the Università Cattolica del Sacro Cuore in Italy in May 1987. Mr. Felten was admitted to the Italian Association of Company Lawyers in May 1987. He served as a lecturer at the International Law Institute of the Catholic University of the Sacred Heart from May 1987 to December 1988.

Mr. Nicola Guido Zambelli — aged 50, joined the Group as the Chief Quality Officer of the Company on August 27, 2018. Mr. Zambelli is responsible for quality assurance, product quality improvement, technical after sales. Since May 2021, he has also been a member of the board of directors of R.A.M. S.p.A. Mr. Zambelli has over 26 years of quality assurance experience. He started his career in Brembo S.p.A., a world leader and innovator in the field of automotive brake systems with operation in 16 countries and more than 22 production sites, whose shares are listed on Borsa Italiana (stock code: BRE), in May 1995, where he worked in the quality and operations areas and served as the director of Brembo's plant in Zaragoza, Spain and as the operations director for the industrial disc's division. After that, between December 2007 and August 2018, he worked in various leading manufacturing companies including, as the group quality director for Same Deutz Fahr S.p.A. (a world leading manufacturer of tractors, harvesting machines and diesel engines), as the group quality director for Safilo Group S.p.A. (one of the leading Italian eyewear manufacturers on a global scale, whose shares are listed on Borsa Italiana (stock code: SFL)), as the head of product quality of Piaggio & C S.p.A. (Europe's largest scooter and motorcycle manufacturer, whose shares are listed on Borsa Italiana (stock code: PIA)) and as the group director for quality and lean production of Technogym S.p.A. (a leading company in the field of commercial and home gym equipment, whose shares are listed on Borsa Italiana (stock code: TGIM)). Mr. Zambelli obtained a degree in logistical and production engineering from the Polytechnical University of Milan in 1996 in Italy and a master's degree in organizational engineering from the Polytechnical University of Milan in 2003 in Italy.

Mr. Enrico Sgarbi — aged 47, joined the Group as the director of Communications of the Company on February 2, 2015 and is responsible for strengthening the brands in the global luxury yacht market. Prior to joining the Group, from September 2005 to January 2015, Mr. Sgarbi was the head of communications for Piaggio Aero Industries S.p.A., responsible for researching, designing and managing external communication and public relations. He spent over 10 years successfully growing the global presence and position of the company in the business aviation sector and in the security and defense market to make Piaggio Aerospace a pinnacle brand in their market segments. Mr. Sgarbi obtained a degree in Law from the University of Modena and Reggio Emilia in March 2003 in Italy.

Mr. Andrea Brasini — aged 49, joined the Group as the Chief Human Resources & Organization Officer of the Company on January 7, 2020 and is responsible for the human resources and organization management of the Group. Mr. Brasini has over 20 years of experience in human resources management. Prior to joining the Company, from April 2000 to August 2004 in construction company Bentini S.p.A., he started as a human resources generalist and was promoted to Human Resources manager. From September 2004 to January 2008, he served as a human resources director in IRCE S.p.A., where he was responsible for human resources management, and from February 2008 to August 2009, he worked in the company as a human resources manager of the industrial and quality areas. From September 2009 to January 2012, he worked in Fincantieri S.p.A., where he started as a human resources manager and then was promoted as director of the group's organization. From February 2012 to December 2019, he served as the chief human resources and organization officer in Furla S.p.A. Mr. Brasini obtained a bachelor's degree in Political Sciences at Alma Mater Studiorum University in Bologna (Sub. Forlì) in March 2001 in Italy. Mr. Brasini held an officer position in the Italian Army for the period from January 1994 to April 1995.

Mr. Cristiano Bozzini — aged 52, joined the Group as the Chief Financial Officer in C.R.N. S.p.A. (a subsidiary at that time of the Company) from July 2015 to December 2016 and as Corporate Finance Director of the Group from January 1, 2017. Mr. Bozzini is responsible for treasury, tax, administration, merger and acquisition (M&A) and special projects and supervising the legal department. He currently serves as executive director in several subsidiaries of the Company with delegation to finance activities. Before joining the Group in July 2015, Mr. Bozzini worked as a finance director in Piaggio Aero Industries S.p.A. with responsibility for administration, tax, finance and merger and acquisition (M&A) from October

2005 to June 2015. He worked between September 1998 and September 2005 in one of the big five audit firms, “Deloitte” Italy, as a senior manager in charge of the audit activities of industrial customers of medium-large enterprises of the Genova office. Mr. Bozzini obtained a doctoral degree in Economics in University of Genova in July 1997 in Italy and for one year he served his country with conscript military service.

Mr. Niccolò Pallesi — aged 42, joined the Group as the General Counsel of the Company on May 4, 2020 and is responsible for overseeing all legal, corporate and compliance affairs of the Group. Prior to joining the Group, Mr. Pallesi served as an associate in one of the magic circle law firm, Freshfields Bruckhaus Deringer LLP in 2008 and from January 2009 to April 2020, Mr. Pallesi was a senior legal manager of Eni S.p.A., a company listed at Borsa Italiana and New York Stock Exchange (Stock ticker: ENI), being part of the Merger and Acquisition (M&A) Legal Team as responsible for the downstream business and downstream merger and acquisition transactions of Eni S.p.A. From 2013 to 2016 Mr. Pallesi served as a contract professor of “Bankruptcy Law and Crisis Management” with the Link Campus University in Rome of Italy. From 2015 to 2019 Mr. Pallesi was appointed chairman of the Tarbox Legal Committee, a committee established among the major international oil & gas companies with the purpose of reviewing and updating the contractual instruments related to the risks’ definition and allocation of responsibilities for into-plane refuelling operations. Mr. Pallesi obtained a Juris Doctor degree from LUISS Guido Carli University in November 2004 in Italy, a master degree (LLM) in international tax law from the University of Leiden in August 2006 in the Netherlands and a master degree (LLM) in business law from University of California Berkeley School of Law in May 2007 in the U.S. Mr. Pallesi was admitted to the New York Bar Association in May 2008 and to the Italian Bar Association in May 2009. Mr. Pallesi was also admitted to practice as a notary public and real estate agent in the state of New York in 2008.

Ms. Margherita Sacerdoti — aged 39, joined the Group as the Investor Relations, Compliance & Sustainability Manager of the Company on September 30, 2019 and is responsible for engagement with private and public investors, preparation of the annual sustainability report and support to management in addressing ESG strategy and actions, and advising on privacy policy and 231 Model of the Group. Ms. Sacerdoti has extensive experience in investor relationship, communications and ESG management in listed companies. Prior to joining the Group, she served as an investor relations, sustainability and corporate communications officer in DiaSorin S.p.A., a biotechnology and life science company listed on Borsa Italiana (Euronext) FTSE MIB (stock ticker: DIA) between October 2012 and October 2015, where she was responsible for investor relations management and communication and ESG matter management and served as the investor relations officer in Maire Tecnimont S.p.A., an oil and gas and green chemistry company listed on the Borsa Italiana (Euronext) (stock ticker: MT) between October 2015 and September 2019, where she was responsible for investor relations management and financial market analysis. She is also experienced in international organizations including worked as an assistant to the head of departments of United Nations headquarters in New York and the European Union (European Parliament) in Brussels, where she was responsible for international conference support and document drafting for the UN General Assembly and for the External Relation Committee of the EU Parliament, as well as in various European policy and sustainability think tanks including The Transatlantic Institute (Brussels) and the Interdisciplinary Center in Herzliya (Tel Aviv) as research fellow to work on research projects. Ms. Sacerdoti obtained a bachelor degree in History and a master degree in International Relations from University of Milan in Italy in February 2006 and April 2008, respectively. She has also served as a member of the board of directors of the Italian Investor Relations Association, the official national association for all listed companies and investor relations professionals in Italy since July 2020.

Mr. Danilo Giunchi — aged 48, joined the Company in May, 2019 and in April, 2021, was appointed as the Engineering Director of Ferretti Group for composite vessels, up to 43 meters in leight. Prior to joining the Group, from 2001 to 2015, he served as Head of structure and outfitting area in the Engineering department in ISA-International shipyard Ancona and from 2015 to 2019, he served as Project Engineer in Sanlorenzo. Mr. Giunchi obtained a Master degree in Mechanical Engineering in 2001 from the University Politecnica delle Marche in Italy.

Mr. Mauro Sgobbi — aged 50, was appointed as the Purchase director of the Company in August 2020. Mr. Sgobbi is responsible for the Group purchases. Prior to joining the Group, Mr. Sgobbi worked as Responsible for Investment Project Management of Ferrari Auto S.p.A. from 2000 to 2006 and as Process and Investment Manager of TRW Automotive from 2006 to 2009. Furthermore, Mr. Sgobbi worked for Leonardo Helicopters as Production Manager from 2010 to 2012 and as Production Director from 2012 to 2017. Mr. Sgobbi obtained a degree in Mechanical engineering in 1997 from the University of Bologna in Italy.

Mr. Alessandro Tirelli — aged 51, was appointed as the Sales and Marketing Director Serial Products in June 2006. Prior to joining the Group, Mr. Tirelli worked as researcher at the University of Milan from 1998 to 2000, as business consultant for Roland Berger Strategy Consultant from 2000 to 2002 and as business development and marketing project manager in relation to the European, North American and Chinese markets for Tenaris Dalmine S.p.A. from 2004 to 2006. Mr. Tirelli obtained a degree in Engineering in 2000 from the Politecnico of Milan in Italy and an MBA in 2004 from the University Bocconi of Milan in Italy.

Mr. Giordano Pellacani —aged 42, was appointed as the Sales & Marketing Director Custom Business in September 2014. Mr. Pellacani worked as Manager of the Far East Area for Riva from 2007 to 2009, for Benetti from 2009 to 2011 and as General Manager for Benetti Asia from 2011 to 2014. Mr. Pellacani obtained a degree in nautical engineering in 2017 from the University of Genoa in Italy.

Mr. Simone Meletti — aged 41, was appointed as the Group AMAS Managing Director in March 2018. Mr. Meletti worked as Accounting Specialist, Accounting and Treasury Manager of Pershing S.p.A. After joining the Group in 2000, Mr. Meletti worked as Sales and Staff Controlling Manager and Treasury Specialist for Ferretti and as AMAS Regional Controller and AMAS Chief Financial Officer and Managing Director of Ferretti Group of America, LLC. Mr. Meletti earned a high-school diploma in accounting obtained in Fano (Italy).

Except for the Chief Executive Officer and Executive Director, Mr. Alberto Galassi, who is the son-in-law of the Non-Executive Director, Mr. Piero Ferrari, to the best of the Company's knowledge, none of the Key Executives has a family relationship with other members of the Board of Statutory Auditors, the Board of Directors or the Key Executives within the meaning of applicable Italian law.

Except as set forth below, to the best of the Company's knowledge, none of the Key Executives in office have been convicted of the crimes of fraud or criminal bankruptcy, nor have they been associated with receivership or winding-up procedures during the performance of their offices, nor have they been subject to official charges and/or penalties by public or supervisory authorities (including the designated professional associations) in the performance of their offices, nor have they been barred from holding administrative, managerial or supervisory offices at the Company or from holding executive or managerial offices at other companies, in the last five years. As of the Prospectus Date, Mr. Matteo Cecada, as employer (*datore di lavoro*), and Mr. Mauro Sgobbi, as manager of the Company, are parties to a criminal proceeding involving alleged failures to comply with workplace safety laws in which the Company is a defendant. In particular, offenses (*contravvenzioni*) provided for in Articles 40 and 110 of the Italian Criminal Code in relation to Articles 26, paragraphs 2 and 5 of Legislative Decree 81/2008 have been disputed following the injury of an employee of the Company. Despite the fact that such offenses have expired due to the timely payment of the fines imposed, the Public Prosecutor (*pubblico ministero*) has pursued the case, and as of the Prospectus Date, the first hearing has been scheduled on April 2, 2024 before the Court of Ancona (Italy). However, without prejudice to the extinction of the charged offenses, which will in any case be enforced in the proceeding, on the date of the first hearing the charged offenses will be almost time-barred (*prescritte*), as the relevant term shall expire on June 14, 2024.

In addition, Mr. Matteo Cecada as employer (*datore di lavoro*) has been involved in two additional criminal proceedings filed by the prosecutor's office (*procura*) of Rimini (Italy). The first proceeding has been filed for offenses (*contravvenzioni*) in relation to Articles 26, paragraph 2 and 55, paragraph 2 of the Legislative Decree no. 81/2008, as disputed following the injury of an employee. As of the Prospectus Date, the Company has fulfilled the requirements imposed by the relevant ASL (*Azienda Sanitaria Locale*), which results in the admission to oblation (*ammissione all'oblazione*) and the subsequent extinction of the disputed offenses. The second proceeding has been charged pursuant to Article 590, paragraphs 1 and 3 of the Italian Criminal Code, due to the injury of an employee. As of the Prospectus Date, the prosecutor's office (*procura*) has not yet indicated whether it intends to prosecute the case and therefore no further information on the proceedings is available.

The following table indicates the companies where the Key Executives (different from the directors) (i) serve or have previously served as a member of an administrative, management or supervisory body and/or (ii) are or have been holders of an equity stake at any time during the past five years, as well as the status of their position or equity stake:

Name and Surname	Company	Office / Stake Held	Status
Mr. Marco Zammarchi.....	Zago S.p.A.	Director	Currently held
	Sea Lion S.r.l.	Director	Currently held
	Ferretti Group UK Ltd.	Sole Director	Currently held
	F.lli Canalicchio S.p.A.	Director	Currently held
	C.R.N. S.p.A.	Director	Ceased
	Michelini S.r.l.	Sole Director	Ceased
Mr. Stefano De Vivo.....	Ferretti Group Asia Pacific	Managing Director	Currently held
	Ferretti Group (Monaco) S.A.M.	Director	Currently held
		Shareholder	Currently held
	Poem S.r.l.	Director	Currently held
		Shareholder	Currently held
	Poem Ontario Inc.	Director	Currently held
		Shareholder	Currently held
	Family & Friends S.S.	Shareholder	Currently held
	Sea Lion S.r.l.	Director	Currently held
	Spefin S.r.l.	Shareholder	Currently held
	BDV Investimenti S.r.l.	Shareholder	Currently held
	Sviluppo LAS S.r.l.	Shareholder	Currently held
	Poembis S.r.l.	Shareholder	Currently held
	C.R.N. S.p.A.	Director	Ceased
	Zago S.p.A.	Board Member	Currently held
	F.lli Canalicchio S.p.A.	Board Member	Currently held
	Il Massello S.r.l.	Board Member	Currently held
Mr. Giuliano Felten	F Investments S.A.	Managing Director	Currently held
	Kheope S.A.	Managing Director	Currently held
	Air Capital S.A.	Managing Director	Currently held
	F Investments S.A.	Shareholder	Currently held
	Air Capital S.A.	Shareholder	Currently held
	Ferretti S.p.A.	Shareholder	Currently held
Mr. Nicola Guido Zambelli	–	–	–
Mr. Enrico Sgarbi	Banca Popolare dell'Emilia Romagna	Shareholder	Currently held
	Banca Popolare Pugliese	Shareholder	Currently held
Mr. Andrea Brasini	–	–	–
Mr. Cristiano Bozzini	R.A.M. S.p.A.	Director	Currently held
	Sea Lion S.r.l.	Director	Currently held
	Zago S.p.A.	Director	Currently held
Mr. Niccolò Pallesi.	–	–	–
Ms. Margherita Sacerdoti	–	–	–
Mr. Danilo Giunchi.....	Davide Campari-Milano N.V.	Shareholder	Currently held
	Recordati S.p.A.	Shareholder	Currently held
	Credito Emiliano S.p.A.	Shareholder	Currently held
	ERG S.p.A.	Shareholder	Currently held
	Ferrari S.p.A.	Not Shareholder	Ceased
	Brunello Cucinelli S.p.A.	Not Shareholder	Ceased
	Tenaris S.A.	Shareholder	Currently held
	Datalogic S.p.A.	Shareholder	Currently held
	Atlantia S.p.A.	Not Shareholder	Ceased
	Generali S.p.A.	Not Shareholder	Ceased
	Gefran S.p.A.	Not Shareholder	Ceased
	Il Massello S.r.l.	Director	Currently held
Mr. Mauro Sgobbi	–	–	–
Mr. Alessandro Tirelli.....	–	–	–
Mr. Giordano Pellacani.....	–	–	–
Mr. Simone Meletti.....	–	–	–

Employment contracts entered into by the members of the Board of Directors and the members of the Board of Statutory Auditors with the Company or with the other companies of the Group that provide for a severance indemnity

Except as set forth below, as of the Prospectus Date, there are no contracts with the Company or its subsidiaries that provide for the payment of sums as severance indemnity to the members of the Board of Directors and the Board of Statutory Auditors.

Conflicts of interest of the members of the Board of Directors, Board of Statutory Auditors or Key Executives

As of the Prospectus Date, certain members of the Board of Directors have private interests in conflict with their obligations arising from the office or position held or with their obligations towards third parties as they hold positions on the boards of directors of companies which are part of the Group's chain of control. In particular:

- Mr. Tan Xuguang, Chairman of the Board of Directors and non-executive director, is (i) the chairman of SHI; (ii) the chairman of Weichai Group; and (iii) the chairman of Weichai Power Co., Ltd. In addition, Mr. Tan Xuguang holds a 0.67% stake in the share capital of Weichai Power Co., Ltd;
- Mr. Xu Xinyu, an executive director, is: (i) the chairman of FIH; (ii) a director of Weichai Group; and (iii) a non-independent director of Weichai Power Co. Ltd.;
- Mr. Li Xinghao, a non-executive director, is a director of FIH; and
- Mr. Piero Ferrari, a non-executive director, currently controls Kheope, a company owning a beneficial interest in the 4.56% of the Company and is a director of Kheope. In addition, Mr. Ferrari holds directly or indirectly interests in companies (HPE S.r.l. and Ferrari S.p.A.) that are in businesses with the Group in recent years and is himself a party to a consulting agreement with the Company with a duration until March 31, 2024 and which paid him €200,000.00 per annum in gross compensation.

In addition, the following Key Executives have conflicts of interests: (i) Mr. Giuliano Felten (Managing Director FSD), who (a) directly owns 26,000 Shares; (b) controls the entire share capital of Air Capital S.A., which directly owns 326,000 Shares and indirectly 1,255,910 Shares through F Investments S.A. (entirely held by Air Capital S.A.) and; (c) is the managing director of Air Capital S.A., F Investments S.A. and Kheope, which, as of the Prospectus Date, holds a 4.562% stake in the share capital of the Company; and (ii) Mr. Stefano De Vivo (Chief Commercial Officer) through his family, which owns PEH S.r.l., has certain related party transactions with the Company in relation to the assistance service aimed at identifying potential acquisitions in the nautical sector.

Except as noted above, as of the Prospectus Date, to the best of the Company's knowledge, none of the members of the Board of Directors, the members of the Board of Statutory Auditors or the Key Executives are in a situation of actual and/or potential conflicts of interests with respect to the Company and his/her private interests and/or other duties.

Market Abuse Procedures

On March 20, 2023, the Board of Directors resolved to adopt, from the date of submission to Borsa Italiana of the application for listing on Euronext Milan, the following procedures:

- the procedure for the internal management and disclosure to outside parties of documents and information concerning the Company and/or the Group, in compliance with applicable laws and regulations relating to market disclosure and the prevention of market abuse and for the setting up and management of the register of persons with access to inside information (the **"Procedure for the Management and Dissemination of Inside Information"**). The Procedure for the Management and Dissemination of Inside Information sets out, among other things, (i) the criteria for identifying inside information; (ii) the criteria for identifying the relevant information which are subject to the procedure; (iii) the procedure for delaying the disclosure of inside information to the public and ascertaining that the conditions for ongoing delay are met; (iv) the procedures for disseminating and disclosing inside information to the market; and (v) the standards of conduct that individuals and organizational structures must follow if for any reason they are involved in handling inside or confidential information. Furthermore, the Procedure for the Management and Dissemination of Inside Information sets out the procedure relating to the lists of persons having access to relevant information and inside information and, in particular, (i) the persons responsible for maintaining the insider register, (ii) the criteria for identifying the persons to be registered in the insider register, (iii) the functioning of the insider register, (iv) the content of the insider register and notification to persons whose names are included, and (v) the updating of the insider register;
- the procedure for the management of the reporting requirements arising from the internal dealing regime, aimed at regulating disclosure obligations to the Company, to CONSOB and to the public and the procedural requirements relating to transactions in financial instruments issued by the Company or other financial instruments related to them carried out, directly or indirectly, by members of the Company's administration or control bodies, senior management and other persons with regular access to inside information and persons closely related to them, in compliance with applicable laws and regulations relating to market disclosure and the prevention of market abuse (the **"Internal Dealing Procedure"**).

On May 18, 2023, the Board of Directors confirmed and ratified the Procedure for the Management and Dissemination of Inside Information and the Internal Dealing Procedure, that will be effective from the date of submission to Borsa Italiana of the application for listing on Euronext Milan.

Procedure for Related Party Transactions

On March 20, 2023, the Board of Directors approved, effective as of the First Trading Date, the "Procedure for Related Parties Transactions" (**"Procedure for Related Parties Transactions"**). On May 18, 2023, the Board of Directors resolved

to ratify and partially amend the Procedure for Related Parties Transactions. Following the First Trading Date, the Procedure for the Related Parties Transactions will be submitted to the approval of *ad hoc* committee composed only by independent directors, pursuant to article 4 (3) of the Related Party Regulation.

In accordance with the Related Party Regulation, the Procedure for Related Parties Transactions governs, among other things, the approval and execution process of major and minor related parties transactions. Transactions exempted from the Procedure for Related Parties Transactions include, *inter alia*: (i) smaller amount transactions, (ii) certain resolutions relating to the remuneration of corporate bodies, directors with special responsibilities and remuneration plans linked to financial instruments, (iii) transactions in the ordinary course of business of the Company and entered into at market conditions or standard conditions, (iv) references made to the connected transactions according to the HK Listing Rules. For further information on connected transactions, see “*Regulatory – Connected transactions*”.

The purpose of the Procedure for Related Party Transactions, which takes effect as of the First Trading Date, is: (i) to ensure that all transactions between any Group company and any related party are carried out on a transparent and reasonable basis; and (ii) to facilitate the identification and management of conflicts of interest affecting its Key Executives, Directors or Statutory Auditors. In accordance with the Related Party Regulation, the Procedure for Related Party Transactions defines the analysis and approval of the transactions with related parties. The Procedure for Related Parties identifies the major transactions, the minor transactions and the transactions for smaller amounts (the latter are transactions of €100,000 or less per transaction, if the transaction has as a counterparty, directly or indirectly, a natural person, or of an amount not exceeding €300,000 if the related party is a person other than a natural person. In accordance with the Related Party Regulation, the Procedure for Related Party Transactions prescribes that before the approval of transactions with related parties, they will be submitted for a preliminary opinion from the RPT Committee.

For the period in which the Company is deemed a “recently listed company” (*i.e.* until the approval of the financial statements for the year ending December 31, 2025) the simpler approval procedure for minor transactions will apply to all related party transactions. Such procedure requires, before a related party transaction is approved, the RPT Committee to provide a reasoned, non-binding opinion on the Company’s interest in the transaction being concluded and whether the contemplated terms and conditions are advisable.

The RPT Committee shall be composed only of independent directors who are also deemed to be independent under the HK Listing Rules. Where the Hong Kong regulations apply, in addition to the opinion of the RPT Committee, Related Parties Transactions must also be approved by the independent shareholders (*i.e.*, after excluding the voting rights held by shareholders who have a material interest in the transaction) by way of an ordinary resolution passed at shareholders meeting of the Company, unless otherwise exempted.

Adoption of Corporate Governance Rules

Starting from the First Trading Date, the Company's corporate governance system will be substantially compliant with the corporate governance system to the relevant provisions of the Italian Civil Code, the Consolidated Financial Act, the applicable regulatory provisions, Decree 231 and the Corporate Governance Code.

In particular:

- pursuant to Article 2 of the Corporate Governance Code and Article 147-ter of the Consolidated Financial Act, the Company has appointed Mr. Hua Fengmao, Mr. Stefano Domenicali and Mr. Patrick Sun as independent directors;
- pursuant to Article 147-ter of the Consolidated Financial Act, the New By-Laws provide for a “voting list” system for the appointment of the members of the Board of Directors as well as for the appointment of the Board of Statutory Auditors, pursuant to Article 148 of the Consolidated Financial Act;
- the breakdown of members of the Board of Directors and of the Board of Statutory Auditors to be elected on the basis of a criterion ensuring a gender balance, in the sense indicated in Articles 147-ter, paragraph 1-ter, and 148, paragraph 1-bis, of the Consolidated Financial Act;
- the Company has identified Ms. Margherita Sacerdoti as investor relator;
- the Company has established the internal audit function and has appointed Mr. Matteo Scarpa as the responsible for the internal audit function;
- the Company has approved a regulation governing Shareholders’ Meetings to permit such meetings to be conducted in an orderly and effective manner;

- the Company has approved the policy for managing communication and interaction with shareholders and other relevant stakeholders, in accordance with the recommendations of Article 1 of the Corporate Governance Code;
- the Company has approved a regulation governing the functioning of the Board of Directors and its committees, including the means for recording minutes of the meetings and the procedures for providing information to directors, in accordance with recommendation 11 of the Corporate Governance Code;
- pursuant to Article 154-*bis* of the Consolidated Financial Act, on May 18, 2023, the Company has appointed Mr. Marco Zammarchi as the executive in charge of the accounting documents and the fulfilment of the duties indicated in Article 154-*bis*; and
- pursuant to Article 6 of the Corporate Governance Code, on May 18, 2023, the Company has appointed Mr. Xu Xinyu, as the person in charge of establishing and maintaining an effective internal control and risk management system.

The Corporate Governance Code is based on a ‘comply or explain’ principle. Accordingly, companies are required to disclose in their report of the board of directors whether or not they are complying with the various best practice provisions of the Corporate Governance Code that are addressed to the managing/executive directors or, if applicable, the supervisory/non-executive directors of the company. If a company deviates from a best practice provision in the Corporate Governance Code, the reason for such deviation must be properly explained in its directors’ report.

Moreover, starting from the First Trading Date, the Company will not be aligned with the following provisions of the Corporate Governance Code.

As of the Prospectus Date, the composition of the Remuneration Committee is not fully aligned with recommendation 26 of the Corporate Governance Code, which recommends the committee to be composed only of non-executive directors, the majority of whom independent, and be chaired by an independent director.

On May 18, 2023, the Board of Directors of the Company has resolved to appoint as members of the Remuneration Committee Mr. Stefano Domenicali (Independent Non-Executive Director, currently serving as chairman), Mr. Patrick Sun (Independent Non-Executive Director), Mr. Hua Fengmao (Independent Non-Executive Director), Mr. Piero Ferrari (Non-Executive Director) and Mr. Xu Xinyu Executive Director). As a consequence, the Remuneration Committee of the Company is currently composed of five members, of which 3 members are independent, 1 member is a non-executive director, and 1 member is an executive director. The chairman is an independent director.

On May 18, 2023 the Board of Directors resolved to grant to Mr. Xu Xinyu all the powers relating to the supervision of the execution of the Board resolutions, the improvement of the Company’s internal audit functions and the supervision of the Company’s operation quality. Therefore, Mr. Xu Xinyu has an executive role mainly focused on compliance and monitoring and controlling the management and operations of the Company; given this role as well as his ability, professionalism and previous experience in the Remuneration Committee, the Company believes that his presence in the Remuneration Committee is consistent with the function of the committee to pursue a remuneration policy aimed at the sustainable success of the Company and, in particular, to safeguard a correct implementation of any such policy. As a result, in the view of the Company, the current composition of the Remuneration Committee is contributing in any case to a good corporate governance practice.

In order to support the internal control and risk management system, on May 18, 2023 the Board of Directors also appointed Mr. Xu Xinyu as the Director in charge of establishing and maintaining the internal control and risk management system with the functions set forth in recommendation 34 of the Corporate Governance Code. Such role has not been assigned to the Chief Executive Officer, as provided for in recommendation 32, letter b) of the Corporate Governance Code, due to the division of responsibilities between Mr. Xu Xinyu and the Chief Executive Officer. For further information on powers delegated to the Chief Executive Officer and Mr. Xu Xinyu, see, respectively, “—Board of Directors—Powers granted to the Chief Executive Officer” and “—Board of Directors—Powers granted to Mr. Xu Xinyu”.

In addition, as the Company is also listed on the Main Board of the HK Stock Exchange, its corporate governance system also includes provisions which comply with the applicable Hong Kong laws and regulation.

In particular, Chapter 3 of the HK Listing Rules sets out the duties and expected responsibilities of a director and the independence requirements for independent non-executive directors. Directors are required to act in the best interest of the company, exercise due care and skill, and act with integrity. Directors must possess the necessary skill, experience, and qualities to perform their duties. In assessing the independence of the independent non-executive directors, the HK Stock Exchange will consider, among other things, whether the director holds more than 1% of the issued shares in the Company, whether he/she received an interest in the securities as a gift, or currently, or within one year immediately prior to the date of the director’s proposed appointment, has or had a material interest in any principal business activity of or is or was involved in any material business dealings with the Company. Each listed issuer must also appoint independent non-executive

directors representing at least one-third of the board's seats, with a minimum number of three independent non-executive directors (Rules 3.10 and 3.10A of the HK Listing Rules). The HK Listing Rules also require companies to have at least one female director on the board no later than December 31, 2024 (Rule 13.92 of the HK Listing Rules). The three independent directors of the Company Mr. Hua Fengmao, Mr. Stefano Domenicali and Mr. Patrick Sun meet the independence requirements set forth in the HK Listing Rules, in addition to the independence requirements pursuant to Article 147-ter, paragraph 4 and Article 148, paragraph 3 of the CFA and Article 2 of the Corporate Governance Code, as acknowledged by the Board of Directors on May 18, 2023.

Pursuant to Chapter 3 of the HK Listing Rules, the Audit Committee is responsible for overseeing financial reporting, internal controls, and audit matters. It should comprise at least three members and the majority of which should be independent non-executive directors with at least one being an independent non-executive director who should have appropriate professional qualifications and relevant experience. It should also be chaired by an independent non-executive director. The Remuneration Committee makes recommendation to the Board on remuneration policies and proposals of directors and senior management. It should comprise a majority of independent non-executive directors. The Nomination Committee is responsible for board appointments and to identify and nominate suitable candidates for appointment to the board. It should be chaired by the chairman of the board or an independent non-executive director and must comprise a majority of independent non-executive directors.

In addition to the mandatory requirements set out in Chapter 3, listed companies in Hong Kong are also subject to the Hong Kong Corporate Governance Code under Appendix 14 of the HK Listing Rules. The Hong Kong Corporate Governance Code sets out (a) the mandatory requirements for disclosure in a company's corporate governance report, which includes disclosures on, among other things, the board structure, the roles and responsibilities of directors, the board's processes, and the remuneration of directors; and (b) the principles of good corporate governance, code provisions on a comply/explain basis and recommended best practices. The Company is required to disclose in its corporate governance report whether it has complied with the code provisions and reasons for deviation. Pursuant to the HK Listing Rules, such report must be dispatched on a yearly basis within four months after the end of the relevant financial year. Since the corporate governance report provided for in Article 123-bis of the CFA (*Relazione sul governo societario e gli assetti proprietari*) must be dispatched together with the relevant annual financial statements, in the Company's reasonable view there is no conflict concerning provisions on disclosure obligations of the annual corporate governance report set forth in Italian and Hong Kong rules.

Recommended best practices for the board of directors and board committees include having a diverse board with a mix of skills and experience, regular evaluations of the board and committees, and ensuring that there is effective communication and transparency between the board and management. The board of directors needs to establish clear roles, responsibilities, and accountability frameworks. Board committees should have clear terms of reference and be held accountable for their actions.

For further information on the contents of the New By-Laws, see "*Description of Shares and Share Capital*".

Code of Ethics

As of the Prospectus Date, the Company has adopted a code of ethics (the "**Code of Ethics**") setting out the rights, duties and responsibilities towards all parties with which the Company comes into contact to carry out its own corporate purpose (customers, suppliers, employees and/or collaborators, shareholders, institutions.).

The Company requires that, as part of its contractual arrangements with third parties (*i.e.*, customers and suppliers), such third parties explicitly accept the Code of Ethics.

Compensation and Benefits

Board of Directors

The directors and senior management members who receive remuneration from the Company are paid in forms of salaries, allowances, discretionary bonuses and other benefits in kind. The remuneration of the directors and senior management members is determined with reference to the relevant academic and professional background, comparison to the peers and benchmark with competitors of the same industry. The remuneration of the directors is agreed by individual agreement and compliant with Italian labor laws.

The table below sets out the compensation accrued by the members of the Board of Directors in office as of the Prospectus Date for the financial year ended December 31, 2022.

Name and Surname	Position	Compensation accrued with respect to the Company (€)	Compensation accrued with respect to the Subsidiaries (€)	Total (€)
Mr. Tan Xuguang ⁽¹⁾	Chairman of the Board of Directors and Non-Executive Director	—	—	—
Mr. Alberto Galassi ⁽²⁾ ...	Chief Executive Officer and Executive Director	7,577,809	—	7,577,809
Mr. Piero Ferrari ⁽³⁾	Non-Executive Director	252,632	—	252,632
Mr. Xu Xinyu ⁽⁴⁾	Executive Director	225,348	—	225,348
Mr. Li Xinghao.....	Non-Executive Director	42,857	—	42,857
Mr. Hua Fengmao.....	Independent Non-Executive Director	42,857	—	42,857
Mr. Stefano Domenicali	Independent Non-Executive Director	48,284	—	48,284
Mr. Patrick Sun	Independent Non-Executive Director	42,857	—	42,857

⁽¹⁾ Mr. Tan Xuguang waived his remuneration for the financial year ended December 31, 2022.

⁽²⁾ The amount shown comprises Mr. Alberto Galassi's fixed compensation of €1,428,000, his variable compensation of €983,125, his portion of the special Cash Bonus of €4,950,000 (of which €1,600,000 accrued but not paid in 2022) and non-monetary benefits such as a company car and the use of a Custom Line Navetta (amount of €216,683.96), pursuant to the Directorship Agreement.

⁽³⁾ The amount shown comprises Mr. Piero Ferrari gross compensation as a director of €52,632 and €200,000 per annum paid to him pursuant to a consulting agreement with the Company with a duration until March 31, 2024 (see “—Conflicts of interest of the members of the Board of Directors, Board of Statutory Auditors or Key Executives”).

⁽⁴⁾ The amount shown comprises Mr. Xu Xinyu's gross compensation as a director of €64,380, plus €120,000 paid to him pursuant to a consulting agreement dated as of December 18, 2014 and €40,968 in relation to his housing allowance and company car.

The non-monetary benefits provided to some of the directors are not significant in amount and comprise, depending on the case, company car, mobile phone and laptop and corporate house. In addition, Directors of the Company's benefit from D&O insurance policies taken out at the Group's level.

Furthermore, on May 20, 2022, the Company subscribed two insurance investment product policies. In accordance with the terms and conditions of these policies, Mr. Alberto Galassi is the insured person (*soggetto assicurato*) and the Company is the policy holder and recipient (*beneficiario*) of the policies. The first product is a unit-linked insurance plan with CNP Vita Assicurazioni S.p.A. used for investment in instruments selected by the Company, as policy holder, for a one-off premium (*premio unico*) of €38 million. The second product is a combined insurance and investment plan with Bipiemme Vita S.p.A. used for investment in instruments selected by the Company, as policy holder, for a premium of €5 million. Both these premiums are invested into segregated funds composed by a combination of several securities chosen by the Company and, on the basis of the performance of such securities, the policy holder will obtain an annual coupon (*cedola annuale*). The Company is entitled to request at any time the reimbursement of the premiums paid subject to payment of minimum penalties whose amount decrease based on the time that accrued since the date of signature of the policies. The premium of the first product will be released in case of death of the insured person (*i.e.*, Mr. Alberto Galassi). The premium of the second product will be released in case of death of the insured person (*i.e.*, Mr. Alberto Galassi) before the termination of the policy or at the termination of the policy in case of outliving of the insured person (*i.e.*, Mr. Alberto Galassi).

Save for any additional compensation connected with the achievement of the objectives provided under the incentive plans, no additional compensation shall be payable to the members of the Board of Directors for the listing of the Company on Euronext Milan.

With respect to the remuneration of the Board of Directors recently appointed, on May 18, 2023, the Company's shareholders' meeting resolved to award each Director a basic gross annual remuneration equal to €40,000, excluding reimbursement of expenses incurred by virtue of their offices. Mr. Tan Xuguang has confirmed to waive his remuneration for his term of appointment. With reference to additional remuneration for Directors vested with special authorities, pursuant to Article 2389 of the Italian Civil Code, on May 18, 2023, the Board of Directors - having considered the recommendation of the Remuneration Committee and the opinion of the Board of Statutory Auditors - has resolved to grant an additional remuneration to Mr. Alberto Galassi in accordance with the provisions set forth in the Directorship Agreement. For further information on the Directorship Agreement, see “—Other information—Employment or management agreement—Directorship Agreement with the Chief Executive Officer”.

Furthermore, on May 18, 2023, the Board of Directors resolved to confirm the compensation due to the Chief Executive Officer, as one of the beneficiaries of the STIP. For further information on the STIP, see “—Management Incentive Plan—Short Term Incentive Plan.”.

In order to benefit of the exemption from the application of certain rules of the Related Party Regulation as set forth in Article 13, paragraph 3, lett. b) of the Related Party Regulation and as implemented in the Procedure for Related Party Transaction, the Company will evaluate to approve an amendment to the terms of reference of the Audit Committee in a

Board of Directors meeting after the listing on the Euronext Milan and prior to the approval of a remuneration policy, providing that the Audit Committee shall also be involved in the definition of the remuneration policy of the Company, until the composition of the Remuneration Committee will be made only of non-executive directors, the majority of which represented by independent directors. Should the composition of the committee of the Company that is involved in the definition of the remuneration policy not composed only of non-executive directors, the majority of which represented by independent directors, the Company could not avail itself of the exemption set forth in Article 13, paragraph 3, lett b) of the Related Party Regulation.

Following the First Trading Date, the Company shall be required to adopt a remuneration policy compliant with Article 123-ter of the Consolidated Financial Act at the earliest practicable date.

Board of Statutory Auditors

The table below sets out the compensation accrued by the members of the Board of Statutory Auditors in office as of the Prospectus Date for the financial year ended December 31, 2022.

Name and Surname	Position	Compensation accrued with respect to the Company (€)	Compensation accrued with respect to the Subsidiaries (€)	Total (€)
Mr. Luigi Capitani	Chairman	35,000	15,000	50,000

No member of the Board of Statutory Auditors has received from Ferretti or any Subsidiary any remuneration and/or benefits in kind for services in any capacity.

With respect to the remuneration of the Board of Statutory Auditors recently appointed, on June 13, 2023, the Company's Shareholders' Meeting approved an overall gross annual remuneration of €40,000 for the Chairman and €30,000 for each Statutory Auditor.

Key Executives

The total amount of compensation accrued for any reason and in any form in the financial year ended December 31, 2022 by the Key Executives amounted to €11,281 thousand (of which €2,365 thousand accrued but not paid in 2022). This amount includes all components pertaining to the year ended December 31, 2022, including the special Cash Bonus.

The main non-monetary benefits provided to the Key Executives consist of the use of the telephone and the company car, accident policy, life insurance, supplementary health insurance and policy D&O, as well as reimbursement of all expenses incurred during missions or business trips.

Save for any additional compensation connected with the achievement of the objectives provided under the incentive plans, no additional compensation shall be payable to the Key Executives for the listing of the Company on Euronext Milan.

Management Incentive Plan

On December 21, 2021, the Board of Directors of the Company has approved the guidelines of a management incentive plan. On April 28, 2022, the Board of Directors of the Company approved the management incentive plan including three pillars: (i) a cash bonus, (ii) a short-term incentive plan and (iii) a long-term incentive plan.

As of the Prospectus Date, the Company has implemented the cash bonus and the short-term incentive plan but has not implemented yet the long-term incentive plan.

Cash Bonus

On April 28, 2022, the Company approved to grant a special cash bonus to the Chief Executive Officer, certain of its Key Executives and other employees in a maximum aggregate amount of 2.5% of the market capitalization of the Company at the first trading date on the HK Stock Exchange (*i.e.*, €22.3 million), as a reward for the value brought to the Company prior to the 2022 Offer (the "**Cash Bonus**"). The cash bonus had already been approved by the Company's Board of Directors on December 21, 2021. The Cash Bonus was divided in four different payment windows: (i) the upfront payment made in December 2021; (ii) the second payment made on April 22, 2022; (iii) the third payment made in September 2022; and (iv) the fourth payment made in April 2023. The powers to identify the relevant beneficiaries of each Cash Bonus windows and to define the relevant amount for each beneficiary in each window has been granted to the Chief Executive Officer.

As of the Prospectus Date, the Cash Bonus has been fully paid. The Chief Executive Officer Mr. Alberto Galassi has received an aggregate amount of €6.7 million, certain Key Executives have received an aggregate amount of €9.5 million and the

other employees have received an aggregate amount of €4.1 million. The remaining portion of €2.0 million consists of social security contributions related to the Cash Bonus.

Short Term Incentive Plan

On April 28, 2022, the Company approved a short-term incentive plan that applies for 4 years (2022-2025) and which has the Chief Executive Officer and selected key top managers, including certain Key Executives, as beneficiaries (the “**STIP**”). As of the Prospectus Date, the beneficiaries of the STIP are 13. In particular, the STIP allows for the grant to its beneficiaries of an amount up to 200% of the relevant annual gross salaries in case of achievement by the Company of certain financial targets (e.g., the EBITDA Adjusted, the operating cash flow and the order intake) as determined by the Board of Directors in the relevant annual budget.

For each financial year, the STIP is recognized based on the weighted average of these aforementioned targets’ percentage achievement with a specific floor (equal or greater of 70%) over which a linear interpolation mechanism is applied. In case of overachievement of the target, no additional amount is recognized to the beneficiaries. The incentive will be paid to the relevant beneficiaries each year within 30 days from the approval of the financial statements.

For the financial year ended December 31, 2022, the overall payment to the aforementioned beneficiaries pursuant to the STIP amounts to €3.8 million.

Long Term Incentive Plan

On April 21, 2023, the Board of Directors resolved to approve the main features of a long-term incentive plan for the three year period 2023-2025 (the “**LTIP**”). In particular, the LTIP has a grant value not exceeding 3% of the market capitalization of the Company, covers a period of three-year (2023-2025) and the beneficiaries are certain key people and key managers. The LTIP is subject to review and recommendations by the Remuneration Committee of the Company and approval of the Board of Directors, and, to the extent required by applicable laws and regulations, to the favourable vote of the general shareholders meeting of the Company.

Total amounts set aside or accumulated by the companies under the control for the payment of pensions, severance indemnities or similar benefits

As of December 31, 2022, the overall payment of severance indemnities to the members of the Board of Directors and Key Executives amounts to €246,239.

There are no indemnities set aside and/or paid, for any reason, in favor of the members of the Board of Statutory Auditors.

Other information

Employment or management agreement

Directorship Agreement with the Chief Executive Officer

On March 8, 2023, the Company signed the directorship agreement with Avv. Alberto Galassi, which took effect on the same date and will remain in force until the annual Shareholders’ meeting of the Company called to approve the 2025 financial statements, thus with final termination date in June 2026 (the “**Directorship Agreement**”).

As provided by the Directorship Agreement, (i) the Shareholders’ meeting of the Company on May 18, 2023, has re-appointed Avv. Alberto Galassi as member of the Board of Directors until the approval of the 2025 financial statements and (ii) the Board of Directors on May 18, 2023, has re-appointed him as Chief Executive Officer (*amministratore delegato*) of the Company.

The Directorship Agreement provides that the fixed gross compensation per annum is €1,785,000 (“**Consideration**”), which consists of €1,254,600 as consideration for the offices of Director and Chief Executive Officer and €530,400 as consideration in respect of his non-competition agreement. The Directorship Agreement provides that Avv. Galassi will remain entitled to the last portion of the Cash Bonus, to the STIP, both as approved by the corporate bodies of the Company. In addition, he will be entitled to a preponderant portion of the LTIP, as approved by the Board of Directors on April 21, 2023 given his contribute to the value creation of the Company. Pursuant to the Directorship Agreement, the Chief Executive Officer will be entitled to receive, in addition to the Consideration, customary fringe benefits such as insurance policies, the use of an apartment, the use of a company car, the use of a yacht, subject to the Company’s marketing needs or use for corporate events and a discount, to be approved by the Company’s Board of Directors, for the purchase of a boat of his choice among Ferretti’s brands.

The Directorship Agreement also governs certain cases of early termination of the office of the Chief Executive Officer, as follows:

- the Chief Executive Officer may be qualified as a bad leaver (“**Bad Leaver**”) whether:
 - a) the Company terminates and/or ceases the Directorship Agreement and/or the office for the Chief Executive Officer’s fraud or willful misconduct in the performance of the duties and responsibilities as Chief Executive Officer, which has caused a serious economic damage to the Company and/or the Group;
 - b) the Company revokes the Chief Executive Officer for just cause, due to conviction of the Chief Executive Officer with a final judgment for one of the crimes provided for in Legislative Decree 231/2001 for conducts directly committed by the Chief Executive Officer and from which he obtained a personal benefit;
 - c) the Company revokes the Chief Executive Officer for just cause, due to serious irregularities in the financial statement of the Company as a direct result of Chief Executive Officer’s resolutions;
 - d) the Company revokes the Chief Executive Officer for just cause, due to Chief Executive Officer’s definitive conviction to a sanction that entails the disqualification from public or directive offices pursuant to Article 2382 of the Italian Civil Code;
 - e) the Company revokes the Chief Executive Officer for just cause, due to violation (i) of his duties or (ii) the non-competition obligation, as specified in the Directorship Agreement;
 - f) the Company revokes the Chief Executive Officer for just cause, due to a material breach of his confidentiality obligations which has caused a serious economic damage to the Company and/or the Group;
 - g) the Chief Executive Officer resigns from office, save for cases *sub b)* of Good Leaver (as defined below).

In such cases of Bad Leaver, the Chief Executive Officer will be entitled to receive any accrued fixed compensation and any outstanding amount of the cash bonuses, any premium under the STIP and under the LTIP (as well as any other benefits provided), without being entitled to any other indemnities and/or other deferred compensation.

- the Chief Executive Officer will qualify as a good leaver (“**Good Leaver**”) whether:
 - a) the Company terminates the Directorship Agreement and/or revokes the Chief Executive Officer from office for reasons different than those listed for Bad Leaver;
 - b) the Chief Executive Officer resigns from office and/or terminates the Directorship Agreement due to: (i) the Company’s failure to comply with the obligations of the Directorship Agreement and/or the management incentive plan, (ii) the failure by the Company to timely pay the Consideration; and/or (iii) the adoption of resolutions involving a revocation of the current powers as conferred with the Board Directors resolution dated March 14th 2022, including *de facto* revocation;
 - c) the Chief Executive Officer resigns and/or the Company revokes his appointment, within 6 months from the date on which one of the following events occur: (i) change of control, pursuant to Article 93 of the Consolidated Financial Act; (ii) takeover offer on the Company’s shares; (iii) delisting of the Company’s shares resulting from a resolution adopted by the Shareholders’ Meeting and/or the Board of Directors, provided that the Company’s shares are not listed on another stock exchange and are not going to be listed on another stock exchange. On March 13, 2023, the Chief Executive Officer has executed a letter in favour of the Company recognizing that if the controlling shareholder, upon completion of the Listing and the Offer will reduce its interests below 50% of the voting share capital of the Company, such event will not represent *per se*, in any circumstance, an event of change of control of the Company which would enable the CEO to resign as “good leaver” under point (i);
 - d) the Chief Executive Officer dies or becomes unable to perform his duties for a period longer than 180 days in the financial year;
 - e) other cases in which the Chief Executive Officer is not qualified as Bad Leaver occur.

In such cases of Good Leaver, the Chief Executive Officer will be entitled to receive whatever accrued compensation is due and payable, the outstanding amount of the cash bonuses, any premium under the STIP and under the LTIP (as well as any other benefits provided) and an indemnity equal to twice the overall Consideration paid in the previous 12 months prior to the date of termination of the office (including the fixed consideration, the value of the STIP and the LTIP).

The Directorship Agreement provides for non-competition, non-solicitation and non-disparagement obligations. Should the Chief Executive Officer breach such obligations, he would be subject to a penalty in the amount of 40% of the Consideration.

The Directorship Agreement also provides duties and confidentiality obligations of the Chief Executive Officer. Should the Chief Executive Officer breach such confidentiality obligations, he will pay to the Company a penalty equal to 20% of the Consideration.

Insurance

For the benefit of the Company's directors, auditors and officers, the Company have entered into the following D&O insurance policies covering, *inter alia*, the present, former and future directors, auditors and officers:

- a D&O insurance policy with AIG Europe S.A., which applies globally and provides for an aggregate insured limit of €10,000,000.00 per year; and
- a D&O insurance policy with QBE Europe S.A., which applies globally and provides for an aggregate insured limit of €10,000,000.00 per year in excess of the first insurance.

The D&O insurance policies cover financial losses resulting from liability of the Company's directors, auditors and officers and the Company believes the limitations of the coverage are in line with industry practice.

On May 20, 2022, the Company subscribed two insurance investment product policies. In accordance with the terms and conditions of these policies, Mr. Alberto Galassi is the insured person (*soggetto assicurato*) and the Company is the policy holder and recipient (*beneficiario*) of the policies. The first product is a unit-linked insurance plan with CNP Vita Assicurazioni S.p.A. used for investment in instruments selected by the Company, as policy holder, for a one-off premium (*premio unico*) of €38 million. The second product is a combined insurance and investment plan with Bipiemme Vita S.p.A. used for investment in instruments selected by the Company, as policy holder, for a premium of €5 million. Both these premiums are invested into segregated funds composed by a combination of several securities chosen by the Company and, on the basis of the performance of such securities, the policy holder will obtain an annual coupon (*cedola annuale*). The Company is entitled to request at any time the reimbursement of the premiums paid subject to payment of minimum penalties whose amount decrease based on the time that accrued since the date of signature of the policies. The premium of the first product will be released in case of death of the insured person (*i.e.*, Mr. Alberto Galassi). The premium of the second product will be released in case of death of the insured person (*i.e.*, Mr. Alberto Galassi) before the termination of the policy or at the termination of the policy in case of outliving of the insured person (*i.e.*, Mr. Alberto Galassi).

Employees

The tables below set forth the average numbers of Group employees as of the Prospectus Date, for the financial years ended as of December 31, 2022, 2021 and 2020 and for the three months ended March 31, 2023, subdivided by type and geographical region.

	As of the Prospectus Date			
	EMEA	AMAS	APAC	Total
Executives	30.00	-	-	30.00
Office workers	635.25	41.75	9.75	686.75
Blue collar workers	1,126.00	16.50	-	1,142.50
Total	1,791.25	58.25	9.75	1,859.25

	For the three months ended as of March 31, 2023			
	EMEA	AMAS	APAC	Total
Executives	30.00	-	-	30.00
Office workers	630.00	42.00	10.00	682.00
Blue collar workers	1,118.67	16.67	-	1,135.34
Total	1,178.67	58.67	10.00	1,847.34

	For the year ended as of December 31, 2022			
	EMEA	AMAS	APAC	Total
Executives	26.00	0.33	-	26.33
Office workers	564.83	42.08	8.08	615.00
Blue collar workers	1003.33	14.58	-	1017.92
Total	1,594.17	57.00	8.08	1,659.25

For the year ended as of December 31, 2021				
	EMEA	AMAS	APAC	Total
Executives	25.40	1.00	-	26.40
Office workers	528.00	40.00	8.08	576.08
Blue collar workers	971.00	10.00	-	981.00
Total	1,524.40	51.00	8.08	1,583.48

For the year ended as of December 31, 2020				
	EMEA	AMAS	APAC	Total
Executives	23.25	1.00	-	24.25
Office workers	500.00	39.50	9.83	549.33
Blue collar workers	957.00	9.33	-	966.33
Total	1,480.25	49.83	9.83	1,539.91

The Group's employees work in five main functions, namely, (i) research and development; (ii) production; (iii) sales and communications; (iv) after-sales services; and (v) support functions (including finance, legal, human resources and IT support functions).

The table below sets forth a breakdown of the Group's employees by function as of the Prospectus Date and for the Track-Record Period:

At Prospectus Date			For the years ended December 31,						For the three months ended March 31, 2023	
			2022		2021		2020			
Research and Development....	187	9.88%	158	9.34%	149	9.21%	141	9.13%	183	9.83%
Production.....	1,418	74.91%	1,263	74.65%	1,222	75.57%	1,166	75.47%	1,391	74.70%
Sales and communication.	100	5.28%	94	5.56%	93	5.75%	86	5.57%	102	5.48%
After-sales services	83	4.38%	79	4.67%	69	4.27%	64	4.14%	82	4.40%
Support functions	105	5.55%	98	5.79%	84	5.19%	88	5.70%	104	5.59%
Total.....	1,893	100.00%	1,862	100.00%	1,617	100.00%	1,545	100.00%	1,862	100.00%

Equity investments and stock options

Share Option Scheme

On May 25, 2022, the Shareholders' Meeting of the Company approved a generic share option scheme for the purposes of attracting and retaining personnel for the development of the Group's businesses, to provide additional incentives to certain eligible persons (e.g., any director, chief executive or substantial shareholder of the Company or any of their respective associates and any employee of the Group or its affiliates) and to promote the long term financial success of the Group by aligning the interests of holders of the share options to its shareholders (the "Share Option Scheme").

Share options may potentially be granted to "Eligible Person(s)", which include (a) any Director, chief executive or substantial shareholder of the Company or any of their respective associates; and (b) any employee (whether full time or part-time) of the Group or its affiliates.

Pursuant to the Share Option Scheme, the maximum number of shares which may be issued upon the exercise of all options to be granted amounts to 33,848,265 Shares. The maximum number of shares issued and to be issued upon the exercise of the options granted under the Share Option Scheme to any one person (including exercised and outstanding options) in any 12-month period shall not exceed 1% of the shares in issue from time to time.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of the grant. There is no minimum period for which an option must be held before it can be exercised in general. However, at the time of granting any option, the Board may, on a case by case basis, make such grant subject to such conditions, restrictions or limitations including (without limitation) those in relation to the minimum period of the options to be held, the period within which the Shares must be taken up under the Share Option Scheme and/or the performance targets to be achieved as the Board may determine in its absolute discretion.

The exercise price of the option is determined by the Board of Directors and shall not be less than the highest of: (a) the nominal value of each share on the date of grant of the relevant option (the “**Grant Date**”); (b) the closing price of each share as stated in the HK Stock Exchange’s daily quotation sheet on the Grant Date; and (c) the average of the closing prices of the share as stated in the HK Stock Exchange’s daily quotation sheets for the five business days immediately preceding the Grant Date.

At Prospectus Date, the Company has not granted any option’s right.

In any case, the implementation of the Share Option Scheme would be subject, under applicable laws and regulations, to a shareholders meeting approving the share capital increase at the service of the Share Option Scheme, that as the Prospectus Date has not occurred yet.

On May 18, 2023, the Company's shareholders' meeting approved a resolution to revoke the Share Option Scheme, effective as of the First Trading Date. As a result, the Share Option Scheme is still in effect as at the Prospectus Date and will terminate subject to and as of the First Trading Date.

Non-competition agreements

Except for the description set forth under the paragraph “—*Other information—Employment or management agreement—Directorship Agreement with the Chief Executive Officer.*”, no non-competition agreements, in addition to those provided for in the applied collective agreements and national law, have been entered into with the members of the Board of Directors or Key Executives.

PRINCIPAL AND SELLING SHAREHOLDERS

Shareholders structure

Shareholders as of the Prospectus Date

The following table sets out the Shares held by each shareholder or beneficial owner of at least 3% of the voting rights of the Company as of the Prospectus Date, to the Company's knowledge:

Shareholder	No. of Shares held prior to the Offer	% of Share Capital
FIH ⁽¹⁾	215,769,229	63.746%
Kheope S.A. ⁽²⁾	15,441,768	4.562%
Sino-Leader Power Limited ⁽³⁾	10,914,088	3.224%
Market	96,357,569	28.468%
Total	338,482,654	100%

(1) FIH directly holds 215,769,229 Shares. FIH is wholly owned by Weichai Holding (HK). Weichai Holding (HK) is wholly owned by Weichai Group, which is a wholly-owned subsidiary of SHIG. SHIG is owned by Shandong SASAC (a State-owned Assets Supervision & Administration Commission of Shandong Province) (70%), Shandong Guohui Investment Co., Ltd. (20%, a company wholly owned by Shandong SASAC) and Shandong Caixin Asset Operation Co., Ltd (10%).

(2) Kheope is the beneficial owner of 15,441,768 Shares. Kheope is wholly owned by Mr. Piero Ferrari, Non-Executive Director.

(3) Sino-Leader Power Limited is the beneficial owner of 10,914,088 Shares, is a limited liability company registered in Hong Kong and is wholly owned by Ms. Renjie Wang.

The rights pertaining to the Shares traded on the HK Stock Exchange (including voting rights) are ultimately exercised by the beneficial holders, as the legal owner, HKSCCN/HKSCC is required to exercise such rights as instructed by the beneficial holders.

None of the above indicated principal shareholders have different voting rights with regards to the Company's Shares held or in which they are beneficial owners. Each Share confers on its holder the right to vote at the ordinary and extraordinary shareholders' meetings by casting one vote for each Share held. With specific regard to the beneficial ownership interest in connection with the listing of the Shares in the Hong Kong Stock Exchange see "*Description of the shares capital and corporate structure—form and transfer of Shares*".

Selling shareholder

The Selling Shareholder is Ferretti International Holding S.p.A., a joint stock company (*società per azioni*) incorporated and organized under the laws of Italy, registered with the Register of Companies of Milano Monza Brianza Lodi under number 07739200967. The Selling Shareholder's Legal Entity Identifier (LEI) is 213800DZJFL11ZR7F235.

The Selling Shareholder's registered office is Via Alessandro Manzoni 41, Milan, Italy.

Shareholders at the First Trading Date

The following table sets forth the number of Shares and percentage of share capital the Selling Shareholder owns before the Offer and the number of Shares and percentage of share capital the Selling Shareholder will own following the Offer, assuming the sale of all the Offer Shares in the Offer and the exercise in full of the Over-allotment Option.

Shareholder	Maximum no. of Offer Shares sold in the Offer (including the Over-Allotment Option)	No. of Shares held following the Offer (prior to the exercise of the Over-allotment Option)	% of Share Capital	No. of Shares held following the Offer if Over-allotment Option is exercised in full	% of Share Capital
FIH	97,300,300	127,314,411	37.61%	118,468,929	35.00%
Kheope	—	15,441,768	4.56%	15,441,768	4.56%
Sino-Leader Power Limited	—	10,914,088	3.22%	10,914,088	3.22%
Market	—	184,812,387	54.60%	193,657,869	57.21%

Total	97,300,300	338,482,654	100%	338,482,654	100%
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Controlling shareholders

As of the Prospectus Date, the Company is indirectly controlled by Shandong SASAC, a State-owned Assets Supervision & Administration Commission of Shandong Province within the meaning of Article 93 of the Consolidated Financial Act and Article 2359(1)(1) of the Italian Civil Code. As of the Prospectus Date, the Company is not subject to direction and coordination activities by its controlling shareholder within the meaning of Articles 2497 and following of the Italian Civil Code. For more information, see “*Business—Group Companies.*”.

In particular, as of the Prospectus Date, Shandong SASAC holds a 90% stake in SHIG (70% directly and 20% through its subsidiary Shandong Guohui Investment Co., Ltd.). SHIG holds a 100% stake in Weichai Group, which holds a 100% stake in Weichai Holding (HK). Weichai Holding (HK) holds the entire share capital of FIH. As of the Prospectus Date, FIH holds 215,769,229 Shares, representing 63.746% of the Company’s share capital.

As of the First Trading Date, assuming all of the Offer Shares are sold in the Offer, and that the Over-Allotment Option is exercised in full, Shandong SASAC will hold an interest of less than 50% of the Company’s share capital, specifically, 118,468,929 Shares, equal to 35% of the Company’s share capital and, consequently, will cease to exercise legal control pursuant to Article 2359(1)(1) of the Italian Civil Code.

However, given Shandong SASAC’s expected shareholding following the Offer and assuming the absence of other shareholders who, alone or jointly, could influence the Company’s Shareholders’ Meeting decisions after the First Trading Date, Shandong SASAC is likely to continue to indirectly exercise control over the Company through the exercise of a dominant influence over the Company’s ordinary and extraordinary Shareholders’ Meetings pursuant to Article 2359 (1)(2) of the Italian Civil Code. A final determination as to whether or not Shandong SASAC has effective control within the meaning of Article 2359(1)(2) of the Italian Civil Code, can only be made at the time of the Company’s shareholder meetings following the First Trading Date and, in particular, at the shareholder meetings to renew the Company’s board of directors, taking into account the shareholding structure at the time of the relevant shareholder meeting and the actual attendance and voting at such meeting.

Shareholders’ agreement and other arrangements the operation of which may result in a change in control of the Company

Except as described in the preceding paragraphs with reference to the Offer, as of the Prospectus Date, to the best of the Company’s knowledge, no shareholders’ agreements or agreement the operation of which may result in a change of control of the Company have been entered into concerning the Company’s Shares.

RELATED PARTY TRANSACTIONS

Overview

The transactions that the Group engages with related parties (hereinafter, “**Related Party Transactions**”), identified on the basis of the criteria set forth in IAS 24 – Related Party Disclosures, for the Track-Record Period, are primarily of a commercial and financial nature. The Group believes that none of those transactions can be qualified as atypical or unusual, as they fall within the ordinary course of management of the Group’s activities. These transactions form part of normal business operations and, in the Company’s judgement, are in general settled under market conditions.

The Related Party Transactions described in the Prospectus were not subject to any procedure for management of related party transactions. Although the Company considers that transactions with related parties have been carried out in general under market conditions, there is no guarantee that, if they had been concluded between or with third parties, the latter would have negotiated and entered into the related contracts, or carried out the transactions, under the same conditions and with the same procedures adopted by the Group. On March 20, 2023, the Board of Directors adopted the Procedure for Related Party Transactions. Such procedure will be submitted again to the Board of Directors for final review and approval, in light of the opinion of a committee composed by only Independent Directors according to the Related Party Regulation, at the earliest opportunity after the First Trading Date. For further information on the Procedure for Related Parties Transactions, see “*Management, Employees And Corporate Governance—Procedure for Related Party Transactions*”.

In relation to the contracts between the Group and the related parties as of the First Trading Date, there is no certainty that once they have expired, they will be renewed or renewed under similar conditions to those as of the First Trading Date. It should be noted that, subsequent to the First Trading Date, the renewal of contracts underlying Related Party Transactions shall be subject to the safeguards set forth in the Related Party Regulation and the Procedure for Related Parties even in the case of tacit renewal and contract amendments.

After March 31, 2023, and up to the Prospectus Date, the Company and the Group have not entered into any Related Party Transactions which were unusual by their characteristics, or significant in amount, other than those disclosed in this Prospectus.

Description of the related party transactions

The table below sets forth the Group material related party transactions for the periods indicated:

	For the year ended December 31,			For the three months ended March 31,	
	2022	2021	2020	2023	2022
	(€ thousand)				
Net Revenues					
<i>Other related companies:</i>					
Company’s Directors.....	1,945	—	—	—	475
WM S.A.M. (ex Wally S.A.M.)	—	4	—	—	—
Incidence on Net Revenue	0%	0%	—	0%	0.2%
Other income					
<i>Other related companies:</i>					
WM S.A.M. (ex Wally S.A.M.)	—	—	—	—	—
Ferretti International Holding S.p.A.....	891	—	—	1,536	—
Others	10	—	—	22	—
Incidence on Other Income	6%	—	—	44%	0%
Costs and other expenses					
<i>Fellow subsidiaries:</i>					
Weichai Power Co., Ltd.	—	129	355	—	—
Hydraulics Drive Technology	23	—	—	23	—
HPE S.r.l.	200	200	200	50	50
Ferrari S.p.A.	1,530	5	14	500	536
PEH S.r.l.	3	164	—	—	—
CoEnergetica S.a.s.	—	15	15	—	—
Angelo Raffaele S.r.l.....	—	—	—	—	—
Poem S.r.l.....	60	—	—	—	—
WM S.A.M. (previously Wally S.A.M.)	550	241	29	—	—
Others.....	1,114	997	774	228	231
Incidence on Costs and Other expenses	0.5%	0.2%	0.2%	0.4%	0.4%

Transactions with related parties are conducted in accordance with the terms and conditions mutually agreed by the parties involved and the Group has not given or received any guarantees in respect of these transactions.

The most relevant Group transactions with related party for the years ending on December 31, 2022, 2021 and 2020 and for the three months ended March 31, 2023 up to the Prospectus Date, are described below:

Company's Directors

Revenue from Company's directors amounting to €1,945 for the year ended December 31, 2022, refer entirely to the sale of two pleasure crafts in 2022 to two directors of the Company. In 2022, the Company sold (i) a pleasure yacht to one director through a contract entered into with a leasing company (*i.e.*, Banca di Cividale Società Cooperativa per Azioni), the lessee of which is the related party of the Company and (ii) a pleasure yacht directly to the other director. Both these crafts were sold under agreements containing standard terms and conditions used by the Group for the sale of its yachts and as at the Prospectus Date have been paid for in full. The contractual agreements for the sale of such yachts included standard warranties and guarantees ordinary for the Group sale agreements.

Ferrari S.p.A.

Mr. Piero Ferrari, a non-executive director of the Company and who owns the entire share capital of Kheope, which directly holds the 4.562% of the share capital of the Company, has an interest in the share capital of Ferrari S.p.A.

The costs and other expenses charged by Ferrari S.p.A. represented primarily the purchase of merchandises by the Group. In particular, for the financial year ended December 31, 2022, the amount of €1.5 million relates to sponsoring agreements with "Scuderia Ferrari" team (part of Ferrari S.p.A.) in Formula One Racing, whereby Riva is currently sponsoring the helmets and the race cars of Mr. Charles Leclerc and Mr. Carlos Sainz. This agreement has been renewed also for the 2023.

Ferretti International Holding S.p.A.

Ferretti International Holding S.p.A. is the major shareholder of the Company, which owns as of the Prospectus Date the 63.746% of the share capital of the Company.

The revenue with regard to Ferretti International Holding S.p.A. amounting to €1.5 million at March 31, 2023 relates to wholly rebillable costs.

Other Group transactions with related party for the years ending on December 31, 2022, 2021 and 2020 and for the three months ended March 31, 2023 up to the Prospectus Date, are described below:

WM S.A.M. (ex Wally S.A.M.)

WM S.A.M. (formerly Wally S.A.M.) is owned by Mr. Luca Bassani Antivari, who also owns the 25% of Sea Lion S.r.l. The Company owns the 75% of the share capital of Sea Lion S.r.l.

The costs with regard to WM S.A.M. amounting to €550 thousand at December 31, 2022 mainly relate to commissions on the sale of two boats.

Weichai Power Co., Ltd

Weichai Power Co., Ltd. is a subsidiary of Weichai Group and is an affiliate of the Company.

The costs and other expenses charged by Weichai Power Co., Ltd. consisted mainly of partial reimbursement of sponsorship costs on the Ferrari single-seater helmets, rent for the lease of offices and social security contributions for employees providing services to the Group.

Hydraulics Drive Technology

Hydraulics Drive Technology is a subsidiary of Weichai Power Co., Ltd and is an affiliate of the Company.

The costs with regard to Hydraulics Drive Technology amounting to €23 thousand refer to the costs incurred by the Company for technical consulting services.

HPE S.r.l.

Mr. Piero Ferrari, a non-executive director of the Company and who owns the entire share capital of Kheope, which directly holds the 4.562% of the share capital of the Company, has an interest in the share capital of HPE S.r.l.

The costs and other expenses charged by HPE S.r.l. represented primarily the supply of services such as design, simulation, calculation, development, implementation and launch on the market of new concepts and style for the Group's products.

PEH S.r.l.

PEH S.r.l. is owned by the family of Mr. Stefano De Vivo (Chief Commercial Officer), a Key Executive of the Company.

The costs and other expenses charged by PEH S.r.l. related to the assistance service aimed at identifying potential acquisitions in the nautical sector.

CoEnergetica S.a.s.

CoEnergetica S.a.s. is a company owned by the family of a senior manager.

The costs and other expenses charged by CoEnergetica S.a.s. relate to technical advisory services for the design and contractual negotiation of a cogeneration plant in Ancona.

Angelo Raffaele S.r.l.

Angelo Raffaele S.r.l. is a company owned by Mr. Antonio Zago, director of Zago S.p.A., which is entirely owned by the Company.

The costs and other expenses charged by Angelo Raffaele S.r.l. relate to the lease of a building in Scorzè (Venezia) for business purposes.

Poem S.r.l.

Poem S.r.l. is owned by the family of Mr. Stefano De Vivo (Chief Commercial Officer), a Key Executive of the Company.

The costs and other expenses charged by Poem S.r.l. relate to a consultancy fee for certain M&A activities.

Others

Costs to other related parties mainly refer to the costs incurred by the Group for technical consultancy services in connection with the development of new boat models and for the development of the Wally trademark and related products. In addition, it also includes legal services provided by a related party.

In addition, the Group had the following balances with related parties for the periods indicated.

	As of December 31,			As of March 31,
	2022	2021	2020	2023
	(€ thousand)			
Trade and other receivables				
<i>Associated companies:</i>				
Weichai Power Co., Ltd.	484	484	484	484
Shandong Weichai Import & Export Co., Ltd.	3,150	3,150	3,150	3,150
Ferretti International Holding S.p.A.	891	–	–	2,427
<i>Other related companies:</i>				
WM S.A.M. (ex Wally S.A.M.)	360	297	–	150
PEH S.r.l.	–	–	–	–
Others	28	33	28	28
Incidence on Trade and other receivables	8%	10%	10%	10%
Shareholders' Debt				
<i>Other related companies:</i>				
Others	1,000	–	–	1,000
Incidence on Shareholders Debt	100%	–	–	100%
Trade and other payables				
<i>Associated companies:</i>				
Weichai Power Co., Ltd.	645	645	516	645
<i>Other related companies:</i>				
HPE S.r.l.	50	50	100	50
Ferrari S.p.A.	535	5	13	30
Hydraulics Drive Technology	–	–	–	23
PEH S.r.l.	–	21	–	–
CoEnergetica S.a.s.	–	15	15	–
WM S.A.M. (ex Wally S.A.M.)	–	25	29	150
Poem S.r.l.	8	–	–	–

Others.....	139	216	147	269
Incidence on Trade and other payable	0.4%	0.4%	0.4%	0.3%

The Group has a receivable towards Shandong Weichai Import & Export Co., Ltd, subsidiary of Weichai Group and affiliate of the Company. The amount of €3.1 million refer to the outstanding amount to be paid for the sale of a boat in 2019 to Shandong Weichai Import & Export Co., Ltd., which has informed the Company that this outstanding amount will be paid by December 31, 2023.

Compensation of key management personnel of the Group

	For the year ended December 31,			For the three months ended March 31,	
	2022	2021	2020	2023	2022
			(€ thousand)		
Fees ⁽¹⁾	5,988	4,075	2,373	1,059	536
Wages and salaries.....	8,916	3,985	1,940	1,127	906
Social security contribution.....	1,037	864	529	380	212
Employee severance indemnities and other allocations.....	—	—	122	-	-
Total compensation paid to key management personnel	15,941	8,924	4,964	2,565	1,654

⁽¹⁾ Comprises Mr. Alberto Galassi's compensation as Chief Executive Officer and Executive Director. For further information, see "Management, Employees And Corporate Governance—Compensation and Benefits—Board of Directors."

DESCRIPTION OF SHARE CAPITAL AND CORPORATE STRUCTURE

Set out below is a summary of relevant information concerning the Company's share capital and a brief summary of significant provisions of Italian law, as in effect on the Prospectus Date, and the New By-Laws as these will be in effect immediately prior to Settlement.

This summary does not purport to be complete and is qualified in its entirety by reference to, and should be read in conjunction with, and is qualified in its entirety by reference to, the New By-Laws and the relevant provisions of Italian law as in force on the Prospectus Date. The New By-Laws are available in the governing Italian language and an unofficial English translation thereof on the Company's website (www.ferrettigroup.com). In the event of any discrepancy between the Italian version of the New By-Laws and the unofficial English translation, the Italian version prevails. For a summary of material provisions of the New By-Laws and Italian law relating to the Board and the directors, see also "Management, Employees and Corporate Governance."

General

Ferretti S.p.A. is a joint stock company (*società per azioni*) under Italian law. The Company was incorporated as a limited liability company (*società a responsabilità limitata*) on July 16, 2004 under the name "Loppi S.r.l." with authorized share capital of €10,000, and then converted into a joint stock company (*società per azioni*) on July 11, 2006.

As of the Prospectus Date, the total issued share capital of the Company is €338,482,654.00, represented by no. 338,482,654 Shares without nominal value. All of the issued and outstanding Shares have been validly issued and are fully paid up.

The duration of the Company is established until December 31, 2100.

Corporate purpose

Pursuant to Article 2 of the By-Laws, the main corporate purposes of the Company are, *inter alia*:

- the production, on its own or for third parties, modification, repair, refurbishment and assembly of new and used, civil and military, carry-over vessels, boats and ships in general, and of parts, pieces, components or accessories thereof;
- the production, on its own or for third parties of models and moulds for the production of civil and military carry-over vessels and boats and ships in general, and of parts, pieces, components or accessories thereof;
- trade in permitted form, either on its own or on behalf of third parties and by commission, in civil and military carry-over vessels, boats and ships in general, spare parts, engines and any other component, part and accessory thereof, sporting nautical and related articles, and fuels and lubricants, as well as the agency and the representation, with or without storage, of the articles or products themselves;
- the installation and operation of repair and assistance workshops for civil and military carry-over vessels, boats and ships in general;
- the rental and leasing of carry-over vessels in general;
- the production, trade, purchase, sale, exchange, rental and leasing of immovable and movable properties that may in any case be related to or may affect – even in the future – the Company's business and the management of the said properties in any form whatsoever;
- towing and demolition of civil and military carry-over vessels, boats and ships in general, and of parts thereof, and various services; provision of services in the maritime field; mooring and unmooring; supply of provisions on board and their transport; assistance and consultancy for landing and boarding operations; maintenance and construction of port infrastructures; lashing and de-lashing, hauling and marine lifting; transport of passengers and goods; surveillance, guarding and fire-fighting assistance;
- sea transport of goods and passengers; boat services in port and coastal waters; the purchase, sale, rental and leasing of ships and boats used for the sea transport of goods and/or passengers or for any other service, including pleasure boating;
- management of ships, berths, maritime stations and facilities in any manner connected with tourist activities; land transport of passengers and/or goods with own and/or third-party vehicles, with or without driver; installation and

repair of technical, electrical, hydraulic and water systems on board of ships and in the civil and industrial fields; loading and unloading of goods and their transport by land and sea;

- earthwork with related masonry and reinforced concrete works of current type, demolitions; renovation and construction of civil buildings (refurbishment and painting of facades, restoration and construction of roofs, external and internal masonry works complete with all installations), industrial buildings, monuments complete with related installations and works, as well as masonry and civil works in general relating to complexes for the production and distribution of energy; restoration of monumental buildings; special reinforced concrete works; thermal, ventilation, air-conditioning, hygienic and sanitary facilities; installation and supply of metal, wood, plastic and stone products, as well as the supply of thermal and acoustic insulation, fire prevention, painting, plastering and waterproofing (also special) works; road construction and paving, signalling and road safety works; construction of jetties, docks, quays, dredging works; construction of dams; steelwork; heating and air-conditioning systems powered by liquid, aeriform or gaseous fluid of any nature or kind; water-sanitary systems as well as those for the transport, treatment, use, storage and consumption of water from the point of delivery of the water supplied by the distribution entity; installations for the transport and use of gas in liquid or aeriform form from the point of delivery of the gaseous fuel supplied by the distributor entity; fire protection installations; installation and repair of technical, electrical, hydraulic, water systems on board of ships and in the industrial field, installation of electrical, civil systems in accordance with Law no. 46 of 5 March 1990, article 1; purchase, management, rental and sale of civil and industrial buildings.

History of the share capital

The Company was incorporated in Italy under the laws of Italy as a limited liability company (*società a responsabilità limitata*) on July 16, 2004 under the name “Loppi S.r.l.” with authorized share capital of €10,000, and then converted into a joint stock company (*società per azioni*) on July 11, 2006.

On July 3, 2012, FIH (in which Weichai owned a 75% stake) became the sole shareholder of the Company. Immediately before that, the Company was wholly owned by Ferretti Holding S.p.A., in which Yacht Participation S.p.A., a special purpose vehicle company controlled by the Ferretti family, owned an 80.9% stake.

Weichai Group acquired a 75% equity interest of the Company at a consideration of €177.94 million through FIH. Immediately upon the completion of the acquisition on July 3, 2012, the Company became a direct, wholly-owned subsidiary of FIH, with Weichai Group indirectly hold a 75% equity interest in the Company through FIH, and the Ferretti family ceasing to own any of the shares in the Company. As of July 3, 2012, Weichai Group held a 75% stake in FIH, the Royal Bank of Scotland, 16.63%, a series of investment funds attributable to a group of funds managed by Strategic Value Partner, 7.52%, Contrarian Capital Management LLC, 0.83% and Butler, 0.02%.

In 2016, F Investments acquired the shares of FIH from other shareholders. From 2016 to September 2019, FIH was owned as to 86.8% by Weichai Group, 13.2% by F Investments and 0.02% by Butler. F Investments was controlled by Mr. Piero Ferrari, a director of the Company. Butler is a private limited liability company incorporated in the United Kingdom, whose chairman is Mr. Walter Butler and whose ultimate beneficial owner is Butler Industries SA, a global industrial investor founded by Mr. Walter Butler, a famous investor with profound experience in financial management and investment.

On September 2, 2019, FIH transferred 23,725,086 of its Shares in the Company to F Investments and 36,158 Shares of its Shares to Butler, in exchange for the shares held by F Investments and Butler in FIH. Upon completion, FIH owned 86.82% of the Company’s share capital, F Investments owned 13.16% and Butler owned 0.02%. At the same time, F Investments and Butler ceased to hold any shares in FIH, with Weichai Group the sole shareholder in FIH. As of the Prospectus Date, FIH is a wholly-owned subsidiary of Weichai Group. Weichai Group is a wholly-owned subsidiary of Shandong Heavy Industry Group Co., Ltd., which is ultimately controlled by Shandong SASAC.

On September 3, 2019, FIH extinguished its shareholder’s loan in the entire principal amount of €211,670,000 to the Company in exchange for 59,291,317 newly issued Shares at a price of €3.57 per Share. On the same date, F Investments and Adtech respectively agreed to subscribe for 4,201,680 and 7,002,801 newly issued Shares at a price of €3.57 per Share. Upon consummation of these transactions, FIH, F Investments, Butler and Adtech held 215,769,229 Shares, 27,926,766 Shares, 36,158 Shares and 7,002,801 Shares, respectively, representing 86.055%, 11.138%, 0.014% and 2.793% of the total share capital of the Company.

On March 31, 2022, the 2022 Offer was consummated. On April 22, 2022, China International Capital Corporation Hong Kong Securities Limited, acting as sole global coordinator in the context of the 2022 Offer partially exercised, on behalf of the involved international underwriters, the over-allotment option granted by the Company in respect of an aggregate of 4,167,700 Shares and the Company has allotted and issued these over-allotment Shares at HK\$22.88 (equal to approximately €2.63) per Share.

Voting rights

Each Share confers on its holder the right to vote at the ordinary and extraordinary Shareholders' Meetings (except for those situations in which voting rights are suspended pursuant to applicable law). As a general rule, each holder will be entitled to cast one vote for each Share held.

Article 15 of the New By-Laws provide that, as long as the Company's Shares are listed on a market that provides for the separation of legal and beneficial ownership, such as the HK Stock Exchange, beneficial owners will be permitted to the maximum extent provided by law to exercise rights attributed to legal owners, subject to authorization by the legal owner.

Authorization to issue New Shares

The Company may authorize the issue of additional Shares in connection with capital increases to be approved by the Company's extraordinary shareholders' meeting. Such an authorization would generally be given after a recommendation by the Board of Directors.

Limitations on shareholdings

The transfer of the Shares is not subject to any restrictions other than those contemplated by the terms of the Offer.

Form and transfer of Shares

Pursuant to Article 83-*bis* of the Financial Consolidated Act, shareholders are unable to receive physical delivery of share certificates for Italian listed companies. Shares of companies listed or to be listed in Italy are no longer represented by paper certificates, and the transfer and exchange of ordinary shares takes place exclusively through an electronic book-entry system managed by the centralized securities clearing system, Monte Titoli. Accordingly, all shares are deposited by their owners with an authorized financial intermediary institution entitled to hold accounts on behalf of customers with Monte Titoli. The intermediary will in turn deposit the shares with Monte Titoli or with any company authorized by CONSOB to operate as a centralized securities clearing system, such as Euroclear or Clearstream, Luxembourg.

Italian law does not require joint stock companies to state the par value of their shares in the by-laws or on the stock certificate itself. Shares without nominal value may allow greater flexibility in structuring a company's share capital and in setting the purchase price for the issuance of new shares. Pursuant to Article 2346(3) of the Italian Civil Code, the nominal value of no-par value shares is calculated by dividing the aggregate Euro amount of the issued share capital by the number of shares at the time outstanding. The Company's Shares have no stated par value.

According to Article 32 of the Joint Regulation of the Bank of Italy and CONSOB dated August 13, 2018 (rules governing of central counterparties, central securities depositories and centralized management activities) ("**CONSOB and Bank of Italy Joint Regulation**"), intermediaries which meet the requirements set out in the central securities depositories' regulation in accordance with Article 33 of the Regulation (EU) no. 909/2014 of the European Parliament and of the Council of July 23, 2014 may be admitted to the book-entry system. According to Article 83-*quater* of the Consolidated Financial Act, the shareholders shall transfer and exercise their rights only through duly authorized intermediaries. Transfers of the shares occur through book-entry registrations on securities electronic accounts held by the transferor and the transferee with their respective intermediaries and rely on the system operated by Monte Titoli. The accuracy of the system operated by Monte Titoli relies on daily verifications carried out by both Monte Titoli and the intermediaries. In general, for share transfers, the transferor shall submit an order/transfer request to its intermediary, which will wire transfer the relevant book-entry to the relevant transferee's account with the same intermediary or with another intermediary, depending on where the transferee's account is held. The intermediaries will provide services of certifying transfers with respect to such transfers of the shares.

Each intermediary maintains a custody account for each of its clients. This account sets out the financial instruments of each client and the records of all transfers, dividend payments, exercise of rights attributable to such financial instruments, or any charges or other encumbrances on such instruments. The account holder or any other eligible party may submit a request to the intermediary for the issue of a certified account statement in order to exercise the rights attributable to the shares. The request must indicate, among other things, the name of the applicant and of the holder (if other than the applicant), the quantity of financial instruments in respect of which the statement is requested, the rights to be exercised (in the case of shareholders' voting rights, the date and agenda of the meetings) and the term for which the certificate's validity is requested (if the term is not indicated, the statement has a validity until it is withdrawn). Following the receipt of such request, the intermediary must issue a certified statement of account as evidence of the account holder's ownership of the relevant financial instruments.

At the First Trading Date, all of Company's Shares will be deposited with Monte Titoli. Accordingly, it will not be possible for a shareholder to obtain physical delivery of share certificates representing the Shares. Instead, transfers of the Shares will be possible using the procedures described above. In order to exercise their rights as shareholders, the holders of the Shares must rely on the procedures of Monte Titoli and the intermediaries or participants that have accounts with Monte Titoli.

With regard to the Shares traded on the Main Board of the Hong Kong Stock Exchange (the “**HK Shares**”), such Shares are cleared and settled in the Hong Kong central clearing and settlement system (“**CCASS**”) operated by Hong Kong Securities Clearing Company Limited (the “**HKSCC**”) (the “**HK Clearing and Settlement System**”), which is a recognized clearing house under the Securities and Futures Ordinance of Hong Kong for the purposes of clearing and settling trades placed on the Hong Kong Stock Exchange.

According to the HK Clearing and Settlement System model, the HK Shares are formally held by HKSCC. HKSCC holds legal title to the HK Shares, through the electronic book-entry system managed by Monte Titoli, therefore, the shareholder registered in the Italian shareholders register for the HK Shares is HKSCC (or its nominee if appointed). The beneficial title to the HK Shares belongs to the investors operating through a CCASS participant account (the “**HK Beneficial Owners**”).

Considering that for the HK Shares deposited in CCASS the legal owner is HKSCC, HKSCC also handles corporate actions by conveying such corporate actions to the CCASS participants only, who will in turn notify the HK Beneficial Owners. Such corporate actions include: (i) distribution of dividends and bonus shares after receiving them; (ii) accepting voting instructions to vote on their behalf at shareholders meeting; and (iii) accepting corporate action instructions for open offers, rights issues and redemptions, etc.

HK Beneficial Owners may instruct the repositioning of HK Shares from CCASS in respect of their holdings recorded in their stock accounts. At this regards, after the First Trading Date, a shareholder of the Company, holding its Shares in a securities account opened with a Monte Titoli intermediary may request, by opening a securities account with a CCASS participant, to reposition its Shares in order to have them deposited in the HK Clearing and Settlement System to be held by HKSCC, and a HK Beneficial Owner may instruct the repositioning of HK Shares from CCASS through a transfer and deposit of such Shares in a securities account opened with a Monte Titoli intermediary.

Italian law does not require joint stock companies to state the par value of their shares in the by-laws or on the stock certificate itself. Shares without nominal value may allow greater flexibility in structuring a company’s share capital and in setting the purchase price for the issuance of new shares. Pursuant to Article 2346(3) of the Italian Civil Code, the nominal value of no-par value shares is calculated by dividing the aggregate Euro amount of the issued share capital by the number of shares at the time outstanding. The Company’s Shares have no stated par value.

Shareholders’ Meetings

Italian law regarding shareholders’ meetings and minority shareholders’ rights includes provisions related to, *inter alia*, the record date, the call and functioning of shareholders’ meetings, proxy voting and information right, which are aimed at enhancing shareholders’ rights and the participation in shareholders’ meetings.

Under applicable Italian law, all persons for whom the Company has received a notice from an intermediary, on the basis of the latter’s records at closing of business on the seventh trading day prior to the date of the meeting, will be entitled to attend the shareholders’ meetings (the “record date”). Changes made after the above-mentioned deadline are not considered for the purpose of legitimizing the exercise of voting rights at the shareholders’ meeting.

Shareholders may attend shareholders’ meetings either in person or by proxy. A proxy may be given in writing or electronically to any person or entity, with certain limitations.

Pursuant to the Consolidated Financial Act, unless otherwise provided by the by-laws, a company must appoint a representative for each meeting (*rappresentante designato dalla società*) to whom shareholders may grant a proxy no later than the end of the second trading day prior to the date of the meeting on a first or single call. Proxies, which shall contain voting instructions on all or a number of items on the agenda in order to be effective, shall be granted according to a CONSOB form. The proxy shall be valid only for proposals on which voting instructions are provided. Certain disclosure rules apply to conflicts of interest of the representative appointed by the Company. The Company’s New By-Laws expressly disapply this provision.

Conferring a proxy upon a representative that may have a conflict of interest is permitted, *provided that* the representative informs the shareholder in writing of the circumstances giving rise to such conflict of interest and to the extent specific voting instructions are provided for each resolution in which the representative is expected to vote on behalf of the shareholder.

Further, pursuant to the Consolidated Financial Act, one or more promoters may solicit proxies of more than 200 shareholders provided a prospectus and a proxy form are published. Rules on proxy solicitation will not apply to solicitations addressed to no more than 200 shareholders, *provided that* no indications are given that may influence the voting process. General rules on proxy solicitation (including the obligation to publish a prospectus) will not apply to the solicitation carried out by shareholders’ associations meeting certain requirements set forth under Italian law.

In addition, Article 34 of the New By-Laws provide that, as long as the Company’s Shares are listed on the HK Stock Exchange, all beneficial owners, not resulting as legal owners of the shares, lacking a legitimacy in their own name, may

exercise all corporate rights, including attendance and voting at shareholders' meetings, (a) collectively, through the holder of record recorded in both the principal shareholders' register and the Hong Kong branch register or a person specifically appointed by such holder of record, or (b) individually, either through the holder of record or a person specifically appointed by such holder of record, or on its own subject to appropriate authorization and/or delegation by the holder of record, in compliance with all applicable statutory and regulatory provisions. If the holder of the shares is a clearing house recognized according to laws and regulations applicable pursuant to the listing of the Shares on the HK Stock Exchange (or one or more nominee(s) of such clearing house), the clearing house (or its nominee(s)) may authorize one or more persons to act as its proxy(ies) or representative(s) at any Company's ordinary or extraordinary meeting (or other meeting relating to financial instruments when issued) of the Company provided that, if more than one person is so authorized, the authorization shall specify the number of shares (or financial instruments) in respect of which each such person is so authorized.

Under Italian law, shareholders' meetings may be either ordinary or extraordinary. Meetings are called by the board of directors when required or deemed appropriate. The shareholders' meetings must be called, *inter alia* (i) without delay following a request by holders of at least 5% of the share capital (*provided that* shareholders may not request a meeting in connection with matters that must be proposed for deliberation by the shareholders' meeting by the board of directors pursuant to law, or in connection with which the board of directors is required to submit reports or plans); (ii) by the board of directors to approve its annual financial statements or in the event that the share capital is decreased by more than one third as a consequence of losses or falls below the statutory minimum requirement; (iii) by the board of statutory auditors in the event of an unjustified delay or failure by the board of directors to call a meeting or when it considers that an urgent resolution must be adopted; or (iv) by a court having jurisdiction if either the board of directors or board of statutory auditors is in breach of its fiduciary duties to the shareholders or has not called the meeting in accordance with the relevant provisions of Italian law.

Shareholders are informed of all the Shareholders' Meetings to be held by publication of a notice on the website and in at least one newspaper having nationwide coverage or a wide distribution in accordance with CONSOB's requirements. According to Article 40-*bis* of CONSOB and Bank of Italy Joint Regulation, companies are also required to send a notice to the intermediaries participating in the Monte Titoli centralized management system regarding the call of the shareholders' meeting, who must proceed to communicate the relevant information to shareholders holding their Shares on accounts opened with them. The notice of call of the Shareholders' Meeting must be published at least 30 days prior to the date fixed for the meeting. The required notice period is reduced to 21 days for meetings relating to a reduction in the share capital due to losses or any reductions below the minimum statutory requirement and 15 days for meetings convened pending a public tender offer. The notice period is increased to 40 days for meetings called for the election of the Board of Directors or the Board of Statutory Auditors. The notice may specify a date for a second or third meeting in the event that a quorum is not met at the first or second meeting. Such meeting dates are generally referred to as "calls". Article 14 of the New By-Laws provide that the notice of call for the shareholders' meeting shall be published on the Company's website (and pursuant to Article 35 of the New By-Laws on the HK Stock Exchange' website) at least 21 days prior to the meeting date (or by such other date provided for under applicable law), in Italian and English and, as long as the Shares are listed on the HK Stock Exchange, in Chinese.

The second or third call will take place not later than 30 days after the previous call if the date for the second or third call is not set forth in the notice and, in any case, not on the same date as that of the previous call. Notice of any meeting on second or third call must be published at least twenty-one days prior to the date of the meeting.

The directors are required to make available to the public, at the Company's registered office and on its website and in accordance with CONSOB's requirements, a report on the proposals relating to the matters on the agenda no later than the term for the publication of the meeting notice, except where different terms are provided by law for special resolutions.

Shareholders are entitled to ask questions regarding the items on the agenda before the date of the meeting, which the Company has required to answer at the meeting at the latest, unless the information requested by the shareholders is made available in a Q&A section posted on the website. The relevant notice of call shall indicate the deadline by which questions must be received by the company. The deadline may not be earlier than five open market days prior to the date of the Shareholders' Meeting in first or single call.

Pursuant to Italian law, shareholders who, separately or jointly, represent at least 2.5% of the share capital may request in writing, within ten or, subject to certain conditions, five days, from the publication of the notice convening the meeting (except when different terms are provided by law for special resolutions), additions to the agenda, specifying in the request the additional items they propose. Such additions to the agenda may not be made on matters on which the shareholders' meeting is required by law to resolve on proposals put forward by the directors or on the basis of a plan or report they have prepared. The requesting shareholders must prepare a report on the items they have proposed to include in the agenda.

Resolutions adopted at a shareholders' meeting are binding on all shareholders, including dissenting or absent shareholders. However, pursuant to Italian law, absent, abstaining or dissenting shareholders who hold, separately or jointly, Shares with voting rights in relation to the resolution adopted that represent 1/1000 of the share capital, have the right to ask the court where the Company has the registered office to annul the resolutions taken in violation of applicable laws or the New By-

Laws. All directors and statutory auditors are also entitled to challenge resolutions on the same grounds. Such challenges must be made within 90 days from the date of the resolution or, if the resolution is subject to required registration in the companies' register, within 90 days of registration.

In addition, if shareholders' resolutions are passed without any notice of the meeting, without minutes of the same or in respect of any matter which is illegal or impossible to achieve, such resolutions may be challenged by any interested party within three years from the date of the registration of the resolution in the companies' register or, if the resolution is not subject to registration, within three years from the date of the registration of the resolution in the companies' register or, if the resolution is not subject to registration, within three years from the registration of the minutes in the relevant corporate book. In addition, shareholders' resolutions which modify the corporate purpose to include impossible or illegal activities may be challenged without any time limit. However, a court cannot declare resolutions concerning capital increase or reduction or the issue of bonds to be void after 180 days from the registration of the resolution in the companies' register or, in the absence of a notice of the meeting, after 90 days from approval of the balance sheet for the year in which the resolution has been executed in full or in part.

Furthermore, following a limited number of resolutions adopted by the shareholders' meeting (including but not limited to a resolution to delist the Shares, but excluding any withdrawal right in the event of prorogation of the term or the introduction, amendment or removal of limits to the circulation of the Shares), applicable laws grant the shareholders who did not concur with the approval of the relevant resolution the right to withdraw, unless this resolution is revoked by the Company or the Company is put into liquidation within 90 days.

There are no restrictions arising under Italian law or the New By-Laws on the rights of non-resident or foreign persons to hold or vote on the Shares other than those limitations that apply generally to all shareholders. Shareholders are entitled to attend and vote at the ordinary and extraordinary Shareholders' Meetings. Each holder is entitled to cast one vote for each share held. Votes may be cast personally or by proxy (as described above). However, the voting rights of Shares held in breach of applicable laws may in some cases not be exercised.

Ordinary Shareholders' Meetings

Ordinary shareholders' meetings must be convened at least once a year. Under Italian law, an ordinary shareholders' meeting must be called within 120 days or, if the company prepares consolidated financial statements or where special circumstances related to the structure or corporate purpose require it, within 180 days of the end of the financial year. At this meeting, the annual stand-alone financial statements are submitted for shareholder approval. The ordinary shareholders' meetings also approve the distribution of dividends (if any), appoint directors, statutory auditors and independent auditors and decide their compensation, vote on directors' and statutory auditors' liability, approve the regulation for shareholders' meetings and decide on any other business matter submitted to the vote of the shareholders under applicable law and the New By-Laws.

Pursuant to Article 17 of the New By-Laws, the ordinary Shareholders' Meetings are held in a single call. There is no quorum requirement for a valid shareholders' decision at an ordinary meeting on a single call and the affirmative vote of the majority of the Shares represented at the meeting is sufficient to pass a resolution.

Pursuant to Article 17 of the New By-Laws, the Board of Directors may establish that the ordinary Shareholders' Meetings be held in more than one call. In this event, the meeting is validly held if at least 50% of the voting share capital is represented (in person or by proxy). Resolutions at the ordinary shareholders' meeting on first call are passed with the affirmative vote of holders of the majority of the Shares represented at such meeting. There is no quorum requirement on the second or any other subsequent call for a valid shareholders' meeting and resolutions can be passed with the affirmative vote of the majority of the Shares represented at the meeting.

Extraordinary Shareholders' Meetings

Extraordinary shareholders' meetings may be called to vote upon resolutions relating to, among other matters, proposed amendments to the by-laws, mergers, spin-offs, capital increases and reductions and transfer of the corporate headquarters within Italy.

Pursuant to Italian law, an extraordinary shareholders' meeting is validly held on a single call if more than one fifth of the voting share capital is represented (in person or by proxy). Resolutions at the extraordinary shareholders' meeting on single call require the affirmative vote of holders of at least two thirds of the Shares represented at such meeting, except that, according to Article 17 of the New By-laws, the resolutions concerning the voluntary winding-up of the Company and/or the amendments to the by-laws are adopted with the favorable vote of at least three-quarters of the share capital represented at the shareholders' meeting.

Pursuant to Article 17 of the New By-Laws, the Board of Directors can establish that the extraordinary Shareholders' Meetings be held in more than one call. In this event, the meeting is validly held if at least 50% of the voting share capital is represented (in person or by proxy). Resolutions at the extraordinary Shareholders' Meeting on the first call require the

affirmative vote of holders of at least two thirds of the Shares represented at such meeting, except that, according to Article 17 of the New By-Laws, the resolutions concerning the voluntary winding-up of the Company and/or the amendments to the by-laws are adopted with the favorable vote of at least three-quarters of the share capital represented in the Shareholders' Meeting.

The quorum required for a valid extraordinary shareholders' meeting on the second call is more than one third of the voting share capital, while on the third call and any other subsequent call, the quorum must be at least one fifth. Resolutions at the extraordinary shareholders' meeting on second or subsequent calls require the affirmative vote of at least two thirds of the Shares represented at such meeting, except that, according to Article 17 of the New By-laws, the resolutions concerning the voluntary winding-up of the Company and/or the amendments to the by-laws are adopted with the favorable vote of at least three-quarters of the share capital represented in the Shareholders' Meeting.

Preemptive rights

New issuances of Shares or other classes of capital stock may be authorized by a shareholders' resolution passed at an extraordinary shareholders' meeting. Pursuant to Italian law, shareholders (and holders of convertible bonds) are entitled to subscribe for new issues of: (i) Shares; (ii) debt instruments convertible into ordinary Shares; and (iii) any other instruments such as warrants, rights or options entitling the holder to acquire Shares, in each case in proportion to their respective shareholdings or bondholdings, as the case may be. Subject to certain conditions and special voting majorities principally designed to prevent dilution of the rights of shareholders these preemptive rights may be waived or limited in whole or in part for all such shareholders for any particular issue of such securities, but only by resolution adopted at an extraordinary meeting and *provided that* the Company's interest so requires. In any event, such preemptive rights will not apply where the increase in share capital is to be subscribed through a contribution in kind.

Preemptive rights can also be limited when the newly issued Shares are offered for subscription to the Company's employees or employees of its subsidiaries or of its parent company. Pursuant to Italian law, resolutions that exclude preemptive rights must be adopted at an extraordinary meeting with the required majorities.

Election of the Board of Directors and the Board of Statutory Auditors

Board of Directors

Pursuant to Article 19 of the New By-Laws, the Company will be managed by a Board of Directors which may be composed from seven to eleven members. On May 18, 2023, the Shareholders' Meeting appointed 9 members. Starting from the First Trading Date, the members of the Board of Directors are appointed through a list voting system, which ensures that minority shareholders are represented on the Board of Directors. Only those shareholders who, either alone or together with other shareholders, represent a minimum percentage of voting Shares at the ordinary Shareholders' Meeting as provided for under Italian law, are entitled to submit a list. Evidence of possession of such number of Shares is required. Pursuant to Article 19 of the New By-Laws, each list must report the names of the candidates in a progressively increasing order and must be made up of a number of candidates not exceeding eleven members and must satisfy the requirements provided by law. At least three candidates ranked above on the list must also meet the independence requirements provided by law as well as the additional requirements provided in the Corporate Governance Code. Consistently with the applicable law, the lists that present a number of candidates equal to or greater than three must be composed of candidates belonging to both genders, at least in the minimum proportion required by the law and regulatory provisions from time to time in force, as specified in the notice of the meeting.

To be eligible, each candidate may be included in one list only, and each list must include (for each candidate) a *curriculum vitae* and an *ad hoc* statement attesting, in his/her own responsibility, the acceptance of the office, absence of ineligibility causes pursuant to Article 2382 of the Italian Civil Code, possession of the integrity and professionalism requirements as well as independence requirement provided by applicable law or regulations. The lists are deposited with the Company within the terms provided for by the laws and regulations in force from time to time, including regulations, which are indicated in the notice of call at the Company's registered office or also through a remote means of communication as indicated in the notice of call, and made available to the public within the terms and in the manner provided for by the laws and regulations in force from time to time.

Furthermore, pursuant to Article 19 of the New By-Laws, the list may also be submitted by the Board of Directors. The list submitted by the Board of Directors, if any, is deposited with the Company within the thirtieth day before the shareholders' meeting and is made available to the public in the same manner as the lists submitted by shareholders. Assuming the current ownership and control structure of the Company, should (i) a list be submitted by the Board of Directors in office and (ii) a list be also submitted by the controlling shareholder, such lists would be linked pursuant to Article 147-ter, of the Consolidated Financial Act.

Depending on the total number of directors determined by the ordinary Shareholders' Meeting:

- all directors will be appointed from the list that has obtained the highest number of votes, in the order in which the candidates are listed, except for the last one; and
- one director will be appointed from the list that has obtained the second highest number of votes, in the order in which the candidates are listed.

If, following a vote, the minimum requirements relating to independence and/or gender of the members of the Board of Directors pursuant to Italian law are not met, the next candidate (in sequential order) from the same list satisfying such requirements will be appointed. In case of a tie vote, the ordinary shareholders' meetings will vote by simple majority between the tied lists (more than 50% of the Shares present or represented at the meeting). In the event that only one list is presented, all members will be appointed from that list *provided that* it has received the simple majority of votes cast at the ordinary shareholders' meetings.

The Board of Directors shall meet the gender requirements under Article 147-ter, paragraph 1-ter of the Consolidated Financial Act. Pursuant to such provisions, which will apply from the first reappointment of the Board of Directors after the First Trading Date, the less represented gender will account for at least one-fifths of directors for the first reappointment of the Board of Directors and two-fifths for the following six consecutive mandates.

Board of Statutory Auditors

Pursuant to Article 27 of the New By-Laws, the Board of Statutory Auditors consists of three effective members and two alternate members. The Board of Statutory Auditors was appointed by the Shareholders' Meeting held on June 13, 2023, and will remain in office until the approval of the annual financial statements as of December 31, 2025.

Starting from the First Trading Date, the members of the Board of Statutory Auditors are appointed through a list voting system, which ensures that minority shareholders are represented on the Board of Statutory Auditors. Only shareholders who, alone or together with other shareholders, represent a percentage of voting Shares that meets the threshold required for the Board of Directors list submission process (as described in the section above), may submit a list. Each shareholder may only submit, and vote for, a single list. Lists with three or more candidates must be composed of candidates belonging to both genders as specified under applicable law.

The list is comprised of two sections: one listing the effective member candidates, and one listing the alternate member candidates. The list must be accompanied by (a) the information regarding the identity of the shareholders who submitted them, with an indication of the total percentage of shares held, (b) a comprehensive disclosure of the candidates' personal and professional characteristics; (c) the confirmation from each candidate accepting his/her nomination and attesting, in his/her own responsibility, the possession of the regulatory and statutory requirements for the relevant offices; (d) the list of the offices as a member of the board of directors or the board of statutory auditors held by the candidate auditor in other companies; (e) by a declaration of the shareholders other than those who hold, even jointly, a controlling shareholding or a relative majority, certifying the absence of any relationship of connection with the latter provided for by the applicable regulations; (f) by any other or different declaration, information and/or document provided for by the laws and regulations from time to time in force.

In the event that, at the date of expiration of the deadline provided for by the statutory and regulatory provisions in force for the submission of lists, only one list has been deposited or several lists have been deposited by shareholders who are connected with each other pursuant to the statutory and regulatory provisions in force, additional lists of candidates may be submitted up to the next deadline established by the legislation in force, including regulatory provisions. In this case, the percentage shareholding in the Company's capital required for the submission of lists is reduced to half.

The ordinary shareholders' meeting appoints statutory auditors as follows:

- two effective statutory auditors and one alternate statutory auditor (based on the order in which they are listed) will be appointed from the list that obtained the highest number of votes; and
- one effective statutory auditor (who will serve as chairman of the Board of Statutory Auditors) and one alternate statutory auditor will be appointed from the list which received the second highest number of votes and that is not connected in any way, not even indirectly, pursuant to the laws and regulations from time to time in force, with those who presented or voted for the list referred to in point above, based on the order in which the candidates are listed.

If, as a result of the application of the list voting mechanism indicated above, the composition of the board of statutory auditors does not comply with the rules on gender balance, the shareholders' meeting will proceed to appoint statutory auditors who meet the requirements to replace the candidates without such requirements included in the list to which the

individuals to be replaced belonged. In case of a tie vote, the ordinary Shareholders' Meetings will vote by simple majority between the tied lists (more than 50%).

If only one list has been submitted, the board of statutory auditors, in its entirety, is drawn from the same with the legal majorities.

The aforementioned provisions regarding the election of statutory auditors by slate voting mechanism do not apply in shareholders' meetings that are required to appoint the effective and/or alternate auditors needed to integrate the board of statutory auditors. In such cases, the shareholders' meeting shall resolve by legal majority, in compliance with the principle of necessary representation of minorities.

The Board of Statutory Auditors shall meet the gender requirements under Article 148, paragraph 1-*bis* of the Consolidated Financial Act. Pursuant to such provisions, which will apply from the first reappointment of the Board of Directors after the First Trading Date, the less represented gender will account for at least one-fifths of directors for the first reappointment of the Board of Directors and two-fifths for the following six consecutive mandates.

Dividends

Pursuant to Italian law, before paying dividends, 5% of the net profit (on an unconsolidated basis) for each year must be set aside in a statutory reserve fund (*riserva legale*), the "legal reserve". This requirement ceases when the reserve fund, including amounts set aside during prior years, reaches 20% of the aggregate par value of a company's share capital. The shareholders may also decide to allocate earnings to reserve funds (distributable earnings). The distributable reserves may be distributed as long as the legal reserve does not fall below the legal minimum as a result of such distribution. Furthermore, the Board of Directors may approve the declaration and payment of interim dividends during the course of the financial year (subject to certain limitations), while only shareholders may approve the declaration and payment of dividends at the end of the financial year. Furthermore, shareholders who received interim dividends in good faith are not obliged to repay such dividends to the Company in the event that, at the end of the fiscal year, the Company's financial accounts did not warrant the payment of such interim dividends. Dividends are payable on the date specified by the shareholders at the annual meeting. Dividends not claimed within five years from the date upon which they become payable will be forfeited in favour of the Company and those dividends will be allocated to reserves. For additional information on dividends, see "*Dividends and Dividend Policy*."

Dividends are payable to shareholders that hold Shares through an intermediary on the dividend payment date declared at the ordinary shareholders' meeting. Dividend payments are distributed through Monte Titoli on behalf of each shareholder by the intermediary with which the shareholder has deposited its Shares.

For a discussion on Italian taxation of dividends, see "*Taxation*."

Liquidation rights

Under Italian law, and subject to satisfaction of the claims of all other creditors, shareholders are entitled to a distribution of the Company's remaining liquidated assets in proportion to the nominal value of the Shares they hold in the Company's capital stock upon the winding up. Shareholders of savings or preferred shares if any such shares were to be issued by the Company would take priority in such distribution up to the nominal value of such Shares. Thereafter, if there are surplus assets, shareholders of ordinary shares are entitled to receive distribution of such surplus assets.

Redemption rights

Subject to the provisions applicable in the event the Company is wound up, the Shares do not confer any right to capital redemption. In the event of the Company's dissolution the shareholders' meeting will determine the liquidation procedure and appoint one or more liquidators, determining their powers and compensation.

Purchase of own Shares

The Company may purchase its own Shares, subject to certain conditions and limitations imposed by Italian law and EU regulations, and *provided that* the Shares are fully paid. Such purchases must be authorized by the shareholders at any ordinary meeting and only paid out of retained earnings or distributable reserves remaining from the last approved unconsolidated financial statements. The value of Shares to be repurchased, together with any Shares previously owned by the Company or any of the subsidiaries, may not exceed in aggregate 20% of the share capital then issued and outstanding. Repurchased Shares in excess of this 20% limit must be resold within one year of the date of purchase or must otherwise be cancelled, and the share capital reduced accordingly. Similar requirements and limitations apply with respect to purchases of the Shares by the subsidiaries.

Shares purchased and held by the Company may only be resold pursuant to a shareholders' resolution. As long as the Shares are owned by the Company: (i) voting rights relating to such Shares are suspended; and (ii) the right to receive dividends and the pre-emption right relating to such Shares are attributed proportionally to the other Shares. Neither the Company (except in limited circumstances) nor any of the subsidiaries can subscribe for new Shares in the case of capital increases. Shares owned by the subsidiaries are not entitled to voting rights but are entitled to receive dividends. Shares owned by the Company and the subsidiaries count at Shareholders' Meetings for quorum purposes.

The Company does not own any of the own Shares nor has any resolution been adopted by the shareholders authorizing the purchase of Shares.

As long as the Company's Shares are admitted to trading on the Main Board of the HK Stock Exchange, the purchase of own Shares by the Company is also subject to limitations set forth under applicable Hong Kong laws and regulations. See "*Regulatory—Hong Kong Rules and Regulations Applicable to the Company*" for more information on applicable Hong Kong law and Italian rules applicable to listed companies.

The Company and Shareholders' actions against the Board of Directors

Pursuant to Article 2393 of the Italian Civil Code, actions against members of the board of directors may be brought by a company pursuant to a resolution adopted by the ordinary shareholders' meeting or pursuant to a resolution adopted by the board of statutory auditors approved by two-thirds of its members. In addition, in the case of listed companies, a shareholders' action may be brought against the board of directors by shareholders representing at least 2.5% of the share capital. The Company may waive the right to bring legal action and may settle, *provided that* the waiver and the settlement are expressly approved at the shareholders' meeting and *provided that* shareholders representing at least one twentieth of the share capital have not dissented.

Notification of acquisition of Shares

As long as the Company's Shares are admitted to trading on the Main Board of the HK Stock Exchange, notification of purchased Shares shall be made according to both applicable Italian and Hong Kong laws and regulations. See "*Regulatory—Hong Kong Rules and Regulations Applicable to the Company*" for more information on applicable Italian and Hong Kong law.

Cross-ownership restrictions

Cross-ownership restrictions limit the ownership by two companies of each other's shares. Cross-ownership between listed companies in Italy may not exceed 3% (5% in case the listed company is a SME) of their respective voting shares and cross-ownership between a listed company and an unlisted company may not exceed 3% of the voting shares of the listed company and 10% of the voting shares of the unlisted company. If the relative threshold is exceeded, the second company to exceed the threshold may not exercise the voting rights attributable to the shares in excess of the threshold and must sell the excess shares within twelve months. If the company does not sell the excess shares within twelve months, it will not be permitted to exercise voting rights in respect of its entire shareholding. If it is not possible to ascertain which company exceeded the threshold last, the limitation on voting rights will apply to both companies, unless otherwise agreed. The 3% limit (5% for the SME) for cross-ownership may be increased to 5% (10% for the SME) on the condition that such limit is only exceeded by the two companies following an agreement authorized in advance by each of the companies' shareholders' ordinary meeting. Furthermore, if a party holds an interest in excess of 3% (5% for the SME) of a listed company's share capital, such listed company, or the party that controls the listed company, may not purchase an interest above 3% (5% for the SME) in a listed company controlled by such party. In case of non-compliance with the above, voting rights attributable to the shares held in excess of the applicable limit may not be exercised. If it is not possible to ascertain which company exceeded the limit later, the limitation on voting rights will, subject to contrary agreement between the two parties, apply to both companies. Any shareholders' resolution approved in violation of the limitation on voting rights may be annulled by the relevant court, also at CONSOB's request, if the resolution would not have been adopted in the absence of such votes. The restrictions on cross-ownership are not applicable when the thresholds are exceeded following a public tender offer to buy or exchange shares aimed at acquiring at least 60% of a company's ordinary shares.

Shareholders' agreements

As of the Prospectus Date, to the best of the Company's knowledge, no shareholders' agreements have been entered into concerning the Company's Shares.

For detailed information on disclosure obligations related to shareholders' agreements applicable to listed companies, see the tables included in "*Regulatory—Hong Kong Rules and Regulations Applicable to the Company*".

Reports to shareholders

The Company is required to publish, in Italian, audited annual unconsolidated financial statements and audited annual consolidated financial statements, in each case prepared in accordance with IFRS and IAS and CONSOB requirements, accompanied by a directors' report on operations. The Company is also required to produce a half-yearly consolidated financial report (with limited review by the auditors), which contain a directors' report on operations. As long as the Company's Shares are admitted to trading on the Main Board of the HK Stock Exchange, its annual and half-yearly consolidated financial statements must also include information and statements required by the applicable Hong Kong laws and regulations.

Both the annual financial statements (on a consolidated and stand-alone basis), and the half-yearly financial statements will be accompanied by a declaration of the chief executive officer and of the manager charged with preparing the financial reports regarding, among other things, whether the documents truthfully and correctly represent the financial position and the financial position of companies under the control included in the scope of consolidation.

Different classes of shares

In accordance with Italian law, the Company is permitted to issue different classes of shares, defining the rights to which such shares will be entitled within the limits of the applicable law. The Company may issue shares having the right to vote in any shareholders' meeting or only in certain shareholders' meetings or regarding certain matters or under certain conditions. The Company may issue shares having preferential rights with respect to the payment of dividends and to the repayment of capital in the event of liquidation. The Company does not currently have different classes of shares issued.

According to Article 6 of the New By-laws, whenever the share capital of the Company is divided into different classes of shares, the resolutions affecting the rights of any of such classes of shares are to be passed also by the special general meeting of the holders of the shares of that class. To every such special general meeting all the provisions relating to extraordinary Shareholders' Meeting of the Company or to the proceedings thereat shall apply *mutatis mutandis*, except that, notwithstanding the foregoing, such special general meeting is duly held with the presence of shareholders representing at least one-third of the issued share capital of that class (quorum for constitution), and adopts resolutions with the favorable vote (quorum for resolution) of at least three-fourths of the share capital represented in the special general meeting by the shareholders belonging to the interested class.

Savings shares

Italian companies having their shares listed on a regulated market may issue savings shares (*azioni di risparmio*) which carry preferential rights in the payment of dividends, but which have no voting rights except for voting rights at a separate meeting of holders of such savings shares when, among other things, the rights of such shareholders are affected by a decision taken at a shareholders' meeting. The Company does not have any issued and outstanding savings shares.

Minority shareholders' rights

Any shareholder may challenge any resolution of the Board of Directors within 90 days of such resolution being passed if the resolution is prejudicial to the shareholder's rights.

Any shareholder representing 1/1000 of the voting share capital may challenge any shareholders' meeting resolution that contravenes provisions of the by-laws or applicable laws within 90 days of its adoption, if (i) the resolution was adopted at a shareholders' meeting not attended by such shareholder, (ii) the shareholder dissented, (iii) the shareholder abstained from voting or (iv) the shareholder purchased the shares between the record date and the beginning of the meeting.

Directors and statutory auditors may also challenge shareholders' resolutions on the basis of their violation of the by-laws or applicable laws. Pursuant to Italian law, in the case of resolutions approving the delisting of the Shares (as well as in certain other cases set out in the Italian Civil Code), absent, abstaining or dissenting shareholders in the categories mentioned in the previous paragraph are given a withdrawal right enabling them to require the Company to redeem their Shares at the average closing market price of the previous six months.

Any of the shareholders may bring to the attention of the Board of Statutory Auditors facts or acts which are deemed wrongful, and the Board of Statutory Auditors will take into account the complaint in its report to the general shareholders' meeting. If shareholders representing at least 2% of the share capital bring a matter to the attention of the Board of Statutory Auditors, such board must investigate without delay and report its findings and recommendations at the shareholders' meeting. If there is a basis for suspicion of serious irregularities in the discharge of directors' duties, shareholders representing at least 5% of the share capital have the right to report such irregularities to the relevant court (and afterwards waive or settle such suits). In addition, shareholders representing at least 2.5% of the share capital may bring derivative suits against directors, statutory auditors and general managers in a competent court. The Company will reimburse the legal costs of the shareholders' action in the event that the shareholders' claim is successful and the court does not impose the costs

upon the directors, statutory auditors or general managers involved, or in the event that such directors, statutory auditors or general managers could not cover such costs. In addition, the minority shareholders may, pursuant to the slate voting system contained in the New By-Laws in accordance with the provisions of the Consolidated Financial Act and Issuers' Regulation, appoint an effective member and an alternate member of the Board of Statutory Auditors and a member of the Board of Directors. Moreover, the chairman of the Board of Statutory Auditors will be appointed from among the auditors appointed by the minority shareholders.

Withdrawal rights

According to Articles 2437 seq. of the Italian Civil Code, shareholders have the right to withdraw, thereby requiring the Company to redeem all or part of their Shares, if resolutions in favor of the following are passed by the shareholders and the withdrawing shareholders have not voted in favor of them:

- any amendment to the corporate purpose clause of the by-laws, when it allows a material change in the business;
- any change to the corporate form;
- any transfer of the registered office abroad;
- any cancellation of a state of liquidation;
- any amendment to the by-laws relating to voting or participation rights;
- the elimination of one or more withdrawal rights from the by-laws; or
- any amendment to the criteria to determine the value of the shares in case of withdrawal by a shareholder.

Moreover, pursuant to Articles 2437-ter and 2437-quinquies of the Italian Civil Code, in case of a resolution causing the delisting of a listed company, absent, abstaining or dissenting shareholders can withdraw and have their shares repurchased at the average market price of the shares over the previous six-month period.

Pursuant to Article 10 of the New-By-laws, no withdrawal rights are triggered as a result of any resolutions having been adopted to extend the term of the Company or to introduce, amend or remove any limitation on the transfer of Shares.

Any agreement aimed at excluding or making it difficult for a shareholder to exercise withdrawal rights is void.

Italian mandatory tender offer rules

For information on Italian mandatory tender offer rules, see the tables included in “*Regulatory—Hong Kong Rules and Regulations Applicable to the Company*”.

Hong Kong mandatory tender offer rules

For information on Hong Kong mandatory tender offer rules, see “*Regulatory—Hong Kong Rules and Regulations Applicable to the Company*.”

Liability for mismanagement of subsidiaries

Under Article 2497 of the Italian Civil Code, companies and other entities that, acting in their own interest or the interest of third parties, mismanage a company subject to their direction and co-ordination activities are liable to such company's shareholders and creditors for ensuing damages. This liability is excluded if: (i) the ensuing damage is fully eliminated, including through subsequent transactions; or (ii) the damage is effectively offset by the overall benefits derived to the company from the continuing exercise of its direction and co-ordination powers. Direction and co-ordination activities are presumed to exist with respect to the consolidated subsidiaries.

THE OFFER

Introduction

There will be no public offering of the Shares of the Company in any jurisdiction. Because the Offer consists only of private placements in Italy and elsewhere in the European Economic Area to institutional investors that are “qualified investors” as defined in Article (2)(e) of the Prospectus Regulation and to institutional investors elsewhere, pursuant to the Prospectus Regulation, the Offer is exempt from the requirement to publish an approved prospectus that pursuant to Article 3(1) of the Prospectus Regulation. Therefore, this Prospectus has been approved by CONSOB only in relation to the Admission.

For information purposes only, set forth below is key information on the Offer. The Selling Shareholder is offering for sale up to 88,454,818 Shares (the “**Offer Shares**”). The Selling Shareholder has granted UniCredit (in its capacity as Stabilization Manager) on behalf of the Underwriters, the Over-Allotment Option, exercisable in whole or in part within a period of 30 calendar days after the First Trading Date, pursuant to which the Stabilization Manager, on behalf of the Underwriters, may require the Selling Shareholder to sell at the Offer Price up to 8,845,482 additional Shares (the “**Over-Allotment Shares**”), corresponding to up to 10% of the total number of Offer Shares sold in the Offer, solely for the purposes of covering short positions resulting from any over-allotments made in connection with the Offer or stabilization transactions, if any. Assuming the sale of all of the Offer Shares and no exercise of the Over-Allotment Option, the Offer Shares will constitute approximately 26.136% of the issued and outstanding share capital of the Company. Assuming the sale of all of the Offer Shares and the Over-Allotment Option is fully exercised, the Offer Shares will constitute approximately 28.746% of the issued and outstanding share capital of the Company. The price per Offer Share (the “**Offer Price**”) will be determined by way of a bookbuilding exercise involving institutional investors.

The Offer consists solely of private placements to certain institutional investors in various jurisdictions, including in Italy. The Offer Shares are being offered and sold within the United States only to persons reasonably believed to be QIBs as defined in Rule 144A under the U.S. Securities Act pursuant to Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act, and outside the United States, including in Italy, to institutional investors in offshore transactions in reliance upon Regulation S.

The Offer Price and the exact number of Offer Shares offered in the Offer will be determined by the Selling Shareholder, in agreement with the Joint Global Coordinators on behalf of the Underwriters, after the offer period has ended, taking into account economic and market conditions, a qualitative and quantitative assessment of demand for the Offer Shares, and other factors deemed appropriate. The Offer Price (in Euro), the exact number of Offer Shares to be sold in the Offer and the maximum number of Over-Allotment Shares will be set out in the Pricing Statement that will be filed with CONSOB, published in a press release and posted on the Company’s website.

The Company and the Selling Shareholder, after consultation with the Joint Global Coordinators, on behalf of the Underwriters, reserve the right to withdraw, revoke or suspend the Offer at any time prior to the Settlement Date, and to reduce the size of the Offer, in whole or in part (reducing the existing Offer Shares, subject to meeting the requirements to establish the free float so that the Shares can be traded on Euronext Milan).

This Prospectus is published before the completion of the Offer. In the event the Offer is suspended or withdrawn prior to the First Trading Date, the Listing will not occur.

In particular, the Offer will be withdrawn by the First Trading Date if (i) Borsa Italiana does not approve the Company’s request for admission to trading or revokes its approval of the admission to listing pursuant to Article 2.4.3, paragraph 8, of the Borsa Italiana Market Rules, or (ii) the Underwriters do not enter into, or terminate, the underwriting agreement.

Goldman Sachs International (“**Goldman Sachs**”), J.P. Morgan SE (“**J.P. Morgan**”) and UniCredit Bank AG, Milan Branch (“**UniCredit**”) are acting as joint global coordinators and joint bookrunners (the “**Joint Global Coordinators**”) and Equita SIM S.p.A. (“**Equita SIM**”) and Joh. Berenberg, Gossler & Co. KG (“**Berenberg**”) are acting as joint bookrunners (the “**Joint Bookrunners**”) and together with the Joint Global Coordinators, the “**Underwriters**”) of the Offer. In case of successful completion of the Offer, the Company, the Selling Shareholder and the Underwriters will enter into an underwriting agreement with respect to the offer and sale of the Offer Shares in connection with the Offer (the “**Underwriting Agreement**”), subject to the satisfaction of certain conditions set forth therein.

Underwriters’ potential conflicts of interest

The Underwriters have an interest in the Offer as it is expected that, if the Offer is successfully completed, they will enter into the Underwriting Agreement, pursuant to which they will agree, subject to the satisfaction of certain conditions set forth therein, to underwrite severally and not jointly to procure purchasers, failing which, purchase themselves the agreed number of Offer Shares in exchange for which they will receive commissions. UniCredit, as Listing Agent, will receive commissions for its services in that capacity.

In addition, in the ordinary course of their business, the Underwriters and the companies that control them, that they control or that are under common control with them (collectively, “**Affiliates**”) provide and may continue to provide, a variety of services to the Company, the Selling Shareholder and their respective groups, including lending, investment banking, financial advisory, risk management, hedging and other services, for which they receive customary fees, and they and their respective Affiliates may provide such services for the Company and the Selling Shareholder and their respective Affiliates in the future.

Moreover, in the ordinary course of their business activities, the Underwriters and their respective Affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments, including corporate debt facilities, of the Company and the Selling Shareholder and their respective Affiliates.

Finally, in connection with the Offer, the Underwriters and their respective Affiliates, acting as an investor for its own account, may take up Offer Shares in the Offer and in that capacity may retain, purchase or sell for its own account such securities and any Offer Shares or related investments and may offer or sell such Offer Shares or other investments otherwise than in connection with the Offer. Accordingly, references in this Prospectus to Offer Shares being offered or placed should be read as including any offering or placement of Offer Shares to any of the Underwriters or any of their respective Affiliates acting in such capacity. None of the Underwriters intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Lock-up arrangements

The Joint Global Coordinators (on behalf of the Underwriters) may, in their sole discretion and at any time without prior public notice, waive in writing the restrictions, including those on sales, issues or transfers of Shares, described below. If the consent of the Joint Global Coordinators (on behalf of the Underwriters) in respect of a lock-up arrangement is requested as described below, full discretion can be exercised by the Joint Global Coordinators as to whether or not such consent will be granted.

Company lock-up

During a period from the date of the Underwriting Agreement to and including the date falling 90 days after the First Trading Date, neither the Company nor any of its affiliates nor any person acting on its or their behalf will, without the prior written consent of the Joint Global Coordinators (which consent shall not be unreasonably withheld): (A) directly or indirectly, issue, offer, pledge, sell, contract to sell, sell or grant any option, right, warrant or contract to purchase, exercise any option to sell, purchase any option or contract to sell, or lend or otherwise transfer or dispose of any Shares or other shares of the Company, or any securities convertible into or exercisable or exchangeable for Shares or other shares of the Company, or file any registration statement under the U.S. Securities Act or any similar document with any other securities regulator, stock exchange, or listing authority with respect to any of the foregoing; or (B) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of any Shares or other shares of the Company, whether any such transaction described in (A) or (B) above is to be settled by delivery of Shares or other securities, in cash or otherwise; or (C) publicly announce such an intention to effect any such transaction. The foregoing restriction shall not apply to (a) any Shares issued or options to purchase Shares granted pursuant to the incentive plan described under the heading, “*Management, Employees and Corporate Governance—Compensation and Benefits—Management Incentive Plan*” and “*Management, Employees and Corporate Governance—Employees—Equity investments and stock options*”; (b) transactions in connection with a public tender offer within the meaning of ex Art. 101 bis et seq of the Consolidated Financial Act; (c) intra-Group transfers undertaken to effect corporate restructurings, schemes of arrangement or analogous transactions; and (d) sales or issues of Shares in connection with extraordinary and strategic M&A transactions by the Company.

Selling Shareholder lock-up

During a period from the date of the Underwriting Agreement to and including the date that falls 90 days after the First Trading Date, neither the Selling Shareholder nor any of its affiliates nor any person acting on its or their behalf will, without the prior written consent of the Joint Global Coordinators (which consent shall not be unreasonably withheld): (A) directly or indirectly, offer, pledge, sell, contract to sell, sell or grant any option, right, warrant or contract to purchase, exercise any option to sell, purchase any option or contract to sell, or lend or otherwise transfer or dispose of any Shares or other shares of the Company or any securities convertible into or exercisable or exchangeable for Shares or other shares of the Company or request or demand that the Company file any registration statement under the U.S. Securities Act or any similar document with any other securities regulator, stock exchange or listing authority with respect to any of the foregoing; or (B) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of any Shares or other shares of the Company, whether any such transaction described in (A) or (B) above is to be settled by delivery of Shares or such other securities, in cash or otherwise.

Listing and trading

On June 20, 2023 with order no. 8957 Borsa Italiana approved the Shares for listing on Euronext Milan.

On June 20, 2023 application was made to Borsa Italiana to admit the Shares to trading on Euronext Milan under the symbol “YACHT”. The Shares’ ISIN is IT0005383291. The Shares are governed by Italian law.

As of the First Trading Date, the Offer Shares are subject to the dematerialization regime under the Consolidated Financial Act.

The first trading date in the Shares on Euronext Milan will be determined by Borsa Italiana through the publication of a notice pursuant to Article 2.4.3., paragraph 6, of Borsa Italiana Market Rules (the “**First Trading Date**”). The Shares will trade in Euro on Euronext Milan. No assurance can be given that the application to admit all the Shares to trading on Euronext Milan will be approved.

The Shares have been traded on the Main Board of the Stock Exchange of HK Stock Exchange since March 31, 2022, when 83,580,000 Shares were issued at HK\$22.88 (equal to approximately €2.63) per Share (the “**2022 Offer Price**”) in connection with the 2022 Offer. On April 22, 2022, China International Capital Corporation Hong Kong Securities Limited, acting as sole global coordinator in the context of the 2022 Offer partially exercised, on behalf of the international underwriters of the 2022 Offer, the over-allotment option granted by the Company in respect of an aggregate of 4,167,700 Shares and the Company allocated and issued these over-allotment Shares at the 2022 Offer Price.

The Offer is not subject to any condition of a minimum amount of Offer Shares sold and Borsa Italiana will take into account the Company’s Shares already trading on the HK Stock Exchange when assessing whether the minimum free float requirement for admission to trading has been met. In addition, should any investor acquire a certain number of Offer Shares in the Offer, it cannot be excluded that such Offer Shares may not contribute to the determination of the free float at the First Trading Date. Consequently, as of the First Trading Date, the percentage of the Company’s share capital held by the market exclusively on Euronext Milan may be extremely low or nil. Admission to trading by Borsa Italiana is subject to Borsa Italiana’s assessment that conditions and requirements are met, including that the free float is sufficient.

Further, liquidity of the Shares on Euronext Milan will also depend on whether any investors currently holding the Company’s ordinary shares on the Hong Kong Stock Exchange transfer their positions to Euronext Milan and vice-versa, which is outside the Company’s control. In particular, if shareholders currently holding shares in the Company admitted to CCASS and traded on the HK Stock Exchange wish to trade on Euronext Milan, such Shares must be repositioned in their stock accounts maintained with an Italian intermediary. Conversely, Shares traded on Euronext Milan must be repositioned in CCASS in order to trade on the HK Stock Exchange. Such transfers may trigger additional administrative requirements and in certain circumstances may be taxable. To the Company’s knowledge, the Ordinary Shares transferred from the Hong Kong Stock Exchange would be available to a Monte Titoli participant within two business days from receipt by the system of the repositioning request.

Stabilization Manager

UniCredit Bank AG, Milan Branch is the Stabilization Manager with respect to the Offer.

Listing Agent

UniCredit Bank AG, Milan Branch is the Listing Agent with respect to the admission to listing and trading of the Shares on Euronext Milan

Specialist

Kepler Cheuvreux is acting as specialist pursuant to Article 2.2.2 and Article 2.3.5. of the Borsa Italiana Market Rules with respect to the Shares, including to support the liquidity of the Shares. In particular, in its capacity as Specialist, Kepler Cheuvreux undertook (i) to display continuous bids and offers with a percentage spread that does not exceed the limit established by Borsa Italiana for a daily quantity specified in the Instructions of Borsa Italiana; (ii) to produce or have produced on its account, at least two researches per year relating the Company, to be prepared promptly and in accordance with all the care that is common practice in the profession and in accordance with European applicable rules and regulation for the production of investment research; and (iii) to organize and attend at least two meetings a year between the management of the Company and professional investors.

Over-Allotment and stabilization

In connection with the Offer, UniCredit Bank AG, Milan Branch (the “**Stabilization Manager**”) (or any of its agents) on behalf of the Underwriters, may (but will be under no obligation to), to the extent permitted by applicable laws and regulations, over-allot Offer Shares or effect other transactions with a view to supporting the market price of the Shares during the stabilization period, as described below, at a higher level than that which might otherwise prevail in the open

market. The Stabilization Manager will not be required to enter into such transactions and such transactions may be effected on any securities market, over-the-counter market, stock exchange or otherwise and may be undertaken at any time during the period commencing on the First Trading Date and ending no later than 30 calendar days thereafter. The Stabilization Manager will not be obligated to effect stabilizing transactions, and there will be no assurance that stabilizing transactions will be undertaken. Such stabilizing transactions, if commenced, may be discontinued at any time without prior notice. Save as required by law or regulation, neither the Stabilization Manager nor any of its agents intends to disclose the extent of any over-allotments made and/or stabilization transactions under the Offer.

The Selling Shareholder will grant UniCredit Bank AG, Milan Branch in its capacity as Stabilization Manager, on behalf of the Underwriters the Over-Allotment Option, exercisable in whole or in part during a period of 30 calendar days after the First Trading Date, pursuant to which the Stabilization Manager (on behalf of the Underwriters) may require the Selling Shareholder to sell up to 8,845,482 Over-Allotment Shares at the Offer Price, corresponding to up to 10% of the aggregate number of Offer Shares sold in the Offer, solely for the purposes of covering over-allotments or short positions, and stabilization activities if any, in connection with the Offer. Stabilization activities will take place on Euronext Milan.

None of the Company, the Selling Shareholder or any of the Underwriters makes any representation or prediction as to the direction or the magnitude of any effect that the transactions described above may have on the price of the Offer Shares or any other securities of the Company. In addition, none of the Company, the Selling Shareholder or any of the Underwriters makes any representation that the Stabilization Manager will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Dilution

The Offer, consisting of the sale of the Offer Shares by the Selling Shareholder will not result in the issuance of new Shares of the Company and therefore will not result in any dilutive effect to the Company's existing shareholders. As of the First Trading Date, assuming all of the Offer Shares are sold in the Offer and the Over-Allotment Option is exercised in full, the Selling Shareholder's shareholding in the Company will decrease from 63.746% to 35%.

For more information about the effects of the Offer on the current shareholders structure please see "*Principal and Selling Shareholders—Shareholders structure.*"

Underwriting arrangements

If the Offer is successfully completed, the Company, the Selling Shareholder and the Underwriters will enter into the Underwriting Agreement with respect to the sale of the Offer Shares, subject to the satisfaction of certain conditions set forth therein.

In consideration of the agreement by the Underwriters to procure purchasers for the Offer Shares (failing which to purchase the number of Offer Shares specified in the agreement themselves) and subject to the Offer Shares being sold as provided for in the Underwriting Agreement, the Selling Shareholder has agreed to pay the Underwriters an aggregate commission of up to 4% of the gross proceeds of the Offer (including from the sale of any Over-Allotment Shares).

Information to distributors in the EEA

Solely for the purposes of the product governance requirements contained within: (i) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (ii) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (iii) local implementing measures (together the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, delict, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Offer Shares have been subject to a product approval process, which has determined that such Offer Shares are: (a) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (b) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, "distributors" (for purposes of the MiFID II Product Governance Requirements) should note that the price of the Offer Shares may decline and investors could lose all or part of their investment; the Offer Shares offer no guaranteed income and no capital protection, and an investment in the Offer Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offer, including the selling restrictions described in "Selling and Transfer Restrictions". Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Joint Global Coordinators will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (i) an assessment of suitability or appropriateness for the purposes of MiFID II; or (ii) a recommendation to any investor or group of investors to invest in, purchase, subscribe for, or take any other action whatsoever with respect to the Offer Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Offer Shares and determining appropriate distribution channels.

Information to Distributors in the United Kingdom

Solely for the purposes of the product governance requirements contained within: (a) Regulation (EU) 600/2014 as it forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (U.K. MiFIR); and (b) the FCA Handbook Product Intervention and Product Governance Sourcebook, (together, the U.K. MiFIR Product Governance Rules), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any “manufacturer” (for the purposes of U.K. MiFIR) may otherwise have with respect thereto, the Offer Shares have been subject to a product approval process, which has determined that the Offer Shares are: (a) compatible with an end target market of retail investors and investors who meet the criteria of eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in U.K. MiFIR; and (b) eligible for distribution through all distribution channels as are permitted by U.K. MiFIR (the “**U.K. Target Market Assessment**”). Notwithstanding the U.K. Target Market Assessment, distributors should note that: the price of the Offer Shares may decline and investors could lose all or part of their investment; the Offer Shares offer no guaranteed income and no capital protection; and an investment in the Offer Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The U.K. Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offer. Furthermore, it is noted that, notwithstanding the U.K. Target Market Assessment, the Joint Global Coordinators will only procure investors who meet the criteria of professional clients and eligible counterparties for the purposes of the U.K. MiFIR Product Governance Rules.

For the avoidance of doubt, the U.K. Target Market Assessment does not constitute: (i) an assessment of suitability or appropriateness for the purposes of the U.K. MiFIR Product Governance Rules; or (ii) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Offer Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Offer Shares and determining appropriate distribution channels.

TAXATION

Taxation in the Republic of Italy

Introduction

The statements herein regarding taxation summarize the main Italian tax consequences of the purchase, the ownership and the disposal of the Shares. It is a general summary that does not apply to certain categories of investors and does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Shares. It does not discuss every aspect of Italian taxation that may be relevant to a holder of the Shares and it shall not be considered nor construed as an opinion in connection with any information contained therein.

The statements herein regarding taxation are based on the laws and/or practice in force in Italy as at the Prospectus Date and are subject to any changes in law and/or practice occurring after such date, which changes could be made on a retroactive basis. The Company will not update this summary to reflect changes in laws and/or practice and if any such changes occur the information in this summary could become invalid.

This summary assumes that the Company is resident only in Italy for tax purposes and that the Company is organized and its business will be conducted as outlined in this Prospectus. Changes in the Company's tax residence, organizational structure or the manner in which the Company conduct its business may invalidate this summary.

Where in this summary English terms and expressions are used to refer to Italian concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Italian concepts under Italian tax law.

Prospective purchasers of the Shares are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Shares.

Italian income taxation

Definitions

In this section, the following terms have the meaning defined below:

- **“Consolidated Financial Law”**: Legislative Decree no. 58 of 24 February 1998;
- **“DPR 600/1973”**: Presidential Decree no. 600 of 29 September 1973;
- **“IRAP”**: Italian regional tax on productive activities;
- **“IRES”**: Italian corporate income tax;
- **“IRPEF”**: Italian individual income tax;
- **“Non-Qualified Holdings”**: holdings of Shares, including rights or securities through which Shares may be acquired, other than Qualified Holdings;
- **“Parent Subsidiary Directive”**: Directive 435/90/EEC of 23 July 1990, then recast in EU Directive 2011/96 of 30 November 2011;
- **“Qualified Holdings”**: holdings of Shares, including rights or securities through which Shares may be acquired, that represent, in case of shares listed on regulated markets, more than either (i) 2% of the overall voting rights exercisable at ordinary shareholders' meetings or (ii) 5% of the Company's issued and outstanding capital;
- **“Transfer of Qualified Holdings”**: transfers of Shares, including rights or securities through which Shares may be acquired, that exceed, over a period of 12 months, the threshold for qualifying as Qualified Holdings. The 12-month period starts from the date when the Shares, securities and the rights owned represent a percentage of voting rights or interest in the Company's capital that exceeds the aforesaid thresholds. In case of rights or securities through which Shares may be acquired, the percentage of voting rights or interest in the Company's capital potentially attributable to the holding of such rights and securities is taken into account;
- **“TUIR”**: Presidential Decree no. 917 of 22 December 1986;
- **“White List”**: list of countries and territories allowing a satisfactory exchange of information with Italy currently included in the Italian Ministerial Decree of 4 September 1996, as subsequently amended and supplemented, and possibly amended by future decree issued pursuant to Article 11(4)(c) of Legislative Decree no. 239 of 1 April 1996.

Taxation of dividends

Dividends relating to the Shares will be subject to the tax treatment ordinarily applicable to dividends paid by corporations resident in Italy for tax purposes.

The tax treatment of dividends varies depending on the nature of the recipients.

Italian resident individuals not engaged in a business activity to which the Shares are effectively connected

Dividends paid to Italian resident individuals who hold the Shares neither in connection with a business activity nor in the context of the discretionary investment portfolio regime (*risparmio gestito*) as defined below are subject to a 26% tax withheld at source in Italy. In this case, the holders are not required to report the dividends in their income tax returns.

The 26% withholding tax is withheld by the Italian resident share depository where the Shares are deposited, which has joined the centralized management system managed by Monte Titoli or, through a representative appointed in Italy in accordance with the applicable law, by non-resident share depositories which adhere to the Monte Titoli system or to foreign centralized deposit systems in turn adhering to the Monte Titoli system (Euroclear, Clearstream).

Starting from January 1, 2018 the aforementioned tax regime applies regardless of whether dividends are paid in respect of Qualified Holdings or Non-Qualified Holdings. However, dividends from Qualified Holdings declared by resolution (*deliberati*) from January 1, 2018 to December 31, 2022 but paid out from profits accrued before December 31, 2017 will be included in the shareholders' personal income to be subject to IRPEF ("**Transitional Tax Regime**") according to the following percentages:

- 40% if dividends are paid out from profits generated until the financial year running on December 31, 2007;
- 49.72% if dividends are paid out from profits generated in the financial years running on January 1, 2008 until the financial year running on December 31, 2016;
- 58.14% if dividends are paid out from profits generated in the financial year January 1, 2017 – December 31, 2017.

In addition, subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals that (i) are not engaged in an entrepreneurial activity and (ii) holds Shares as Non-Qualified Holdings may be exempt from taxation, including the 26% substitute tax, on dividends received in respect of these shares, if the Shares are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth under Italian law.

Italian resident individuals not engaged in a business activity to which the Shares are effectively connected, holding the Shares under the "risparmio gestito" regime

Dividends paid to individuals resident in Italy for tax purposes on the Shares, held outside the scope of business activity, admitted in an asset management relationship with an authorized intermediary, for which the option for the discretionary investment portfolio (*risparmio gestito*) regime has been exercised pursuant to Article 7 of Legislative Decree 461/1997, are not subject to any withholding or substitute tax and are included in the annual accrued management result (*risultato maturato annuo di gestione*), which is subject to 26% substitute tax.

Since the 26% substitute tax is paid in by the share depository or by the authorized intermediary entrusted with the management, the dividends shall not be reported in the income tax return.

Starting from January 1, 2018 the aforementioned tax regime applies regardless of whether dividends are paid on Qualified Holdings or Non-Qualified Holdings, save for the application of the Transitional Tax Regime describe above.

Italian resident individuals engaged in a business activity to which the Shares are effectively connected

Dividends paid to individuals being resident in Italy for tax purposes on the Shares held within the scope of business activity are not subject to any withholding or substitute tax, provided that, upon receipt, individuals declare that dividends received are related to the Shares held within the scope of a business activity. Dividends received will be included in the shareholders' personal income to be subject to IRPEF will be included in the shareholders' personal income to be subject to IRPEF according to the following percentages:

- 40% if dividends are paid out from profits accrued up to December 31, 2007;
- 49.72% if dividends are paid out from profits accrued between January 1, 2008 and December 31, 2016;
- 58.14% if dividends are paid out from profits accrued starting from January 1, 2017.

Italian resident commercial entities

Dividends received by Italian commercial partnerships (*i.e.*, *società in nome collettivo*, *società in accomandita semplice* and similar Italian partnerships as referred to in Article 5 of TUIR) are not subject to any withholding or substitute tax. Dividends are subject to the tax regime described above (see “—*Italian resident individuals engaged in a business activity to which the Shares are effectively connected*”).

Italian tax resident companies or similar commercial entities referred to in Article 73, paragraph 1, sections a) and b), of TUIR, that includes, among others, corporations (*società per azioni*), partnerships limited by shares (*società in accomandita per azioni*), limited liability companies (*società a responsabilità limitata*) and public and private entities whose sole or primary purpose is to carry out business activities are not subject to any withholding or substitute tax. Only 5% of the dividends are included in the overall business income that will be subject to IRES, unless the Shares are booked as shares held for trading by shareholders being IAS / IFRS adopters. In this case, the dividends will be fully included in the overall business income to be subject to IRES.

Depending on the nature of the shareholders and the business actually carried out, dividends may be relevant also for IRAP purposes.

Italian non-commercial entities

Dividends received by Italian non-commercial public and private entities (other than companies) referred to in Article 73, paragraph 1, letter c) of TUIR (*enti non commerciali*) are not subject to any withholding or substitute tax but they are included in the taxable income of these entities for:

- 100% of their amount for dividends paid out from profits generated starting from January 1, 2017;
- 77.74% for dividends paid out from profits generated until December 31, 2016.

Pursuant to Article 1, paragraph 44 *et seq.* of Law no. 178 of December 30, 2020, starting from fiscal year 2021, under certain conditions, dividends received by Italian non-commercial entities or Italian permanent establishment of non-resident non-commercial entities carrying out, on a non-profit basis, exclusively or principally, one or more activities of general interest in specific sectors are included in their taxable base for 50% of their amount.

Dividends received by a non-business partnership (*e.g.*, Italian “*società semplice*”) are subject to tax under the tax regime applicable to the relevant partner (*i.e.*, as if they were directly paid to each partner), based on the information provided by the non-business partnership pursuant to Article 32-*quater* of Law Decree No. 124 of October 26, 2019, as amended and supplemented.

Italian investment funds

If the shareholder is:

- an open-ended or a closed-ended investment fund (other than a real estate fund), a SICAF (an investment company with fixed capital, other than a real estate SICAF) or a SICAV (an investment company with variable capital) established in Italy that meet the conditions set forth in Article 73, paragraph 5-*quinquies* of TUIR (“**Funds**”); or
- an Italian real estate investment funds established pursuant to Article 37 of Consolidated Financial Act and Article 14-*bis* of Law no. 86 of January 25, 1994 and Italian real estate SICAFs (“**Real Estate Investment Funds**”),

is not subject to any withholding or substitute tax.

Dividends received by Funds are not subject to taxation at the level of the Funds, but a withholding tax of 26% may apply, in certain circumstances, to distributions made in favour of certain categories of unitholders or shareholders.

Dividends received by Real Estate Investment Funds are not subject to taxation at the level of the Funds, but a withholding tax of 26% may apply, in certain circumstances, to distributions made in favour of certain categories of unitholders or shareholders. In certain cases, a tax transparency regime may apply in respect of certain categories of investors, owning more than 5% of the Italian Real Estate Investment Fund’s units or shares.

Italian pension funds

No Italian tax is withheld at source on dividends paid to Italian pension funds governed by Article 17 of Legislative Decree no. 252 of 5 December 2005 (“**Pension Funds**”). Dividends received by Pension Funds are taken into account to compute the pension fund’s net annual accrued yield, which is subject to a 20% flat tax (*imposta sostitutiva*).

Subject to certain limitations and requirements (including a minimum holding period) set forth in Article 1, paragraphs 88 to 96 of the Law no. 232 of December 11, 2016 (“**Finance Act 2017**”), dividends paid to Pension Funds, in relation to

qualified long-term investments (*i.e.*, investments up to 10% of the assets resulting from the statement of the previous year, held for 5 years), are exempt from income tax and are, therefore, excluded from the calculation of the fund management net result, which is subject to the 20% substitute tax.

Italian persons exempt from IRES and persons outside the scope of IRES

Dividends paid to Italian resident persons that are exempt from IRES are generally subject to a 26 % withholding tax. In case of shares placed in the centralized depository system operated by Monte Titoli, dividends received by Italian persons who are exempt from IRES are subject to a 26% substitute tax.

No Italian tax is withheld at source on dividends paid to persons that are outside the scope of IRES (*esclusi*) under Article 74, paragraph 1 of TUIR (*i.e.*, state bodies and administrations, including autonomous administrations, municipalities, consortia of local bodies, associations and bodies administering public property, mountain communities, provinces and regions are not liable for corporate tax).

Non-resident persons not holding the shares through a permanent establishment in Italy

A 26% tax withheld at source generally applies on dividends paid to non-resident persons that do not have a permanent establishment in Italy to which the Shares are effectively connected.

This 26% tax is withheld by the Italian resident share depository where the securities are deposited, which have joined the centralized management system managed by Monte Titoli or, through a representative appointed in Italy (in particular, a bank or SIM resident in Italy, a permanent establishment in Italy of non-resident banks or investment firms, or a centralized financial instrument management company centralize pursuant to Article 80 of the Italian Unified Financial Act), by non-resident share depositories which adhere to the Monte Titoli system or to foreign centralized deposit systems adhering to the Monte Titoli system).

Subject to a specific request to be submitted to the Italian tax authorities under the terms and conditions provided by the applicable law, non-resident shareholders are entitled to relief (in the form of a refund), which cannot be higher than 11/26 (eleven twenty-sixths) of the tax levied in Italy, if they can demonstrate that they have paid final tax abroad on the same item of income. Shareholders who may be eligible for the relief should consult with their own independent tax advisors to determine whether they are eligible for, and how to obtain, the tax refund.

As an alternative to the relief described above, persons resident in countries that have a double tax treaty in force with Italy may request that the tax withheld at source on dividends be levied at the (reduced) rate provided under the applicable double tax treaty. For this purpose, the entities with which the Shares are deposited, which have adhered to the centralized deposit system managed by Monte Titoli, must promptly obtain:

- an affidavit drafted in compliance with the form approved by the Italian tax authorities (*Provvedimento* no. 2013/84404) whereby the non-resident shareholder states that (i) it is the beneficial owner of the dividends, (ii) all conditions to which the double tax treaty regime is subject are fulfilled, and includes its general information, as well as any information that may be necessary to determine the tax rate applicable pursuant to the double tax treaty; and
- a tax residence certificate from the competent tax authority of the State where the beneficial owner of the dividends is resident, attesting its tax residence in that State in accordance with the applicable double tax treaty. This certificate shall be valid for the tax period referred to in the affidavit starting from the issuing date, provided that all requirements remain met.

If such documentation is not submitted to the depository before payment of the dividends, the 26% withholding tax is applies. The beneficial owner of the dividends may nevertheless request a refund from the Italian tax authorities for the difference between the tax withheld and the tax that would have applied under the double tax treaty by filing a proper refund application together with the aforementioned documentation. The request of refund must be submitted according to the terms and conditions provided by law.

The domestic withholding tax rate on dividends is 1.2% (and not 26%) if the recipients and beneficial owners of the dividends are companies or entities that are (a) resident for tax purposes in an EU Member State or in a State that is party to the European Economic Area Agreement and is included in the Italian White List and (b) subject to corporate income tax in such State.

Under Article 27-*bis* of Decree 600, which implemented in Italy the Parent Subsidiary Directive, a company is entitled to a full refund of the tax withheld at source on the dividends if it (a) has one of the legal forms provided for in the appendix to Parent Subsidiary Directive, (b) is resident for tax purposes in an EU Member State without being considered to be resident outside the EU according to a double tax treaty signed with a non-EU country, (c) is subject in the country of residence to one of the taxes indicated in the appendix to the Parent Subsidiary Directive with no possibility of benefiting from optional

or exemption regimes that have no territorial or time limitations, and (d) directly holds Common Shares that represent an interest in the issued and outstanding capital of the Company of no less than 10% for an uninterrupted period of at least one year. If these conditions are met, and as an alternative to submitting a refund request after the dividend distribution, the non-resident company may request that no tax be levied at the time the dividends are paid, provided that (x) the 1-year holding period under condition (d) above is already met and (y) the non-resident company promptly submits proper documentation. Italian anti-abuse provisions may apply.

The Parent Subsidiary Directive has been amended by Directive no. 2015/121/EU of January 27, 2015 in order to introduce an anti-abuse provision under which the tax authorities of each EU Member State have the power to deny the exemption provided for by the Directive to “... *an arrangement or a series of arrangements which, having been put into place for the main purpose or one of the main purposes of obtaining a tax advantage that defeats the object or purpose of this Directive, are not genuine having regard to all relevant facts and circumstances*”. This amendment is implemented into Italian law through the general anti-abuse rule of Article 10-bis of Law no. 212 of July 27, 2000.

Dividends received by investment funds established abroad in accordance with Directive 2009/65/EC (so-called UCITS IV Directive) or those whose management company is subject to forms of supervision in the country of establishment in accordance with Directive 2011/61/EU (so-called AIFM Directive), if established in a Member State of the European Union or in a State that belongs to the EEA allowing an adequate exchange of information with Italy, are exempt from taxation in Italy.

Dividends received by Pension Funds being established in an EU Member State or in a State that is party to the European Economic Area Agreement and is included in the White List are generally subject to a 11% withholding tax. In case the requirements of Article 1, paragraph 95 of the Finance Act 2017 are met, the 11% withholding tax does not apply to dividends paid to pension funds in connection with qualified investments. For the purposes of the application of the above provisions, the non-resident pension fund must submit a declaration containing the identifying data of the recipient and the existence of all the conditions required for the benefit referred to in Article 1, paragraphs 88 – 114 of the Finance Act 2017, as well as the commitment to hold the financial instruments belonging to the qualified investment for the period of time required by law. The non-resident pension fund must also provide a copy of the accounting statements which allow to verify the compliance with the above conditions.

Taxation of capital gains realized upon transfer of the Shares

Italian individuals not engaged in a business activity to which the Shares are effectively connected

Capital gains realized by individuals resident in Italy for tax purposes from the transfer for consideration of the Shares in Italian tax resident companies are subject to substitute tax at a rate of 26%. The taxpayer may opt for one of the following three methods of taxation:

- tax return regime (*regime della dichiarazione*): under the tax return regime, which is the standard regime for taxation of capital gains realized by Italian resident individuals not engaged in a business activity, substitute tax on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any relevant capital loss of the same nature incurred in such tax year, realized pursuant to all transfers of Shares carried out during that tax year. Capital losses in excess of capital gains may be carried forward against capital gains of the same nature realized in any of the four succeeding tax years. The tax return regime is mandatory in the event that the taxpayer does not choose one of the two alternative regimes mentioned in the next two paragraphs;
- non-discretionary investment portfolio (*risparmio amministrato*) regime (optional): pursuant to Article 6 of Legislative Decree no. 461 of November 21, 1997, it is possible to elect to pay the 26% substitute tax separately on capital gains realized on each transfer of shares. Such regime applies subject to (i) the shares being deposited with Italian banks, SIMs or certain authorized financial intermediaries and (ii) an express election for the *risparmio amministrato* regime is made in writing by the relevant shareholder. Under the *risparmio amministrato* regime, the financial intermediary is responsible for accounting for substitute tax in respect of capital gains realized on each transfer of the shares (as well as in respect of capital gains realized at revocation of its mandate), net of any relevant capital loss of the same nature incurred in the applicable tax year, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer by deducting a corresponding amount from proceeds to be credited to the shareholder or using funds provided by the shareholder for this purpose. Under the *risparmio amministrato* regime, where a transfer of shares results in capital loss, such loss may be deducted from capital gains of the same nature realized in such tax year or any of the four succeeding tax years. Under the *risparmio amministrato* regime, the shareholder is not required to declare capital gains in its annual tax declaration;
- discretionary investment portfolio (*risparmio gestito*) regime (optional): pursuant to Article 7 of Legislative Decree no. 461 of November 21, 1997, this regime is allowed for holders who have entrusted the management of their financial assets, including the Shares, to an authorized intermediary and have elected in writing into this regime. Under this regime, capital gains accrued on the Shares are included in the computation of the annual increase in value of the managed assets accrued (even if not realized) at year end, which is subject to

the 26% substitute tax. The managing authorized intermediary applies the tax on behalf of the taxpayer. Any decrease in value of the managed assets accrued at year end may be carried forward and offset against any increase in value of the managed assets accrued in any of the four following tax years. Under this regime, the holder is not required to report capital gains in the annual income tax return.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals that (i) are not engaged in an entrepreneurial activity and (ii) holds Shares as Non-Qualified Holdings may be exempt from taxation, including the 26% substitute tax, on capital gains realized upon the transfer of these shares, if the Shares are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth under Italian law.

Italian individuals engaged in a business activity to which the Shares are effectively connected and Italian commercial partnerships

Capital gains realized by Italian resident individuals engaged in a business activity to which the Shares are effectively connected and Italian commercial partnerships (*i.e., società in nome collettivo, società in accomandita semplice* and similar Italian partnerships as referred to in Article 5 of TUIR) upon transfer for consideration of the Shares must be fully included in the overall business income and reported in the annual income tax return. Capital losses (or other negative items of income) derived upon transfer for consideration of the Shares would be fully deductible from the holder's income. However, if the conditions provided for the Participation Exemption Regime described below are met, (i) 41,86% of the capital gains is tax exempt and, thus, it must not be included in the overall business income; and (ii) any capital losses realized are only partially deductible.

For the purpose of determining capital gains and capital losses, the holder's tax basis in the shares is reduced by any write-down that the holder has deducted in previous tax years.

Italian commercial entities

Capital gains realized by Italian general partnerships and limited partnerships referred to in Article 5 of TUIR upon transfer for consideration of Shares are subject to the tax regime described under Paragraph "*Italian resident individuals engaged in a business activity to which the Shares are effectively connected*" above.

Capital gains realized by the companies and entities referred to in Article 73, paragraph 1, sections a) and b), of TUIR upon transfer for consideration of Shares must be fully included in the overall taxable business income subject to IRES in the tax year in which the capital gains are realized or, upon election, may be spread in equal installments over a maximum of five tax years (including the tax year when the capital gain is realized). The election for the installment computation is only available if the Shares have been held for no less than three years and booked as fixed financial assets (*immobilizzazioni finanziarie*) in the last three financial statements.

However, pursuant to Article 87 of the TUIR ("**Participation Exemption Regime**"), capital gains realized upon transfer of Shares are 95% exempt from taxable income if Shares meet the following requirements:

- (a) the shares have been held continuously at least from the first day of the 12th month preceding the transfer (minimum holding period), the most recently purchased shares being deemed to have been sold first (so called LIFO method);
- (b) the shares were accounted as a fixed financial asset in the first financial statement closed after the acquisition;
- (c) participated company is tax resident either in Italy or in a Country different from those having a preferential tax regime, as defined by Article 47-*bis*, paragraph 1 of TUIR; and
- (d) the participated company has been carrying out a commercial activity from the first day of the third financial year before the transfer of the participation (however this requirement is not relevant for shares in companies whose securities are traded on regulated markets).

This requirement under (c) must be complied with as from the date of acquisition of the shares and is restricted to five years preceding the transfer of the relevant participation in case the transfer is made to persons which are not part of the same group. The requirement under (d) above must be satisfied without interruption at least from the beginning of the third tax year before the capital gain is realized. If the shares sold are held in a holding company, the tests under (c) and (d) above must be verified at the level of the holding company's subsidiaries (so called "look through" approach).

The transfer of shares belonging to the category of fixed financial assets and the transfer of shares belonging to the category of working capital (*attivo circolante*) are to be considered separately with reference to each category. If the aforementioned requirements are met, any capital loss realized upon the sale of shares is not deductible from corporate taxable income.

If the requirements for the Participation Exemption Regime are met, any capital loss realized on the Company's shares cannot be deducted.

For the purpose of determining capital gains and capital losses, the holder's tax basis in the Company's shares is reduced by any write-down that the holder has deducted in previous tax years.

When the amount of the capital losses (and negative differences) deriving from a transaction (or a series of transactions) on shares traded on regulated markets is greater than €50,000, the taxpayer must, under certain circumstances, report the data and the information regarding the transaction to the Italian tax authorities in the tax return.

Moreover, the data and the information relating to capital losses in excess of €5,000 thousand, deriving from the transfer (or a series of transfers) of shares accounted for as fixed financial assets, must be included in the recipient's tax return. Such an obligation does not apply to parties who prepare their financial statements in accordance with IAS/IFRS international accounting standards.

The lack of full compliance with such reporting rules entails a tax penalty of 10% of the undeclared capital losses (minimum €500—maximum €50,000).

Depending on the nature of the shareholders and the business actually carried out, under certain conditions, capital gains and capital losses realized upon the transfer of Shares may be relevant also for IRAP purposes.

Italian non-commercial entities

Capital gains realized outside the scope of a business activity, on the sale or disposal of the Shares by Italian-resident non-business entities referred to in Article 73(1)(c) TUIR (other than OICR), trusts and Italian non-business partnerships as referred to in Article 5 TUIR are subject to the tax regime described in connection with capital gains realized by Italian resident individuals who do not hold the Shares in connection with a business activity.

Italian investment funds

Capital gains realized by Funds as a result of the transfer for consideration of Shares are not subject to taxation at the level of the Funds, but a withholding tax of 26% may apply, in certain circumstances, to distributions made in favour of certain categories of unitholders or shareholders.

Capital gains realized by Real Estate Investment Funds as a result of the transfer for consideration of Shares are not subject to taxation at the level of the Funds, but a withholding tax of 26% may apply, in certain circumstances, to distributions made in favour of certain categories of unitholders or shareholders. In certain cases, a tax transparency regime may apply in respect of certain categories of investors, owning more than 5% of the Italian Real Estate Investment Fund's units or shares.

Italian Pension Funds

Capital gains realized by Pension Funds as a result of the transfer for consideration of Shares are included in the annual net accrued result of same Pension Funds, which is generally subject to a 20% substitute tax. Subject to certain conditions (including minimum holding period requirement) and limitations, capital gains may be excluded from the taxable base of the 20% substitute tax in accordance with Article 1, paragraph 92 of the Finance Act 2017.

Non-Italian resident persons not holding the Shares through a permanent establishment in Italy

- *Non-Qualified Holdings.* No tax applies in Italy on capital gains realized by non-Italian resident holders without a permanent establishment in Italy upon transfer for consideration of the Shares traded on a regulated market that do not qualify as Transfers of Qualified Holdings, even if the Shares are held in Italy and regardless of the provisions set forth in any applicable double tax treaty. In such case, in order to benefit from this exemption, non-Italian resident holders who hold the Shares with an Italian authorized financial intermediary may be required to timely submit to the Italian authorized financial intermediary an affidavit whereby they state that they are not resident in Italy for tax purposes.
- *Qualified Holdings.* Capital gains realized by non-Italian resident holders without a permanent establishment in Italy upon Transfers of Qualified Holdings are subject to 26% substitute tax in Italy according to the same rules applicable to Italian resident individuals not engaged in business activity. Capital gains must be reported in the annual income tax return. However, the provisions of double tax treaties entered into by Italy may apply, if more favourable. Capital gains realized upon Transfers of Qualified Holdings by investment funds established abroad in accordance with Directive 2009/65/EC (so-called UCITS IV Directive) or those whose management company is subject to forms of supervision in the country of establishment in accordance with Directive 2011/61/EU (so-called AIFM Directive), if established in a Member State of the European Union or in a State that belongs to the EEA allowing an adequate exchange of information with Italy, are exempt from taxation in Italy.

Non-Italian resident persons holding the Shares through a permanent establishment in Italy

If the Shares are effectively connected to a permanent establishment in Italy, capital gains realized upon transfer for consideration of the Shares must be included in the permanent establishment's income taxable in Italy according to the tax

regime as provided for the capital gains realized by Italian companies and entities referred to in Article 73, paragraph 1, sections a) and b), of TUIR, as described above.

Transfer tax

Contracts or other legal instruments relating to the transfer of securities (including the transfer of the Shares) are subject to registration tax as follows: (i) notary deeds (*atti pubblici*) and private deeds with notarized signatures (*scritture private autenticate*) executed in Italy must mandatorily be registered with the Italian tax authorities and are subject to €200.00 registration tax; and (ii) private deeds (*scritture private*) are subject to €200.00 registration tax only if they are voluntary filed for registration with the Italian tax authorities or if the so-called “*caso d’uso*” or “*enunciazione*” occurs.

Financial transaction tax

Article 1, paragraphs 491 to 500 of Law no. 228 of December 24, 2012 introduced a financial transaction tax (“**FTT**”) applicable, among others, to the transfers of the ownership of (i) shares issued by Italian resident corporations (*società per azioni*), (ii) participating financial instruments (as defined under Article 2346(6) of the Italian Civil Code) issued by Italian resident corporations, and (iii) securities representing equity investments in Italian resident corporations, regardless of (i) the State where the buyer and the seller are resident or established and (ii) the place where the transaction is executed.

The residence of the issuer for the purposes of FTT is the place where the issuer has its registered office (corporate seat).

The FTT rate applicable to the transfers of ownership of shares is 0.20% of the value of the transaction, reduced to half (0.10%) for the transactions executed on regulated markets or in multilateral trading facilities. Such reduction also applies in the case of purchase of shares through a financial intermediary, interposed between the parties of the transaction, purchasing such shares on a regulated market or in a multilateral trading facility, provided that price, total number and date of settlement of buying and selling transactions coincide.

FTT taxable basis is the value of the transaction determined, for each liable person, on the basis of the daily net balance of the transactions calculated with reference to the number of shares daily traded and relating to the same financial instrument. The calculation of the net balance shall be made by the person liable for FTT payments. As an alternative, FTT is calculated on the consideration paid. The tax is levied to the persons to which the ownership of shares is transferred, regardless of their place of residence and of the place where the contracts are concluded.

Any person and entity involved, for any reason, in the execution of a contract that are located in States or territories with no agreements in force with Italy for the purposes of the exchange of information or the assistance in the collection of tax credits, as listed in the Regulation dated 1 March 2013 issued by the Director of the Italian tax authority, are considered the purchasers for FTT purposes.

FTT will be paid either by the intermediaries or the other subjects (*e.g.*, banks, trusts and investment companies referred to in Article 18 of the Consolidated Financial Law) involved in the execution of the transaction or by the taxpayer, in either case on or before the 16th day of the second month following the transfer of ownership. Intermediaries and other non-resident subjects having no permanent establishment in Italy may appoint a tax representative among the persons indicated in Article 23 of Decree 600. Where more intermediaries are involved in the execution of the transfers, FTT is paid by the intermediary who receives the order to execute the transaction directly from the purchaser.

FTT does not apply to transfers of ownership of shares executed by way of inheritance or gift. The FTT does not apply, among others, also to: (i) transactions related to the issuing and the cancellation of shares, (ii) transfers of the ownership of newly issued shares also through the exercise of option rights by the issuer’s shareholders, (iii) temporary transfers of ownership referred to “securities financing transactions” of paragraph (10), Article 2 of Commission Regulation (EC) No 1287/2006, (iv) transfers of ownership of shares executed by companies between which there exists a relationship of control referred to in Article 2359, first paragraph, no. 1) and No 2), and second paragraph of the Italian Civil Code or which are controlled by the same company, and (iv) transfers of ownership of shares arising from restructuring operations under Article 4 of Council Directive 2008/7/EC of February 12, 2008 or from mergers and divisions of collective investment undertakings; v) the assignment of equities against distribution of profits, reserves or reimbursement of share capital.

FTT does not also apply to the transfers of the ownership of shares traded on regulated markets or in multilateral trading facilities issued by companies with an average market capitalization lower than €500 million, as registered in November of the year preceding the issue of the shares. By 20 December of each year, the Ministry of Economy and Finance shall draw up and publish on its website the list of companies resident in the State territory for the purposes of the exclusion. The exclusion from FTT shall also apply to transfer not executed in regulated markets or in multilateral trading facilities. In case of admission to trading on regulated markets or in multilateral trading facilities, the inclusion in the list is verified as from the year following that for which it is possible to calculate an average market capitalization for the month of November; until this year, a capitalization lower than the capitalization limit of €500 million is presumed.

Moreover, exemption from FTT is granted to: (a) pension funds subject to supervision under Directive 2003/41/EC and to compulsory social security institutions, set up in one of the EU Member States or in one of the EEA Member States, included

in the Italian White List, as well as to other supplementary pension schemes referred to in Legislative Decree no. 252 of December 5, 2005; (b) the transfers of ownership and the transactions referred to in Article 1, paragraph 1, letter m) of the Consolidated Financial Law, classed as “ethical” or “socially responsible” pursuant to Article 117-ter of the Consolidated Financial Law; (c) the transactions executed during market making activities as defined in Article 2, paragraph 1, letter k) of Regulation (EC) No 236/2012 of the European Parliament and of the Council of 14 March 2012, and in document ESMA/2013/158 of 1 February 2013; and (d) the transactions executed in the context liquidity assistance activities within the framework of accepted market practices, approved by the financial market authority under Directive 2003/6/EC of the European Parliament and of the Council of 20 January 2003, and under Commission Directive 2004/72/EC of 29 April 2004.

For the transactions referred to in points (c) and (d) above, the exemption is only granted to those persons carrying out market-making activities and providing liquidity assistance as indicated therein and only to the transactions executed to carry out such activities. The exemption regime outlined in points (a), (c) and (d) shall apply only for the persons indicated in such points. As a consequence, the counterparty may be liable to pay FTT.

Exemption from FTT shall also apply to transactions having as counterpart the European Union, the European institutions, the European Central Bank, the European Investment Bank, the central banks of the EU Member States, the central banks and organizations managing, among others, the official reserves of other States and the bodies or international organizations established in accordance with international agreements enforced in Italy. In relation to these transactions, FTT is not payable by either party.

The FTT is not deductible for income taxes (IRPEF and IRES) purposes, including their substitute taxes, as well as for Italian regional tax on business activities (IRAP) purposes.

High-frequency trading

Starting from 1 March 2013, the transactions effected on the Italian financial market are subject to a tax on high-frequency trading with regard to financial instruments referred above.

High-frequency trading are those transactions generated by a computer algorithm that automatically determines the decisions relating to the sending, modification and cancellation of orders and of the related parameters that occur at intervals not exceeding half a second. The tax rate is 0.02% and it is applied, for each trading day, on the value of the cancelled and modified orders exceeding a threshold of 60% of the entered and modified orders.

The tax is payable by the subjects that, by means of the aforementioned algorithms, execute purchase and sale orders and the related modifications and cancellations.

Inheritance and gift taxes

Pursuant to Law no. 346 of October 31, 1990 and Law no. 286 of November 24, 2006, as subsequently amended, the transfers of any valuable asset (including the Shares) as a result of gift, donation or succession of Italian residents and non-Italian residents (but in such latter case limited to assets held within the Italian territory – which, for presumption of law, includes bonds issued by Italian resident issuers) are subject to Italian inheritance and gift taxes as follows:

- transfers to spouse and to direct *relatives*: 4% of the value of the transferred assets exceeding Euro 1 million for each beneficiary;
- transfers to brothers and sisters: 6% of the value of the transferred assets exceeding Euro 100,000 for each beneficiary;
- transfers to relatives (*parenti*) within the fourth *degree*, to direct relatives in law (*affini in linea retta*), indirect relatives in law (*affini in linea collaterale*) within the third degree other than the relatives indicated above: 6% of the value of the transferred assets;
- other transfers: 8% of the value of the *transferred* assets.

If the heir/beneficiary is affected by a handicap deemed as “critical” pursuant to Law no. 104 of February 5, 1992, inheritance and gift taxes apply only to the value of assets (net of liabilities) exceeding Euro 1,500,000.

The *mortis causa* transfers of financial instruments included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*), that meets the requirements set forth under Italian law, are exempt from inheritance taxes.

Stamp duty (bollo)

Pursuant to Article 13, paragraph 2-ter of the tariff Part I attached to Presidential Decree no. 642 of October 26, 1972, as amended, a proportional stamp duty applies on an annual basis to any periodic reporting communications which may be sent by an Italian based financial intermediary to its clients in respect of any financial product and instrument (including the

Shares) which may be deposited with such financial intermediary in Italy. The stamp duty is collected by the Italian resident financial intermediaries and applies at a rate of 0.2% and cannot exceed Euro 14,000 for taxpayers other than individuals. This stamp duty is determined on the basis of the market value or, if no market value figure is available, on the basis of face value or redemption value, or in the case the face or redemption values cannot be determined, on the basis of purchase value of the financial assets held.

The statement is deemed to be sent at least once a year, including with respect to the instruments for which it is not mandatory the deposit, the release or the drafting of the statement. In case of reporting periods of less than 12 months, the stamp duty is payable on a pro-rata basis.

Pursuant to the law and the implementing decree issued by the Italian Ministry of Economy on 24 May 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy on 29 July 2009, as subsequently amended, supplemented and restated) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory.

Stamp duty applies both to Italian resident and to non-Italian resident investors, to the extent that the relevant securities (including the Shares) are held with an Italian-based financial intermediary (and not directly held by the investor outside Italy), in which case Italian wealth tax (see below) applies to Italian resident shareholders only.

Wealth tax (IVAFE)

In accordance with Article 19 of Decree no. 201 of December 6, 2011, converted with amendments by Law no. 214 of December 22, 2011, as amended, individuals, non-commercial entities and certain partnerships (*società semplici* or similar partnerships referred to in Article 5 of TUIR) resident in Italy for tax purposes holding financial products (including the Shares) outside of the Italian territory are required to declare in their own annual tax return and pay a wealth tax at the rate of 0.2% (IVAFE). For taxpayers other than individuals, IVAFE cannot exceed Euro 14,000 per year.

The tax applies on the market value at the end of the relevant year (or, if earlier, at the end of the holding period) or – in the lack of the market value – on the basis of face value or redemption value, or in the case the face or redemption values cannot be determined, on the basis of purchase value of the financial assets held outside of the Italian territory. Taxpayers can generally deduct from the tax a tax credit equal to any wealth taxes paid in the State where the financial products are held (up to the amount of the Italian wealth tax due).

Financial assets (including the Shares) held abroad are excluded from the scope of IVAFE if they are administered by Italian financial intermediaries pursuant to an administration agreement and the items of income derived from such instruments have been subject to tax by the same intermediaries.

Tax Monitoring Obligations

Pursuant to Decree Law no. 167 of June 28, 1990, as subsequently amended and supplemented, individuals, non-commercial entities and certain partnerships (in particular, *società semplici* and similar partnerships referred to in Article 5 of TUIR) resident in Italy for tax purposes, that during the year hold investments abroad or have financial foreign assets by means of which income of foreign source can be accrued must, in some circumstances, disclose the aforesaid and related investments and foreign assets to the Italian tax authorities in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time as prescribed for the income tax return). The requirement applies also where the persons above, being not the direct holders of the financial assets, are the actual economic owners thereof for the purposes of anti-money laundering legislation (which is applied for tax monitoring obligations purposes with certain adjustments). The disclosure requirements are not due if, *inter alia*, the foreign financial investments (including the Shares) (i) are held through an Italian resident intermediary upon condition that the items of income derived from the shares are subject to tax by the same intermediary or (ii) are only composed by deposits and/or bank accounts having an aggregate value not exceeding a Euro 15,000 threshold throughout the year.

Certain U.S. Federal Income Tax Considerations

This disclosure is limited to the U.S. federal income tax issues addressed herein. Additional issues may exist that are not addressed in this disclosure and that could affect the U.S. federal tax treatment of the Offer Shares. Prospective investors should seek advice based on their particular circumstances from independent tax advisors.

The following is a summary of certain U.S. federal income tax considerations relevant to U.S. Holders (as defined below) (and, to the extent set forth below under “-Non-U.S. Holders” and “-U.S. information reporting and backup withholding tax” to Non-U.S. Holders (as defined below)) of acquiring, holding and disposing of Offer Shares. This summary is based on the U.S. Internal Revenue Code, final, temporary and proposed U.S. Treasury regulations, and administrative and judicial interpretations, all of which are subject to change, possibly with retroactive effect. Changes in these authorities may cause the tax consequences of ownership of Offer Shares to vary substantially from the consequences described below.

This summary does not discuss all aspects of U.S. federal income taxation that may be relevant to investors in light of their particular circumstances, such as investors subject to special tax rules (including, without limitation: (i) financial institutions; (ii) insurance companies; (iii) traders or dealers in stocks, securities, or currencies or notional principal contracts; (iv) regulated investment companies; (v) real estate investment trusts; (vi) tax-exempt organizations; (vii) entities or arrangements that are treated as partnerships, or pass-through entities for U.S. federal income tax purposes, or persons that hold Shares through such entities; (ix) holders that own (directly, indirectly or constructively) 10% or more of the voting power or value of the stock of the Company; (x) investors that hold Shares as part of a straddle, hedge, conversion, constructive sale or other integrated transaction for U.S. federal income tax purposes; (xi) U.S. Holders that have a functional currency other than the U.S. dollar; (xii) retirement plans or individual retirement accounts, and (xiii) U.S. expatriates and former long-term residents of the United States), all of whom may be subject to tax rules that differ significantly from those summarized below. This summary does not address tax consequences applicable to holders of equity interests in a holder of the Shares, U.S. federal estate, gift, or alternative minimum tax considerations, Medicare contribution tax considerations, special tax accounting rules as a result of any item of gross income with respect to the Shares being taken into account in an applicable financial statement, or non-U.S., state or local tax considerations. This discussion does not comment on all aspects of U.S. federal income taxation that may be important to particular investors in light of their individual circumstances, and each prospective investor is encouraged to consult its own tax advisor regarding the U.S. federal, state, local and other tax consequences of the ownership or disposition of Shares. This summary only addresses investors that will acquire Shares in the Offer, and it assumes that investors will hold their Shares as capital assets (generally, property held for investment).

No ruling has been or will be requested from the Internal Revenue Service (the “**IRS**”) in connection with any matter affecting the Company or prospective investors. The statements made herein may be challenged by the IRS and, if so challenged, may not be sustained upon review in a court.

For the purposes of this summary, a U.S. Holder (“**U.S. Holder**”) is a beneficial owner of Shares that is, or is treated as, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation created in, or organized under the laws of, the United States or any state thereof, including the District of Columbia, (iii) an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source or (iv) a trust if (1) its administration is subject to the primary supervision of a court within the United States and one or more U.S. persons, within the meaning of Section 7701(a)(30) of the U.S. Internal Revenue Code, have the authority to control all substantial decisions of the trust or (2) it has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person for U.S. federal income tax purposes. A non-U.S. Holder (“**Non-U.S. Holder**”) is a beneficial owner of Shares that is neither a U.S. Holder nor an entity or arrangement treated as a partnership for U.S. federal income tax purposes. If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds Shares, the tax treatment of a partner in such partnership generally will depend upon the status of the partner and the activities of the partnership. Any such partner or partnership should consult their tax advisors as to the U.S. federal income tax consequences to them of the acquisition, ownership and disposition of Shares.

Distributions

Subject to the passive foreign investment company (“**PFIC**”) rules discussed below, a distribution made by the Company on the Shares (including any amounts withheld to reflect non-U.S. withholding taxes) generally will be treated as a dividend includible in the gross income of a U.S. Holder as ordinary income to the extent of the Company’s current and accumulated earnings and profits as determined under U.S. federal income tax principles. To the extent the amount of such distribution exceeds the Company’s current and accumulated earnings and profits as so computed, the distribution will be treated first as a non-taxable return of capital to the extent of such U.S. Holder’s adjusted tax basis in the Shares and, to the extent the amount of such distribution exceeds such adjusted tax basis, will be treated as gain from the sale of such Shares. The Company does not expect to maintain calculations of earnings and profits for U.S. federal income tax purposes. Therefore, a U.S. Holder should expect that such distribution will generally be treated as a dividend. Such dividends will not be eligible for the dividends received deduction allowed to corporations. The amount of any distribution of property other than cash will be the fair market value of the property on the date of the distribution.

“Qualified dividend income” received by individual and certain other non-corporate U.S. Holders is currently subject to reduced rates applicable to long-term capital gain if (i) the Company is a “qualified foreign corporation” (as defined below) and (ii) such dividend is paid on Shares that have been held by such U.S. Holder for at least 61 days during the 121-day period beginning 60 days before the ex-dividend date and certain other requirements are met. The Company generally will be a “qualified foreign corporation” if (i) it is eligible for the benefits of a comprehensive U.S. income tax treaty and (ii) it is not a PFIC with respect to the relevant U.S. Holder in the taxable year of the distribution or the immediately preceding taxable year. No assurance can be given that the Company will be eligible for the benefits of the comprehensive U.S. income tax treaty. As discussed below under “Passive foreign investment company rules”, the Company does not believe that it was a PFIC for U.S. federal income tax purposes for its most recent taxable year and does not expect to be a PFIC for the current year or in the foreseeable future. However, no assurances regarding the Company’s PFIC status can be provided for any past, current or future taxable year. Non-corporate U.S. Holders should consult their tax advisors regarding the availability of these favourable rates on dividends in their particular circumstances.

Non-U.S. withholding taxes on dividends (not in excess of any applicable reduced rate under an applicable U.S. income tax treaty) may be treated as foreign taxes eligible for credit against, or deduction in computing, United States federal income tax liability, subject to a number of complex limitations and conditions, including those introduced by U.S. Treasury regulations that apply to foreign income taxes paid or accrued in taxable years beginning on or after December 28, 2021. A U.S. Holder's use of a foreign tax credit with respect to any Italian income or withholding taxes may not be allowed unless such holder elects benefits under the United States-Italy income tax treaty with respect to such tax. Dividends on the Shares generally will constitute income from sources outside the United States for foreign tax credit limitation purposes and will generally constitute passive category income. The rules governing the U.S. foreign tax credit are complex and the application thereof depends in large part on the U.S. Holder's individual facts and circumstances. Accordingly, U.S. Holders should consult their tax advisors regarding the availability of the U.S. foreign tax credit in their particular circumstances.

The U.S. dollar value of any distribution made by the Company in currency other than U.S. dollars (for the purposes of this section "*Certain U.S. Federal Income Tax Considerations*" only, a foreign currency) must be calculated by reference to the exchange rate in effect on the date of receipt of such distribution by the U.S. Holder, regardless of whether the foreign currency is in fact converted into U.S. dollars. If the foreign currency so received is converted into U.S. dollars on the date of receipt, such U.S. Holder generally will not recognize foreign currency gain or loss on such conversion. If the foreign currency so received is not converted into U.S. dollars on the date of receipt, such U.S. Holder will have a basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Any gain or loss on a subsequent conversion or other disposition of the foreign currency generally will be treated as ordinary income or loss to such U.S. Holder and generally will be income or loss from sources within the United States for foreign tax credit limitation purposes.

Sale or other disposition

Subject to the PFIC rules discussed below, a U.S. Holder generally will recognize gain or loss for U.S. federal income tax purposes upon a sale or other disposition of its Shares in an amount equal to the difference between the amount realized from such sale or disposition and the U.S. Holder's adjusted tax basis in such Shares, as determined in U.S. dollars. Such gain or loss generally will be capital gain or loss and will be long-term capital gain (taxable at a reduced rate for non-corporate U.S. Holders, such as individuals) or loss if, on the date of sale or disposition, such Shares were held by such U.S. Holder for more than one year. The deductibility of capital loss is subject to significant limitations.

As discussed in "*Taxation in the Republic of Italy*," under certain circumstances, the sale or other disposition of Shares may be subject to Italian withholding tax in respect of any capital gains. Under U.S. Treasury regulations, a U.S. Holder's use of a foreign tax credit with respect to any Italian withholding taxes may not be allowed unless such holder elects benefits under the United States-Italy income tax treaty with respect to such tax. Gain or loss realized on the sale or other disposition of Shares generally will be treated as derived from U.S. sources. The rules governing the U.S. foreign tax credit are complex and the application thereof depends in large part on the U.S. Holder's individual facts and circumstances. Accordingly, U.S. Holders should consult their tax advisors regarding the availability of the U.S. foreign tax credit in their particular circumstances.

A U.S. Holder that receives foreign currency from a sale or disposition of Shares generally will realize an amount equal to the U.S. dollar value of the foreign currency on the date of sale or disposition or, if such U.S. Holder is a cash basis or electing accrual basis taxpayer and the Shares are treated as being traded on an "established securities market" for this purpose, the settlement date. If the Shares are so treated and the foreign currency received is converted into U.S. dollars on the settlement date, a cash basis or electing accrual basis U.S. Holder will not recognize foreign currency gain or loss on the conversion. An accrual basis U.S. Holder that does not make the election referred to in the prior two sentences will recognize foreign currency gain or loss to the extent of any difference between the U.S. dollar amount realized on the date of the sale or other taxable disposition and the U.S. dollar value of the foreign currency received on the settlement date. If the foreign currency received is not converted into U.S. dollars on the settlement date, the U.S. Holder will have a basis in the foreign currency equal to the U.S. dollar value on the settlement date. Any foreign currency gain or loss on a conversion or other disposition of the foreign currency generally will be treated as ordinary income or loss to such U.S. Holder and generally will be income or loss from sources within the United States for foreign tax credit limitation purposes.

A U.S. Holder's initial tax basis in its Shares generally will equal the U.S. dollar cost of such Shares. If a U.S. Holder uses foreign currency to purchase Shares, the cost of the Shares will be the U.S. dollar value of the foreign currency purchase price determined by reference to the exchange rate on the date of purchase. However, if the Shares are treated as traded on an established securities market and if such U.S. Holder is a cash basis or electing accrual basis taxpayer, the U.S. Holder will determine the U.S. dollar value of the cost of such Shares by translating the amount paid at the exchange rate on the settlement date of the purchase.

Passive foreign investment company rules

In general, a corporation organized or incorporated outside the United States is a PFIC in any taxable year in which, after taking into account the income and assets of certain subsidiaries pursuant to applicable "look-through rules," either (i) at least 75% of its gross income is classified as "passive income" or (ii) at least 50% of the average quarterly value attributable

to its assets produce or are held for the production of passive income (including cash). Passive income for this purpose generally includes dividends, interest, royalties, rents and gains from commodities and securities transactions.

Based on the present nature of its activities, including the Offer, and the estimates of the composition of its assets, including goodwill, and sources of its income, the Company does not believe that it was a PFIC for its most recent taxable year and it does not expect to be a PFIC for current year or in the foreseeable future. However, the determination of whether the Company is a PFIC is a fact-intensive determination made on an annual basis and the applicable law is subject to varying interpretation. Accordingly, no assurances regarding the Company's PFIC status can be provided for any past, current or future taxable year, and the Company's U.S. counsel expresses no opinion with respect to the Company's PFIC status for any prior, current or future taxable year.

If the Company is classified as a PFIC for any taxable year during which a U.S. Holder holds Shares, and unless the U.S. Holder makes a mark-to-market election (as described below), the U.S. Holder will generally be subject to special tax rules that have a penalizing effect, regardless of whether the Company remains a PFIC, on (i) any excess distribution that the Company makes to the U.S. Holder (which generally means any distribution paid during a taxable year to a U.S. Holder that is greater than 125% of the average annual distributions paid in the three preceding taxable years or, if shorter, the U.S. Holder's holding period for the Shares), and (ii) any gain realized on the sale or other disposition of Shares. Under the PFIC rules:

- (a) the excess distribution or gain will be allocated ratably over the U.S. Holder's holding period for the Shares;
- (b) the amount allocated to the current taxable year and any taxable years in the U.S. Holder's holding period prior to the first taxable year in which the Company is classified as a PFIC (each, a **"pre-PFIC year"**), will be taxable as ordinary income;
- (c) the amount allocated to each prior taxable year, other than a pre-PFIC year, will be subject to tax at the highest tax rate in effect for individuals or corporations, as appropriate, for that year; and
- (d) the interest charge generally applicable to underpayments of tax will be imposed on the tax attributable to each prior taxable year, other than a pre-PFIC year.

In addition, if the Company is a PFIC for the taxable year in which it pays a dividend or for the prior taxable year, the preferential tax rate discussed above with respect to dividends paid to certain non-corporate U.S. Holders will not apply.

If the Company is a PFIC for any taxable year during which a U.S. Holder holds Shares and any of the Company's subsidiaries or other entities in which it holds a direct or indirect equity interest is also a PFIC, such U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules and would be subject to U.S. federal income tax under the PFIC excess distribution regime on certain distributions by the lower-tier PFIC and on gain from the disposition of shares of the lower-tier PFIC even though such U.S. Holder would not receive the proceeds of those distributions or dispositions. U.S. Holders are urged to consult their tax advisors regarding the application of the PFIC rules to any of the Company's subsidiaries.

As an alternative to the foregoing rules, a U.S. Holder of "marketable stock" (as defined below) in a PFIC may make a mark-to-market election with respect to such stock. If a U.S. Holder makes this election with respect to Shares, the holder will generally (i) include as ordinary income for each taxable year that the Company is a PFIC the excess, if any, of the fair market value of Shares held at the end of the taxable year over the adjusted tax basis of such Shares, and (ii) deduct as an ordinary loss in each such taxable year the excess, if any, of the adjusted tax basis of the Shares over the fair market value of such Shares held at the end of the taxable year, but such deduction will only be allowed to the extent of the amount previously included in income as a result of the mark-to-market election. The U.S. Holder's adjusted tax basis in the Shares would be adjusted to reflect any income or loss resulting from the mark-to-market election. If a U.S. Holder makes a mark-to-market election in respect of Shares and the Company ceases to be classified as a PFIC, the holder will not be required to take into account the gain or loss described above during any period that the Company is not classified as a PFIC. If a U.S. Holder makes a mark-to-market election, any gain such U.S. Holder recognizes upon the sale or other disposition of Shares in a year when the Company is a PFIC will be treated as ordinary income and any loss will be treated as ordinary loss, but such loss will only be treated as ordinary loss to the extent of the net amount previously included in income as a result of the mark-to-market election. The mark-to-market election is available only for "marketable stock", which is stock that is regularly traded on a qualified exchange or other market as defined in applicable U.S. Treasury regulations. There can be no guarantees that the Shares will be treated as marketable stock for these purposes.

Because a mark-to-market election cannot technically be made for any lower-tier PFICs that the Company may own, a U.S. Holder may continue to be subject to the PFIC rules with respect to such U.S. Holder's indirect interest in any investments held by the Company that are treated as an equity interest in a PFIC for U.S. federal income tax purposes. The U.S. federal income tax treatment of transactions involving subsidiaries or entities classified as PFICs are complex and uncertain, and U.S. Holders are strongly encouraged to consult their own tax advisors regarding these rules.

The Company does not intend to provide information necessary for U.S. Holders to make qualified electing fund elections which, if available, would result in tax treatment different from (and generally less adverse than) the general tax treatment for PFICs described above.

If a U.S. Holder owns Shares during any year in which the Company is a PFIC, the U.S. Holder generally will be required to file an IRS Form 8621 (Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund) or successor form with respect to the Company, generally with the U.S. Holder's federal income tax return for that year. U.S. Holders should consult their tax advisor about the application of the PFIC rules.

Non-U.S. Holders

Subject to the discussion under “—*U.S. information reporting and backup withholding tax*” below, a Non-U.S. Holder generally should not be subject to U.S. federal income or withholding tax on any distributions made on the Shares or gain from the sale, redemption or other disposition of the Shares unless: (i) that distribution and/or gain is effectively connected with the conduct by that Non-U.S. Holder of a trade or business in the United States (and, if required by an applicable income tax treaty, the distributions or gain is attributable to a permanent establishment or fixed base that such holder maintains in the United States); or (ii) in the case of any gain realized on the sale or exchange of Shares by an individual Non-U.S. Holder, that Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the sale, exchange or retirement and certain other conditions are met.

U.S. information reporting and backup withholding tax

Payments made through a U.S. paying agent or U.S. intermediary to a U.S. Holder may be subject to information reporting unless the U.S. Holder establishes that payments to it are exempt from these rules. Payments that are subject to information reporting may be subject to backup withholding if a U.S. Holder does not provide its taxpayer identification number and otherwise comply with the backup withholding rules. Non-U.S. Holders may be required to comply with applicable certification procedures to establish that they are not U.S. Holders in order to avoid the application of such information reporting requirements and backup withholding.

Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules are available to be credited against a U.S. Holder's U.S. federal income tax liability and may be refunded to the extent they exceed such liability, provided the required information is timely provided to the IRS.

Certain U.S. Holders that own “specified foreign financial assets” that meet certain U.S. dollar value thresholds generally are required to file an information report with respect to such assets with their tax returns. The Offer Shares generally will constitute specified foreign financial assets subject to these reporting requirements unless the Offer Shares are held in an account at certain financial institutions. U.S. Holders are urged to consult their tax advisors regarding the application of these disclosure requirements to their ownership of the Offer Shares.

GENERAL INFORMATION

Domicile, legal form and incorporation

The Company's legal and commercial name is Ferretti S.p.A. The Company was incorporated as a limited liability company (*società a responsabilità limitata*) on July 16, 2004 under the name "Loppi S.r.l." with authorized share capital of €10,000, and then converted into a joint stock company (*società per azioni*) on July 11, 2006.

The Company operates under the laws of Italy, is tax resident in Italy and its place of effective management is in Italy. The Company is domiciled in Italy.

The Company's registered office is Via Irma Bandiera 62, Cattolica (RN), Italy. The Company is registered with the Italian trade register under number 04485970968. The Company's telephone number is (+39) 0543-787511. The Company's Legal Entity Identifier (LEI) is 815600F40754716D2D91.

The duration of the Company is established until December 31, 2100. As a result of the Company's market capitalization, based on trading in the Company's Shares on the HK Stock Exchange as of the Prospectus Date, the Company does not qualify as a "SME" within the meaning of Article 1, paragraph 1, W-quater-1) of the Consolidated Financial Act as of the Prospectus Date. In addition, on the basis of the expected Offer Price, the Company reasonably expects that it will not qualify as a "SME" within the meaning of Article 1, paragraph 1, W-quater-1) of the Consolidated Financial Act on the date of the Offer Price is determined.

The Selling Shareholder is Ferretti International Holding S.p.A., a joint stock company (*società per azioni*) incorporated and organized under the laws of Italy, registered with the Register of Companies of Milano Monza Brianza Lodi under number 07739200967. The Selling Shareholder's Legal Entity Identifier (LEI) is 213800DZJFL11ZR7F235. The Selling Shareholder's telephone number is (+39) 02 83994000. The Selling Shareholder's registered office is Via Alessandro Manzoni 41, Milan, Italy.

The Shares' International Security Identification Number (ISIN) is IT0005383291. The Company's website is www.ferrettigroup.com.

Corporate resolutions

The Company's shareholders' meeting approved the Admission by a resolution passed on May 18, 2023.

Independent auditors

The Annual Financial Statements have been audited by EY, as stated in the English translation of their reports appearing herein. The Interim Financial Statements have been reviewed by EY, as stated in the report appearing therein.

EY's registered office is Via Meravigli 12, 20123 Milan, Italy, and it is registered under no. 70954 in the Register of Accountancy Auditors (*Registro dei Revisori Legali*) held by the Italian Ministry of Economy and Finance in compliance with the provision of Legislative Decree no. 39, 27 January 2010. EY has issued an unqualified independent auditor's reports on the Annual Financial Statements.

Paying agent

The securities service related to the Shares will be carried out on behalf of the Company by Computershare S.p.A., based in Milan, Via Lorenzo Mascheroni, 19.

No significant change

As of the Prospectus Date, there has been no significant change in the financial performance and the financial position of the Group since the approval of the interim financial statements as of and for the three months ended March 31, 2023.

Options or preferential rights in respect of Shares

The Company is not party to any contract or arrangement (or proposed contract or arrangement), whereby an option or preferential right of any kind is (or is proposed to be) given to any person to subscribe for any securities in the Company.

Expenses

The expenses related to the Offer and Admission (net of the underwriting commissions) are estimated to be approximately €4.6 million and will be borne by the Selling Shareholder according to market practice.

Available documents

Subject to any applicable securities laws, copies of the following documents will be available and can be obtained free of charge from the Company's website (www.ferrettigroup.com) from the Prospectus Date (save for the Pricing Statement, which will be available after pricing of the Offer) until at least twelve months following the Prospectus Date:

- this Prospectus;
- the New By-Laws (the official Italian version and an unofficial English translation);
- the Pricing Statement;
- the Italian and English versions of the consolidated financial statements for the year ended December 31, 2022, 2021 and 2020 and the independent auditors' reports to the consolidated financial statements; and
- the Procedure for Related Parties.

Incorporation by reference

The New By-Laws (the official Italian version and an English translation thereof) are incorporated in this Prospectus by reference and, as such, form part of this Prospectus. The New By-Laws can be obtained free of charge from the Company's website through the following hyperlink: <https://www.ferrettigroup.com/it-it/Listing-to-Euronext-Milan/Documents> for the official Italian version and <https://www.ferrettigroup.com/en-us/Listing-to-Euronext-Milan/Documents> for the English translation.

No incorporation of website

Prospective investors should only rely on the information that is provided in this Prospectus or incorporated by reference into this Prospectus. The information on the website, (www.ferrettigroup.com), including websites accessible from hyperlinks on that website, does not form part of this Prospectus unless that information is incorporated by reference into this Prospectus. In addition, no other documents or information form part of, or are incorporated by reference, into this Prospectus. Other than this Prospectus, the Prospectus summary and the New By-Laws, the contents of the Company's website (www.ferrettigroup.com), or of websites accessible from hyperlinks on that website, have not been scrutinized or approved by CONSOB.

GLOSSARY

The following is a list of technical terms used within the Prospectus. Said terms, unless otherwise specified, have the meanings set forth below. For the terms below given, whenever the context so requires, the singular form includes the plural form and vice versa.

“Advertising Value Equivalent” or “AVE”	means a measure of the effectiveness of digital advertising that seeks to equate the cost of web-based advertising to the cost of print advertising by using specific algorithms.
“Alloy yachts”	means the yachts with hulls made in alloy material (steel or aluminum).
“Americas” or “AMAS”	means North America, Central America and South America.
“Anti-Grounding Navigation Aid System”	means an alerting system that the Group introduced in 2022, which is equipped with GPS sensors and navigation helm instruments, helping avoid collisions due to shallow water or obstacles.
“APAC”	means the Asia-Pacific region.
“Autonomous Docking System”	means the Group’s first self-docking system with three modes available, which the Group introduced in 2022.
“back-to-back basis”	means a business model on which a sales contract is entered into with a dealer, which executes a similar contract with the end customer.
“bow”	means the forward part of the hull of a ship or boat, the point that is usually most forward when the vessel is underway.
“CAGR”	means compound annual growth rate.
“Carbon Fiber”	means the application of ultra-light materials, namely, carbon fiber mixed with epoxy resins, in the design and construction of hull, or deck or superstructure, which the Group introduced in 2018 that has enabled the yacht to reduce up to 30% of weight of such macro structural parts.
“coastal patrol vessel”	means a relatively small naval vessel generally designed for coastal defense, border security, or law enforcement.
“cockpit”	means the location of controls of a vessel; traditionally an open well in the deck of a boat outside any deckhouse or cabin.
“composite yachts”	means yachts ranging from 27 to 100 feet, characterized by fiberglass hulls with a pre-defined set of accessories, materials and interior decorative elements available for customization.
“coupe”	means a type of yacht that has a superstructure or deckhouse that is very tapered and integrated afterward to enclose the main living parts of the deck below it.
“Crossover”	means a type of yacht that combines multiple styles and modes of use, positioned between displacement and planing yachts in the "fast displacement" bracket.
“deck”	means the permanent covering over a compartment or a hull of a ship. On a boat or ship, the primary or upper deck is the horizontal structure that forms the "roof" of the hull,

	strengthening it and serving as the primary working surface.
“EMEA”	means Europe, Middle East and Africa.
“end customers”	means mainly VHNWIs and UHNWIs, who directly purchase the yachts from the Group (or through their yacht owning companies).
“feet”	means the unit of length measurement used to calculate the overall length of boats. 1 foot is equal to 30.48 cm.
“Fiberglass hulls”	means the hulls made in fiberglass.
“Flybridge”	means a type of planing inboard motor yacht with a cabin cruiser with an upper deck placed on the deckhouse top, where a second cockpit is located.
“GDP”	means gross domestic product.
“GRP”	means glass reinforced plastic (also known as fiberglass).
“hulls”	means the structure of a yacht to which flotation is entrusted. It has the shape of a solid whose longitudinal dimension is preponderant over the others. The width is greatest in the central area and decreases at the ends. It is the main structure of a yacht and houses within it the engine apparatus, steering components and part of the living areas.
“HVAC”	means heating, ventilation and air conditioning.
“inboard yachts”	means a yacht with an engine securely installed inside the hull and connected to the propulsion components outside the hull by a drive shaft.
“invoicing customers”	means end customers, dealers and leasing companies (as the Group’s end customers may, with the Group’s consent, choose to transfer the sales contract to a leasing company and the leasing company will serve as the invoicing customer and pay the Group in full).
“Joystick Yacht Control”	means an application, that the Group introduced in 2018, which eases navigation (especially at high speed) and docking maneuvers since it synchronizes and controls the propulsion system, the steering system and the thruster/s (whether they are installed), to maneuver the vessel (modify its position and/or direction).
“made-to-measure yachts”	means the yachts that have fiberglass hulls, ranging from 27 to 43 meters, and compared to composite yachts, have substantially higher degree of customization: the interior layouts, furnishings and fittings can be almost completely adapted to match customer requirements.
“motor sailer”	means a type of motor-powered sailing vessel, typically a yacht, that can derive power from its sails or engine, independently from each other during moderate seas or winds.
“MTU”	means a product and solution brand of Rolls-Royce, providing world-class power solutions and complete life-cycle support.

“Navetta”	means a displacement or semi-displacement yacht equipped with a hull that does not rise above the water surface during navigation.
“open yachts”	means a yacht an open yacht has no flybridge and its main deck is entirely open. The helm station can frequently be sheltered by a T-Top. Below deck, depending on the length of the yacht, there are living spaces for the crew which may include dinette, cabins and facilities. Open yachts can be walk-around, i.e. with the possibility for passengers to walk freely around the perimeter of the boat, or they can have an enclosed bow and thus have a raised deck.
“outboard yachts”	means yachts ranging from 27 to 100 feet, characterized by fiberglass hulls with a pre-defined set of accessories, materials and interior decorative elements available for customization.
“Product Operating Committee” o “POC”	means the committee involved in the Group's new product development process that reviews projects from a technical/architectural perspective.
“R&D”	means research and development, which includes activities that companies undertake to innovate and introduce new products and services.
“semi-displacement hull models”	means a type of yacht having a hybrid hull shape, obtained by optimizing the shapes of a displacement yacht and modifying its aft part to allow better sustenance in order to sail at intermediate speed regimes between those of the displacement yacht and those of the planing yacht.
“steering system”	means the set of rigid transmissions (rods, levers, etc.) or flexible transmissions (ropes, chains, etc.) to operate a ship's rudder.
“stern platform”	means the rear part of a yacht located at the opposite end of the bow, which can be identified by looking at the yacht from the bow in the direction opposite to the direction of sailing. The stern is the area where the steering apparatus, transom, tiller, and steering gear are usually located.
“Strategic Product Committee” o “SPC”	means the committee involved in the new product development process that chairs the product range definition meetings defining the requirements and time to market, and reviews individual products before final verification.
“sub-deck environment”	means the part of the yacht elevated above the deck at one or more levels. May be fully or partially enclosed is normally equipped with opening windows and doors.
“super yachts”	means the halloy-hulled yachts up to 95 meters, comprising (i) fully-customizable yachts each of which is a one-off creation, designed and built to comply with the customer requirements for both exterior and interior designs; and (ii) branded super yacht flagship models with fully-customizable interiors, but reflecting the distinctive exterior design of the respective brands.
“UHNWIs” or “Ultra-High Net Worth Individuals”	means persons who have a net worth with investable and liquid assets in excess of US\$50 million.
“VHNWI” or “Very High Net Worth Individuals”	means persons who have a net worth with investable and liquid assets of US\$5 million to US\$50 million.

“Watchit Anti-Grounding Navigation Aid System”	means an alerting system that the Group introduced in 2022, which is equipped with GPS sensors and navigation helm instruments, helping avoid collisions due to shallow water or obstacles.
“X-Aid”	means an adaptive integrated docking system, an advanced electronic system which is capable of supporting the captain, by controlling the propulsion system, the steering system and the thrusters (if installed), in order to precisely modify or actively keep the position of the yacht, through a joystick, taking into account factors such as wind, waves and current.

DEFINED TERMS

The following list of defined terms is not intended to be an exhaustive list of definitions but provides a list of certain of the defined terms used in this Prospectus.

“ 2022 Offer ”	means the issue of 83,580,000 Shares issued at HK\$22.88 (equal to approximately €2.63) per Share in connection with the listing on the HK Stock Exchange.
“ 2022 Offer Price ”	means HK\$22.88 (equal to approximately €2.63) per Share.
“ 231 Model ”	means the organization and management model that forms part of the supervisory infrastructure required under Decree 231.
“ Adtech ”	means Adtech Advanced Technologies AG, a limited liability company incorporated under the laws of Switzerland, registered with the Swiss Register of Companies under number CH-170-3008983-7.
“ Admission ”	means the admission of the Shares to listing and trading on Euronext Milan.
“ Affiliates ”	means the companies that control an entity, that they are controlled by or that are under common control with such entity.
“ Allocation ”	means the allocation of the Offer Shares.
“ Annual Financial Statements ”	means the audited consolidated financial statements as of and for the years ended December 31, 2022, 2021 and 2020.
“ APMs ”	means the alternative performance measures as defined by the “ESMA Guidelines on Alternative Performance Measures” issued by ESMA on October 5, 2015.
“ Associates ”	means associates as defined under the HK Listing Rules.
“ Berenberg ”	means Joh. Berenberg, Gossler & Co. KG, a company incorporated under the laws of Germany, with registered office at Neuer Jungfernstieg 20, 20354 Hamburg, Germany.
“ Board of Directors ” or “ Board ”	means the board of directors of the Company.
“ Board of Statutory Auditors ”	means the board of statutory auditors of the Company.
“ Borsa Italiana ”	means Borsa Italiana S.p.A., a joint-stock company (<i>società per azioni</i>) incorporated under the laws of Italy, with registered office in Piazza degli Affari 6, 20123, Milan, Italy, who is, <i>inter alia</i> , the market operator of Euronext Milan.
“ Borsa Italiana Market Rules ”	means the Rules of the Markets organized and managed by Borsa Italiana, as amended from time to time.
“ Business Day ”	means a day on which banks in Milan (Italy) and/or in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Milan (Italy) and/or in Hong Kong.
“ Butler ”	means Butler Management Ltd., a private limited company incorporated under the laws of the United Kingdom,

	registered with the Companies' House under number 07067426.
"By-Laws"	means the current by-laws of the Company.
"CET"	means Central European Time.
"Chief Executive Officer"	means Mr. Alberto Galassi, the chief executive officer of the Company.
"China" or "PRC"	means the People's Republic of China, for the purpose of this Prospectus and for geographical reference only, except where the context requires otherwise, references to "China" and the "PRC" do not apply to Hong Kong, Macau and Taiwan.
"Close Associates"	means close associates as defined under Rule 1.01 of the HK Listing Rules.
"Company" or "Ferretti"	means Ferretti S.p.A., a joint stock company (<i>società per azioni</i>), incorporated and organized under the laws of Italy, registered with the Romagna, Forlì, Cesena and Rimini Companies' Register under number 04485970968.
"CONSOB"	means the Italian authority for the supervision of financial markets (<i>Commissione Nazionale per le Società e la Borsa</i>), with its registered office in Rome, at Via Giovanni Battista Martini 3, Italy.
"Consolidated Banking Act"	means the Italian Legislative Decree no. 385 of September 1, 1993, as amended from time to time.
"Consolidated Financial Act"	means the Italian Legislative Decree no. 58 of February 24, 1998, as amended from time to time.
"Corporate Governance Code"	means the Italian corporate governance code, which applies to all companies with shares listed on Euronext Milan.
"COVID-19"	means the pathology COVID-19 related to the new severe acute respiratory syndrome named SARS-CoV-2.
"Decree 231"	means the Italian Legislative Decree no. 231 of June 8, 2001.
"Director(s)"	means the director(s) of the Company.
"EEA"	means the European Economic Area.
"Equita SIM"	means Equita SIM S.p.A., a company incorporated under the laws of Italy, with registered office at Via Filippo Turati 9, 20121 Milan, Italy.
"ESMA"	means the European Securities and Markets Authority.
"EU"	means the European Union.
"Euro" or "EUR" or "€"	means the lawful currency of the member states of the EU participating in the third stage of the EU's Economic and Monetary Union.
"Euronext Milan"	means Euronext Milan, a regulated market organized and managed by Borsa Italiana.
"EY"	means EY S.p.A., a joint-stock company (<i>società per azioni</i>) incorporated under the laws of Italy, registered

	under no. 70954 in the Register of Accountancy Auditors (<i>Registro dei Revisori Legali</i>) held by the Italian Ministry of Economy and Finance in compliance with the provisions of Legislative Decree no. 39 of January 27, 2010.
“F Investments”	means F Investments S.A., a joint stock company (<i>société anonyme</i>) incorporated and organized under the laws of Luxembourg, registered with the Luxembourg Register of Companies under number B202545.
“Facilities Agreement”	means the credit agreement signed on August 2, 2019, as amended from time to time, by and between the Company and CRN S.p.A., as borrowers, and Banca Nazionale del Lavoro S.p.A., Banco BPM S.p.A., Barclays Bank Ireland PLC, BNP Paribas Milan Branch (as agent), BPER Banca S.p.A., Crédit Agricole Italia S.p.A., MPS Capital Services Banca per le Imprese S.p.A., UBI Banca S.p.A. (today, Intesa Sanpaolo S.p.A.) as lenders.
“FIH” or “Selling Shareholder”	means Ferretti International Holding S.p.A., a joint stock company (<i>società per azioni</i>) incorporated and organized under the laws of Italy, registered with the Register of Companies of Milano Monza Brianza Lodi under number 07739200967.
“Financial Statements”	means the Interim Financial Statements and the Annual Financial Statements.
“First Trading Date”	means the date on which trading in the Shares on Euronext Milan commences and the Settlement occurs, which, subject to acceleration or extension of the timetable for the Offer, is expected to be on or around June 27, 2023.
“FSD” or “Ferretti Security Division”	means Ferretti Security Division, a division of the Company that designs, develops and manufactures coastal patrol vessels.
“GDPR”	means Regulation (EU) 2016/678 of the European Parliament and of the Council of April 27, 2016, on the protection of natural persons with regard to the processing of personal data and on the free movement of such data.
“Goldman Sachs”	means Goldman Sachs International, a company incorporated under the laws of the United Kingdom, with registered office at Plumtree Court, 25 Shoe Lane, London EC4A 4AU, United Kingdom.
“Group”	means the Company and its subsidiaries, or any of them as the context may require, and where the context refers to any time prior to its incorporation, the business which its predecessor(s) was engaged in and which was subsequently assumed by it.
“HK Banking Ordinance”	means the Banking Ordinance (chapter 155 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time.
“HK Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time.
“HK\$” or “Hong Kong dollar(s)”	means Hong Kong dollars, the lawful currency of Hong Kong.

“HK Main Board”	means the stock exchange (excluding the option market) operated by the HK Stock Exchange, which is independent from and operated in parallel with the Growth Enterprise Market of the HK Stock Exchange.
“HK Stock Exchange”	means the Stock Exchange of Hong Kong Limited.
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC.
“IAS”	means International Accounting Standards.
“IFRS”	means the International Financial Reporting Standards.
“Instructions of Borsa Italiana”	means the instructions accompanying the Borsa Italiana Market Rules, as amended from time to time.
“Interim Financial Statements”	means the unaudited consolidated interim financial statements as of and for the three months ended March 31, 2023.
“Interim Period”	means the three months ended March 31, 2023.
“ISIN”	means International Security Identification Number.
“Issuers’ Regulation”	means CONSOB regulation no. 11971 of May 14, 1999, as amended from time to time.
“Italian Civil Code”	means the Italian Civil Code (<i>Codice civile</i>) enacted by Royal Decree no. 262 of March 16, 1942, as amended from time to time.
“Italian Criminal Code”	means the Italian Criminal Code (<i>Codice penale</i>) enacted by Royal Decree no. 1398 of October 19, 1930, as amended from time to time.
“Italy”	means the Republic of Italy.
“Joint Global Coordinators”	means Goldman Sachs, J.P. Morgan and UniCredit.
“J.P. Morgan”	means J.P. Morgan SE, a public company (<i>societas europaea</i>) incorporated under the laws of Germany, with registered office at Taunustor 1, TaunusTurm, 60310 Frankfurt am Main, Germany.
“Kheope”	means Kheope S.A., a joint stock company (<i>société anonyme</i>) incorporated and organized under the laws of Luxembourg, registered with the Luxembourg Register of Companies under number B209170.
“LEI”	means Legal Entity Identifier.
“Listing Agent”	means UniCredit.
“Macau”	means the Macau Special Administrative Region of the PRC.
“Market Abuse Regulation” or “MAR”	means Regulation (EU) no. 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse, including any relevant delegated regulations.
“Member State”	means a member state of the European Economic Area.
“Monte Titoli”	means Monte Titoli S.p.A., the authorized central securities depository for centralized administration, settlement and ancillary services in the Italian market.

“New By-Laws”	means the new by-laws of the Company adopted by its extraordinary Shareholders’ Meeting on May 18, 2023 and effective from the First Trading Date.
“Non-Competition Agreement”	means the non-competition agreement entered into between the Company and the Controlling Shareholders on March 14, 2022.
“Non-IFRS Measures”	means non-IFRS financial measures, which are not liquidity or performance measures under IFRS, and the which the Group considers to be alternative performance measures.
“Offer”	means an institutional offering (i) in the United States only to persons reasonably believed to be QIBs as defined in and in reliance upon Rule 144A under the U.S. Securities Act or another exemption from, or in a transaction not subject to the registration requirements of the U.S. Securities Act, and (ii) outside the United States to institutional investors in offshore transactions in reliance upon Regulation S under the U.S. Securities Act.
“Offer Price”	means the price per Offer Share, which is to be determined after the offer period has ended.
“Offer Shares”	means up to 88,454,818 Shares offered for sale by the Selling Shareholder.
“Over-Allotment Option”	means the option granted to the Stabilization Manager (on behalf of the Underwriters), exercisable within 30 calendar days after the First Trading Date, pursuant to which the Stabilization Manager (on behalf of the Underwriters) may require the Selling Shareholder to sell the Over-Allotment Shares at the Offer Price.
“Over-Allotment Shares”	means the additional 8,845,482 Offer Shares that are made available by the Selling Shareholder to be sold pursuant to the Over-Allotment Option.
“PDMR”	means persons discharging managerial responsibilities within the meaning of the Market Abuse Regulation.
“Pricing Statement”	means the press release in which the Offer Price, the exact number of Offer Shares to be sold in the Offer and the maximum number of Over-Allotment Shares will be set out.
“Product Operating Committee”	means the committee involved in the Group's new product development process that reviews projects from a technical/architectural perspective.
“Prospectus”	means this prospectus dated June 21, 2023.
“Prospectus Date”	means the date of this Prospectus.
“Prospectus Regulation”	means Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14, 2017 and includes any relevant delegated regulations, as amended.
“QIBs”	means qualified institutional buyers, as defined in Rule 144A.
“Qualified Investors”	means the “qualified investors” within the meaning of Article (2)(e) of the Prospectus Regulation.

“Regulation S”	means Regulation S under the U.S. Securities Act.
“Relevant Persons”	means persons who are “qualified investors” within the meaning of Article 2 of the UK Prospectus Regulation and who: (i) have professional experience in matters relating to investments falling within the definition of “investment professionals” in Article 19(5) of the Order; (ii) are high net worth bodies corporate, unincorporated associations and partnerships and the trustees of high value trusts, as described in Article 49(2) of the Order; (iii) are outside the United Kingdom; or (iv) are other persons to whom it may lawfully be communicated.
“Rule 144A”	means Rule 144A under the U.S. Securities Act.
“R.N.I.”	means the Italian National Register of Companies.
“Sea Lion”	means Sea Lion S.r.l., a limited liability company (<i>società a responsabilità limitata</i>) incorporated and organized under the laws of Italy, registered with the Register of Companies of Romagna, Forlì, Cesena and Rimini under number 10295320963.
“SEC”	means the U.S. Securities and Exchange Commission.
“Settlement”	means the payment (in euro) for and delivery of the Offer Shares under the Offer.
“SFC”	means the Securities and Futures Commission of Hong Kong.
“SFC Executive”	means the executive director of the corporate finance division of the SFC.
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).
“Shandong SASAC”	means the State-owned Assets Supervision & Administration Commission of Shandong Province.
“Shareholders’ Meeting”	means the ordinary or extraordinary shareholders’ meeting of the Company.
“Shares”	means the ordinary shares in the capital of the Company, each without nominal value.
“SHIG”	means Shandong Heavy Industry Group co., Ltd., a company with limited liability incorporated under the laws of the PRC.
“Specialist”	means Kepler Cheuvreux.
“Stabilization Manager”	means UniCredit Bank AG, Milan Branch.
“Strategic Product Committee”	means the committee involved in the new product development process that chairs the product range definition meetings defining the requirements and time to market, and reviews individual products before the final moment of verification.
“Takeovers Code”	means the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time.

“Three-Year Period”	means the years ended December 31, 2022, 2021 and 2020.
“Track-Record Period”	means the Interim Period and the Three-Year Period.
“TULPS”	means the Italian Royal Decree no. 635 of May 6, 1940.
“UK Prospectus Regulation”	means Regulation (EU) 2017/1129 as it forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018.
“Underwriters” or the “Joint Bookrunners”	means the Joint Global Coordinators, Equita SIM and Berenberg.
“Underwriting Agreement”	means the underwriting agreement with respect to the offer and sale of the Offer Shares in connection with the Offer that will be entered into between the Company, the Selling Shareholder and the Underwriters.
“UniCredit”	means UniCredit Bank AG, Milan Branch, with registered office at Piazza Gae Aulenti 4, Tower C, 20154 Milan, Italy.
“United Kingdom” or “UK”	means the United Kingdom of Great Britain and Northern Ireland.
“United States” or “U.S.”	means the United States of America, its territories and possessions, any state of the United States and the District of Columbia.
“U.S. Securities Act”	means the U.S. Securities Act of 1933, as amended.
“US\$” or “USD” or “U.S. dollar(s)”	means the United States dollars, the lawful currency of the United States.
“Weichai Group”	means Weichai Holding Group Co., Ltd., a company with limited liability incorporated under the laws of the PRC.
“Weichai Holding (HK)”	means Weichai Holding Group Hongkong Investment Co., Limited, a company incorporated under the laws of Hong Kong.

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**UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS OF FERRETTI S.P.A.
AS AT MARCH 31, 2023 AND FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2023
AND 2022**

Review report on the interim condensed consolidated financial statements

To the Board of Directors of
Ferretti S.p.A.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements, comprising the statement of financial position as of March 31, 2023, the interim condensed consolidated income statements, the interim condensed consolidated comprehensive income statements, the interim condensed consolidated cash flow statements and the interim condensed consolidated statements of changes in equity for the three-month periods ended March 31, 2023 and 2022 and the related explanatory notes of Ferretti S.p.A. and its subsidiaries (the “Ferretti Group”). The Directors of Ferretti S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagement 2410 “*Review of Interim Financial Information Performed by Independent Auditor of the Entity*”. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Ferretti Group as of March 31, 2023 and for the three-month periods ended March 31, 2023 and 2022 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Bologna, May 10, 2023

EY S.p.A.
/s/ Marco Mignani
Marco Mignani
(Auditor)

EY S.p.A.
Sede Legale: Via Meravigli, 12 – 20123 Milano
Sede Secondaria: Via Lombardia, 31 – 00187 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la CCIAA di Milano Monza Brianza Lodi
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. di Milano 606158 - P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all’Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

A member firm of Ernst & Young Global Limited

Interim Condensed Consolidated Income Statement

For the three-month period ended March 31, 2023

	Notes	March 31, 2023 (unaudited)	March 31, 2022 (unaudited)
<i>(in thousands Euro)</i>			
Revenue		290,811	262,969
Commissions and other costs related to revenue		(10,503)	(6,542)
NET REVENUE	4	280,308	256,427
Change in inventories of work-in-process, semi-finished and finished goods	5	20,160	(1,692)
Cost capitalized	6	7,528	7,267
Other income	7	4,365	1,675
Raw materials and consumables used	8	(147,751)	(130,777)
Contractors costs	9	(43,797)	(34,215)
Costs for trade shows, events and advertising	10	(7,139)	(5,160)
Other service costs	11	(26,558)	(27,265)
Rentals and leases	12	(1,585)	(1,374)
Personnel costs	13	(31,761)	(28,838)
Other operating expenses	14	(1,852)	(3,048)
Provisions and impairment	15	(11,907)	(6,872)
Depreciation and amortization	16	(16,016)	(13,555)
Share of loss of a joint venture		—	(9)
Financial income	17	2,844	4
Financial expenses	18	(802)	(1,103)
Foreign exchange gains/(losses)	19	(94)	293
PROFIT BEFORE TAX		25,942	11,757
Income tax	20	(7,386)	1,360
PROFIT FOR THE PERIOD		18,557	13,117
Attributable to:			
Shareholders of the Company		18,519	13,151
Non-controlling interests		38	(34)
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
Basic and diluted (€)	40	0.05	0.05

Interim Condensed Consolidated Comprehensive Income Statement

For the three-month period ended March 31, 2023

	Notes	March 31, 2023 (unaudited)	March 31, 2022 (unaudited)
		<i>(in thousands Euro)</i>	
PROFIT FOR THE PERIOD		18,557	13,117
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:			
Profit on defined benefits plan	38	194	625
Income tax effect	38	(47)	(151)
		147	474
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Gains from the translation of foreign operations	38	(2,070)	1,454
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		(1,923)	1,928
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		16,634	15,045
Attributable to:			
Shareholders of the Company		16,596	15,079
Non-controlling interests		38	(34)

Interim Condensed Consolidated Statement of Financial Position
As at March 31, 2023

	Notes	March 31, 2023 (unaudited)	December 31, 2022 (audited)
<i>(in thousands Euro)</i>			
CURRENT ASSETS			
Cash and cash equivalents	21	261,435	317,759
Trade and other receivables	22	66,806	59,432
Contract assets	23	138,974	115,372
Inventories	24	221,549	198,120
Advances on inventories	24	41,105	39,156
Other current assets	25	75,283	86,732
Income tax recoverable		1,616	2,091
		806,768	818,663
NON-CURRENT ASSETS			
Property, plant and equipment	26	348,975	303,394
Intangible assets	27	263,331	264,070
Other non-current assets	28	4,396	5,031
Deferred tax assets	29	11,805	16,397
		628,507	588,893
TOTAL ASSETS		1,435,275	1,407,556
	Notes	March 31, 2023 (unaudited)	December 31, 2022 (audited)
<i>(in thousands Euro)</i>			
CURRENT LIABILITIES			
Minority Shareholder's loan	30	1,000	1,000
Bank and other borrowings	30	11,835	14,500
Provisions	35	46,875	42,946
Trade and other payables	31	349,660	337,364
Contract liabilities	32	178,677	185,914
Income tax payable	33	4,508	1,683
		592,555	583,408
NON-CURRENT LIABILITIES			
Bank and other borrowings	34	23,325	24,056
Provisions	35	16,004	13,049
Non-current employee benefits	36	7,410	7,646
Trade and other payables	31	956	1,006
		47,695	45,757
TOTAL LIABILITIES		640,250	629,165
SHARE CAPITAL AND RESERVES			
Share capital	37	338,483	338,483
Reserves	38	456,120	439,525
Equity attributable to shareholders of the Company		794,603	778,007
Non-controlling interests	39	422	384
TOTAL EQUITY		795,025	778,391
TOTAL LIABILITIES AND EQUITY		1,435,275	1,407,556

Interim Condensed Consolidated Cash Flow Statement
For the three-month period ended March 31, 2023

	March 31, 2023 (unaudited)	March 31, 2022 (unaudited)
	<i>(in thousands Euro)</i>	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before tax	25,942	11,757
Depreciation and amortisation	16,016	13,555
Loss/(gain) on disposal of property, plant and equipment	(65)	(1)
Provisions	6,649	2,494
Financial income	(2,844)	(4)
Financial expenses	802	1,103
Share of loss of joint venture	—	9
Impairment of trade receivables, net	—	232
Provision/(reversal of provision) against inventories, net	4,558	(1,365)
Decrease/(increase) in inventories	(29,937)	13,132
Change in contract assets and contract liabilities	(30,839)	24,680
Decrease/(increase) in trade and other receivables	(3,772)	(7,191)
Increase/(decrease) in trade and other payables	12,245	(5,646)
Change in other operating liabilities and assets	(737)	1,036
Income tax paid	—	—
Cash flows from operating activities (A)	<u>(1,980)</u>	<u>53,792</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment and intangible assets	(60,282)	(16,934)
Proceeds from disposal of property, plant and equipment and intangible assets	18	—
Acquisition of subsidiaries	—	—
Change in other financial investments	13,454	1,512
Interest received	2,110	4
Cash flows used in investing activities (B)	<u>(44,699)</u>	<u>(15,418)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of shares	—	212,128
Dividends paid	—	—
New bank and other borrowings	—	—
Repayment of bank and other borrowings	(6,772)	(976)
Interest paid	(802)	(766)
Cash flows from/(used in) financing activities (C)	<u>(7,574)</u>	<u>210,386</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
(D=A+B+C)	(54,254)	248,759
Cash and cash equivalents at beginning of year (E)	317,759	173,010
Effect of foreign exchange rate changes, net (F)	(2,070)	1,454
CASH AND CASH EQUIVALENTS AT END OF PERIOD (G=D+E+F)	<u>261,435</u>	<u>423,223</u>
Cash and cash equivalents as stated in the consolidated statement of financial position	<u>261,435</u>	<u>423,223</u>

Interim Condensed Consolidated Statement of Changes in Equity

For the three-month period ended March 31, 2023

	Share capital (Note 37)	Share premium* (Note 38)	Legal reserve* (Note 38)	Translation reserve* (Note 38)	Other reserves* (Note 38)	Equity attributable to the shareholders of the company	Non- controlling interests (Note 39)	Total equity
	<i>(in thousands Euro)</i>							
At January 1, 2022 (audited) . . .	250,735	281,293	7,110	4,329	(45,189)	498,278	(212)	498,066
Profit for the period					13,151	13,151	(34)	13,117
Other comprehensive income for the period:								
Profit on defined benefits plan, net of tax					474	474		474
Exchange differences on translation of foreign operations				1,454		1,454		1,454
Total comprehensive income for the period				1,454	13,625	15,079	(34)	15,045
Issue of share capital	83,580	136,433				220,013		220,013
Transaction costs (Note 38)					(7,885)	(7,885)		(7,885)
								0
At March 31, 2022 (unaudited)	334,315	417,726	7,110	5,783	(39,449)	725,485	(246)	725,239
At January 1, 2023 (audited) . . .	338,483	425,041	8,287	7,970	(1,775)	778,007	384	778,391
Profit for the period					18,519	18,519	38	18,557
Other comprehensive income for the period:						0		0
Profit on defined benefits plan, net of tax					147	147	0	147
Exchange differences on translation of foreign operations				(2,070)		(2,070)		(2,070)
Total comprehensive income for the period				(2,070)	18,666	16,596	38	16,634
								0
At March 31, 2023 (unaudited)	338,483	425,041	8,287	5,900	16,890	794,603	422	795,025

* These reserve accounts comprise the consolidated reserves of €456,120 thousand (2022: €391,170 thousand) in the consolidated statements of financial position.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

1. CORPORATE INFORMATION

These unaudited interim condensed consolidated financial statements of Ferretti S.p.A. and its subsidiaries (collectively, the Group) for the three-month period ended March 31, 2023 were authorised for issue in accordance with a resolution of the directors on May 10, 2023.

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

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

The table below shows the names, registered offices and interests in capital held directly and indirectly by the Company in subsidiaries at March 31, 2023.

SUBSIDIARIES

(consolidated line by line, with an indication of the percentage of share capital)

Name	Principal country of operation	Registered office	Currency	Share capital (in units)	% controlling interest	
					Direct	Indirect
Zago S.p.A.	Italy	Scorzé (Venice)	Euro	120	100%	
Il Massello S.r.l.	Italy	Sant’Ippolito (Pesaro-Urbino)	Euro	30		85%
Smart Wood S.r.l.	Italy	Sant’Ippolito (Pesaro-Urbino)	Euro	10		85%
Parola S.r.l.	Italy	Sant’Ippolito (Pesaro-Urbino)	Euro	10		85%
Sea Lion S.r.l.	Italy	Forlì (Forlì-Cesena)	Euro	10	75%	
Ram S.p.A.	Italy	Sarnico (Bergamo)	Euro	520	80%	
Ma.ri.na. S.r.l.	Italy	Sarnico (Bergamo)	Euro	10,4		80%
Ferretti Tech S.r.l.	Italy	Cattolica (Rimini)	Euro	10	100%	
Allied Marine Inc.	USA	Fort Lauderdale (USA)	US Dollar	10	100%	
Fratelli Canalicchio S.p.A.	Italy	Narni (Terni)	Euro	500	60%*	
Ferretti Group of America Holding Company Inc.	USA	Delaware (USA)	US Dollar	10	100%	
BY Winddown Inc.	USA	Miami (USA)	US Dollar	10		100%
Ferretti Group of America Llc.	USA	Fort Lauderdale	US Dollar	100		100%
Ferretti Group Asia Pacific Ltd.	China	Hong Kong (China)	Hong Kong Dollar	100	100%	
Ferretti Asia Pacific Zhuhai Ltd.**	China	Hengqin (Zhuhai)	Reminbi	1,000,000	100%	
Ferretti Group (Monaco) S.a.M.	Monaco	Principality of Monaco	Euro	150	99.4%***	
Ferretti Group UK Limited	United Kingdom	United Kingdom	Pound sterling	1	100%	
Ferretti Gulf Marine-Sole Proprietorship Llc.	Arab Emirates	Arab Emirates	Emirati Dirham	300	100%	

* The remaining 40% is subject to put and call options exercisable from September 19, 2027 to September 19, 2028. The terms of put and call options over these non-controlling interests, mean that they give to the Group a present ownership interest in the underlying securities, accordingly this business combination was accounted for on the basis that the underlying shares subject to the put and call options have been acquired. Thus, the Group does not recognize non-controlling interests and recorded liabilities for shareholders under the options.

** Registered as a wholly-foreign-owned enterprise under PRC law.

*** The investment of 0.6% is owned by the three directors of Ferretti Group (Monaco) S.a.M. for their role, as provided for by the Bylaws.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

2.1. Basis of Preparation

These unaudited interim condensed consolidated financial statements at March 31, 2023, have been prepared in condensed form in conformity with the international accounting standard applicable to the preparation of interim financial statements (IAS 34). The unaudited interim condensed consolidated financial statements at March 31, 2023, do not contain all of the information required for the annual consolidated financial statements and should therefore be read together with the consolidated financial statements at December 31, 2022. Although the Group has designated the half-year as its interim reporting period for the purposes of applying IAS 34 and the definition of interim financial statements used therein, these unaudited interim condensed consolidated financial statements at March 31, 2023, has, on an exceptional basis, been prepared in compliance with that standard with the expectation that it may be used for other purposes in the coming months.

The Group has prepared the financial statements on the basis that it will continue to operate as a going concern.

For the purposes of clarity and to make this document more readily understandable, all the amounts listed in the interim consolidated financial statements — income statement, comprehensive income statement, statement of financial position, cash flow statement, statement of changes in equity, the accompanying notes — are stated in thousands of Euro, except when otherwise indicated.

2.2. Changes in Accounting Policies

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2022, except for the adoption of new standards effective as of January 1, 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2023, but do not have an impact on the unaudited interim condensed consolidated financial statements of the Group:

IFRS 17 Insurance Contracts

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

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

The amendments had no impact on the Group's interim condensed consolidated financial statements.

Definition of Accounting Estimates — Amendments to IAS 8

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

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

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments had no impact on the Group’s interim condensed consolidated financial statements.

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

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

Standards issued but not yet effective

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

- Amendments to IAS 1 Presentation of Financial Statements:
 - Classification of Liabilities as Current or Non-current Date (issued on January 23, 2020);
 - Classification of Liabilities as Current or Non-current — Deferral of Effective Date (issued on July 15, 2020); and
 - Non-current Liabilities with Covenants (issued on October 31, 2022)
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on September 22, 2022)

3. FINANCIAL RISK MANAGEMENT

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

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

Financial assets

	March 31, 2023 (unaudited)	December 31, 2022 (audited)
Life insurance with “Bipiemme Vita S.p.A.”	4,900	4,900
Life insurance with “CNP Vita Assicurazione S.p.A.”	38,246	38,008
Total financial assets at fair value	43,146	42,908
Debt instruments at amortised cost:		
Trade receivables	19,345	17,011
Financial assets included in other receivables	2,601	2,563
Other current assets	1,442	3,465
Other non-current assets	2,328	2,530
Total financial assets*	68,861	68,477

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

There are not derivatives (designated or not as hedging instruments), financial assets at fair value through profit or loss, equity instruments and debt instruments designated at fair value through OCI.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

In addition during the previous year the Company began to sign time deposit accounts agreements with primary banks, in order to benefit of increasing interest rates, with maturities ranging from one month to six months.

The details of contracts in place on March 31, 2023 follows:

<u>Fixed Interest Period</u>	<u>Bank</u>	<u>Currency</u>	<u>Amount</u>	<u>Rate%</u>	<u>Expire Date</u>
Two months	Credit Agricole CIB Sa	Eur	30,000	2.68%	04/24/2023
Two months	Barclays Bank Ireland PLC	Eur	20,000	2.52%	04/24/2023
Two months	Unicredit SpA	Eur	10,000	2.45%	04/28/2023
Six months	Barclays Bank Ireland PLC	Eur	20,000	1.94%	05/03/2023
Six months	Unicredit SpA	Eur	20,000	1.95%	05/04/2023
Three months	BNL S.p.A. — BNP P Group	Eur	10,000	2.86%	06/30/2023
Three months	Credit Agricole CIB Sa	Eur	20,000	3.05%	06/28/2023
Four months	Credit Agricole CIB Sa	Eur	30,000	2.95%	06/26/2023
“Time deposit accounts” under “Cash and Cash Equivalents”			<u>160,000</u>		
Six months	China Construction Bank (Europe) S.A.	Eur	10,000	2.95%	07/19/2023
Five months	China Construction Bank (Europe) S.A.	Eur	20,000	3.05%	07/19/2023
Accrued interests			695		
“Time deposit accounts” under “Other Current Assets”			<u>30,695</u>		

The credit risk related to liquid assets is very limited because the counterparties are major national and international banking institutions; the currency of the cash and cash equivalents were mainly denominated in Euro. The time deposits accounts with a maturity of more than three months are classified as current financial assets (see Note 25).

Financial liabilities

	<u>March 31, 2023 (unaudited)</u>	<u>December 31, 2022 (audited)</u>
Interest-bearing loans and borrowings		
<i>Bank and other borrowings</i>	5,518	6,811
<i>Lease liabilities</i>	27,687	28,158
<i>Minority Shareholder Loan</i>	1,000	1,000
<i>Other</i>	—	1,676
Total Interest-bearing loans and borrowings	<u>34,205</u>	<u>37,645</u>
Other financial liabilities		
Derivatives not designated as hedging instruments		
Financial liabilities at fair value through profit or loss		
<i>Liability arising on business combination</i>	1,956	1,912
Total financial instruments at fair value	<u>1,956</u>	<u>1,912</u>
Other financial liabilities at amortised cost, other than interest-bearing loans and borrowings		
Trade and other payables	300,853	293,150
Total other financial liabilities	<u>337,014</u>	<u>332,707</u>

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

Fair Value Measurement

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

	March 31, 2023 (unaudited)		December 31, 2022 (audited)	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Life insurance with "Bipiemme Vita S.p.A."	4,900	4,900	4,900	4,900
Life insurance with "CNP Vita Assicurazioni S.p.A." . .	38,246	38,246	38,008	38,008
Total	43,146	43,146	42,908	42,908
Bank and other borrowings	5,518	5,518	6,811	6,811
Lease liabilities	27,687	27,687	28,158	28,158
Minority Shareholder Loan	1,000	1,000	1,000	1,000
Other	—	—	1,676	1,676
Liability arising on business combination	1,956	1,956	1,912	1,912
Total	36,161	36,161	39,557	39,557

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

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

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

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

- Level 1 — prices quoted in an active market for the assets or liabilities that are being measured;
- Level 2 — inputs other than the quoted prices of Level 1 but which are directly (prices) or indirectly (derived from prices) observable in the market;
- Level 3 — inputs that are not based on observable market data.

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

Financial statement line item	March 31, 2023 (unaudited)				December 31, 2022 (audited)			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial Other current assets			43,146	43,146			42,908	42,908
Bank and other borrowings		5,518		5,518		6,811		6,811
Lease liabilities		27,687		27,687		28,158		28,158
Minority Shareholders' Loan		1,000		1,000		1,000		1,000
Other				—		1,676		1,676
Liability arising on business combination			1,956	1,956			1,912	1,912

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

At March 31, 2023 the Financial Other current asset under Level 3 for €43,146 thousand refers to the value of two financial investments in the form of life insurance policies subscribed in May 2022 detailed as follows:

	Financial Other current assets — Level 3
At January 1, 2022 (audited)	—
Life insurance with “Bipiemme Vita S.p.A.”	4,900
Life insurance with “CNP Vita Assicurazioni S.p.A.”	37,999
Unrealised fair value changes recognised in profit or loss	9
At December 31, 2022 (audited)	42,908
Unrealised fair value changes recognised in profit or loss	238
At March 31, 2023 (unaudited)	43,146

The financial debt has been calculated on the base of the current value reported by the insurance companies as of the reporting date.

The following table presents a sensitivity analysis of the Financial Other current assets — Level 3, keeping all other variables constant, with a disinvestment occurring 12 months after the relevant subscription date.

	At March 31, 2023 (unaudited)
<u>Change % interest rate</u>	Financial Other current assets — Level 3
	(in thousand Euro)
-0.50%	6
0.50%	(6)
	At December 31, 2022 (audited)
<u>Change % interest rate</u>	Financial Other current assets — Level 3
	(in thousand Euro)
-0.50%	13
0.50%	(13)

The item Bank and other borrowings non-current under Level 3 for € 1,956 thousand refers to the value of the put and call options for the acquisition of the non-controlling interest of Fratelli Canalicchio S.p.A. and Il Massello s.r.l., both exercisable from September 2027 to September 2028.

	Bank and other borrowings non-current — Level 3
At December 31, 2021 and January 1, 2022 (audited)	—
Liability arising on business combination for Fratelli Canalicchio S.p.A.	436
Liability arising on business combination for Il Massello	1,476
Unrealised fair value changes recognised in profit or loss	—
At December 31, 2022 (audited)	1,912
Change in Net Present Value	44
At March 31, 2023 (unaudited)	1,956

The financial debt has been calculated on the basis of the agreements with non-controlling interests that links the price of exercise of this put/call option to the financial performance of the subsidiaries and the Net Present Value has been discounted using the rate of 9.5%. The increase from December 31, 2022 to March 31, 2023 is due to the shortening of the period of exercise of the options.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

The following table presents a *sensitivity analysis* of the Bank and other borrowings non-current — Level 3, keeping all other variables constant.

<u>Change % interest rate</u>	At March 31, 2023 (unaudited)
	<u>Bank and other borrowings non-current — Level 3</u> (in thousand Euro)
-0.50%	44
0.50%	(44)

Liquidity Risk

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

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

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

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

	<u>Balance at March 31, 2023 (unaudited)</u>	<u>Future financial flows</u>					<u>Total financial flows</u>
		<u>Less than 3 months</u>	<u>4 to 9 months</u>	<u>10 to 12 months</u>	<u>1 to 5 years</u>	<u>More than 5 years</u>	
Bank and other borrowings (excluding lease liabilities)	(5,518)	(2,444)	(419)	(210)	(1,724)	(1,337)	(6,134)
Minority Shareholders' Loan	(1,000)	—	—	(1,000)	—	—	(1,000)
Others	—	—	—	—	—	—	—
Liability arising on Business combination	(1,956)	—	—	—	(1,956)	—	(1,956)
Lease Liabilities	(27,687)	(2,609)	(5,100)	(2,478)	(15,971)	(5,183)	(31,340)
Trade and other payables	(300,853)	(249,589)	(49,658)	(1,606)	—	—	(300,853)
Total	<u>(337,014)</u>	<u>(254,642)</u>	<u>(55,177)</u>	<u>(5,293)</u>	<u>(19,651)</u>	<u>(6,520)</u>	<u>(341,284)</u>

	<u>Balance at December 31, 2022 (audited)</u>	<u>Future financial flows</u>					<u>Total financial flows</u>
		<u>Less than 3 months</u>	<u>4 to 9 months</u>	<u>10 to 12 months</u>	<u>1 to 5 years</u>	<u>More than 5 years</u>	
Bank and other borrowings (excluding lease liabilities)	(6,811)	(3,570)	(414)	(208)	(1,803)	(1,343)	(7,338)
Minority Shareholders' Loan.	(1,000)	—	—	(1,000)	—	—	(1,000)
Other	(1,676)	(1,676)	—	—	—	—	(1,676)
Liability arising on business combination	(1,912)	—	—	—	(1,912)	—	(1,912)
Lease liabilities	(28,158)	(2,558)	(5,035)	(2,472)	(16,885)	(5,008)	(31,957)
Trade and other payables	(293,150)	(245,786)	(45,758)	(1,606)	—	—	(293,150)
Total	<u>(332,707)</u>	<u>(253,590)</u>	<u>(51,207)</u>	<u>(5,285)</u>	<u>(20,600)</u>	<u>(6,351)</u>	<u>(337,034)</u>

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

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

Market and Interest Rate Risk

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

- Currency risk (the risk that the value of financial instruments may fluctuate due to changes in foreign exchange rates);
- Interest rate risk (the risk that the value of financial instruments may fluctuate due to changes in market interest rates);
- Price risk (the risk that the value of financial instruments may fluctuate due to changes in market prices).

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

The Group is primarily exposed to the exchange rate risk in relation to the US Dollar as a result of the sales made by the subsidiary Ferretti Group of America Llc.

During 2022 and first quarter 2023 no cash flow hedging was done in view of the exchange rate trend. In any case, as of March 31, 2023 and December 31, 2022, there were no currency forwards in place.

The following table presents a *sensitivity analysis*, at the end of each of the financial years, of the Group's profit before tax and equity (excluding losses carried forward) to a reasonably possible change in the exchange rate with the US dollar, keeping all other variables constant.

Change % EUR/USD exchange rate	At March 31, 2023		At December 31, 2022	
	+/- Profit before tax	+/- Equity	+/- Profit before tax	+/- Equity
		(in thousand Euro)		
- 5%	1,406	14,814	522	15,038
+ 5%	(1,272)	(13,403)	(473)	(13,606)

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

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

Change in 6M Euribor		At March 31, 2023 (unaudited)		At December 31, 2022 (audited)	
(+)	(-)	(+)	(-)	(+)	(-)
		(in thousand Euros)			
+50 BP	-50 BP	166	(166)	175	(175)
+100 BP	-100 BP	332	(332)	350	(350)
+200 BP	-200 BP	665	(665)	700	(700)
+300 BP	-300 BP	997	(997)	1,050	(1,050)

Credit Risk

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

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

In light of the type of customers targeted by the Group's products and services and the commercial policies it has adopted — which envisage, in most of transactions, that the balance of the contract amount, net of advances collected, is paid before or concurrently with the delivery of the boat — the Group believes that its credit risk is not material. The payment of advances is associated with both the defined contractual due dates and the achievement of production milestones.

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

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

	Balance at March 31, 2023 (unaudited)	Not due	Past due			
			30 days	30-60	60-90	Beyond
Cash and cash equivalents	261,435	261,435				
Trade receivables *	19,345	10,020	2,815	1,354	653	4,503
Other current assets	75,283	75,283				
Financial assets included in other receivables	2,601	2,601				
Financial assets included in other non-current assets	2,328	2,328				
Total at March 31, 2023	360,992	351,667	2,815	1,354	653	4,503

(*) Net of the allowance for doubtful accounts of €3,215 thousand.

	Balance at December 31, 2022 (audited)	Not due	Past due			
			30 days	30-60	60-90	Beyond
Cash and cash equivalents	317,759	317,759				
Trade receivables *	17,011	6,975	2,305	1,363	1,456	4,912
Other current assets	86,732	86,732				
Financial assets included in other receivables	2,563	2,563				
Financial assets included in other non-current assets	2,530	2,530				
Total at December 31, 2022	426,595	416,559	2,305	1,363	1,456	4,912

(*) Net of the allowance for doubtful accounts of €3,216 thousand.

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

	Balance at March 31, 2023 (unaudited)	Not due	Past due			
			30 days	30-60	60-90	Beyond
%	14%	0%	0%	4%	7%	41%
Trade receivables	22,560	10,020	2,818	1,404	703	7,614
Provision for doubtful accounts	3,215	0	4	50	50	3,111
Total at March 31, 2023	19,345	10,020	2,815	1,354	653	4,503

	Balance at December 31, 2022 (audited)	Not due	Past due			
			30 days	30-60	60-90	Beyond
%	16%	0%	0%	1%	8%	38%
Trade receivables	20,227	6,975	2,309	1,373	1,586	7,984
Provision for doubtful accounts	3,216	0	3	9	131	3,073
Total at December 31, 2022	17,011	6,975	2,305	1,363	1,456	4,912

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

CAPITAL MANAGEMENT

The goals of managing the Group's capital are safeguarding continuing operation and improving financial performance, as indicated by profit before tax, financial charges (Notes 17–19), depreciation and amortization (Note 16), of €40,011 thousand for the three-month period ended March 31, 2023 (December 31, 2022: €115,194 thousand), in addition to maintenance of sound capital ratios in support of its business and maximising value for shareholders.

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

The Group is not subject to externally imposed capital requirements.

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

NOTES TO THE MAIN COMPONENTS OF THE INCOME STATEMENT

The following notes provide a review of the individual components of the income statement for the three-month period ended March 31, 2023, compared with correspondent period of prior year.

4. NET REVENUE

The following table provides the breakdown of the item net revenue for the three-month period ended March 31, 2023, compared with the correspondent period of prior year:

	March 31, 2023 (unaudited)	March 31, 2022 (unaudited)
Total Revenue from contracts with customers	290,811	262,969
Commissions and other costs related to revenue	(10,503)	(6,542)
Total net revenue	<u>280,308</u>	<u>256,427</u>

The table below shows the breakdown of net revenue by production type:

	March 31, 2023 (unaudited)	March 31, 2022 (unaudited)
Composite yachts	147,328	109,836
Made-to-measure yachts	99,872	96,141
Super yachts	18,095	24,672
Other businesses	15,013	25,779
Total net revenue	<u>280,308</u>	<u>256,427</u>

Revenue arising from other businesses is broken down below.

	March 31, 2023 (unaudited)	March 31, 2022 (unaudited)
Boat brokerage	1,416	3,314
Sales and provision of carpentry products and services	4,919	4,035
FSD	1,018	103
Used boats	0	14,338
Provision of services and sales of replacement parts, merchandise and other goods	2,223	2,766
Wally sailboats	5,436	1,223
Total other businesses	<u>15,013</u>	<u>25,779</u>

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

In accordance with IFRS 15, the Group identified the revenue streams, including the main ones:

- Sale of yachts to order;
- Sale of used boats.

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

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

Commissions and other costs related to revenue mainly represents the costs incurred by the Group for the intermediation activities carried out by the dealers and brokers.

“Boat brokerage” refer to the activity related to yacht brokerage and yacht charters performed by the U.S. subsidiary Allied Marine.

“Sales and provision of carpentry products and services” relate entirely to subsidiary Zago S.p.A., concerning assembly works and wooden furnishings for yachts of over 100 feet produced by third-party sites and cruise ships.

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

The breakdown of net revenue by geographical area was as follows:

	March 31, 2023 (unaudited)	March 31, 2022 (unaudited)
EMEA	135,167	120,260
APAC	31,997	15,585
AMAS	80,035	70,130
Global*	18,095	24,672
Other businesses	15,013	25,779
Total net revenue	<u>280,308</u>	<u>256,427</u>

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

In accordance with IFRS 15, net revenue is shown below with a breakdown into obligations fulfilled at a point in time and those that are fulfilled over time.

	March 31, 2023 (unaudited)	March 31, 2022 (unaudited)
At a point in time	7,046	23,338
Over time	273,262	233,089
Total net revenue	<u>280,308</u>	<u>256,427</u>

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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

	March 31, 2023 (unaudited)	March 31, 2022 (unaudited)
Revenue from contract liabilities	85,367	72,869

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

	March 31, 2023 (unaudited)	March 31, 2022 (unaudited)
Within one year	528,561	462,299
After one year	277,388	241,995
	805,948	704,294

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

During the Relevant Period, revenue to Russian and Ukraine purchasers accounted for less than 3% of our total revenue for the same period. Therefore, Russian and Ukraine sales are deemed immaterial to our business, results of operations and financial condition as a whole. Furthermore, in the event of a customer default, we are able to freely resell the yacht to another customer.

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

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

6. COST CAPITALISED

This item, amounting to €7,528 thousand, consists mainly of costs incurred for labour, materials and manufacturing overhead that were capitalised under the item “Models and moulds”. These costs were incurred primarily for the internal production of models and moulds used to build fiberglass-reinforced plastic forms which constitute the hull and other structural elements of the boats classified in this item as per industry practice.

7. OTHER INCOME

	March 31, 2023 (unaudited)	March 31, 2022 (unaudited)
Discounts from suppliers	1,175	474
Damage settlements	1,166	8
Cost over-accruals	1,101	302
Rental income	210	222
Rebiling of miscellaneous costs to customers and dealers	172	85
Gains on sales of assets	81	6
Other	460	576
Total Other income	4,365	1,675

The item “Discounts from suppliers” regards the discounts received from suppliers which co-operate with the Group, and the Company in particular, in accordance with the sales agreements entered into in the period.

The item “Damage settlements” refers primarily to the received proceeds of insurance payouts related in particular to fire damages occurred to the Company’s shipyard in Cattolica (Rimini) collected in 2023.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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

The item “Other” includes proceeds from sundry activities not directly connected with shipbuilding such as: income from promotional, marketing and co-branding agreements entered into with other internationally renowned firms.

8. RAW MATERIALS AND CONSUMABLES USED

This item primarily reflects purchases of raw and ancillary materials and the change for the three-month period ended March 31, 2023 in the corresponding inventories.

9. CONTRACTORS COSTS

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

10. COSTS FOR TRADE SHOWS, EVENTS AND ADVERTISING

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

11. OTHER SERVICE COSTS

	March 31, 2023 (unaudited)	March 31, 2022 (unaudited)
Transportation, insurance and customs clearing costs	6,135	3,823
Technical consulting	2,974	3,541
Utilities	2,500	2,788
Fees paid to members of corporate governance bodies	1,596	700
Insurance	1,537	1,240
Tax, legal and administrative consulting services	1,340	4,906
Travel and per diem expenses	1,055	658
Entertainment expenses	917	764
Maintenance	912	1,263
Recruiting and training costs	755	583
Other	6,836	6,999
Total other service costs	26,558	27,265

The item “Technical consulting” amounting to €2,974 thousand refers to consultancy on production issues and services rendered by engineering firms and designers with regard to the design of boats and new models of vessels, interiors and other studies and research bearing on the shipbuilding process. It also includes the costs of certifications or services from other entities of a technical nature.

The item “Tax, legal and administrative consulting services” mainly included €345 thousand for legal advice and notaries’ fees and €608 thousand relating to administrative consulting, including accounts auditing, and tax assistance. Moreover, €99 thousand referred to IT consulting. The amount as at March 31, 2022 included some costs for the listing of the Company on the Main board of the Hong Kong stock exchange.

In the three-month period ended March 31, 2023, “Fees paid to members of corporate governance bodies” included €1,539 thousand for fixed and variable remuneration paid to Directors, as well as €35 thousand in fees paid to Statutory Auditors and €22 thousand for the Supervisory Body.

The item “Recruiting and training costs” mainly refers to the costs incurred by Group companies for the company canteen and meal vouchers (as provided for contractually), as well as remuneration for project workers and the costs of training.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

The item “Other” consists mainly of costs incurred for services of various types, such as security services, janitorial services, etc.

12. RENTALS AND LEASES

The Group recognised the right-of-use assets and the lease liabilities, excluding short-term leases and leases related to low-value assets. The right-of-use assets of most lease contracts were recognised based on the carrying amount, discounted using the incremental borrowing rate. For some lease contracts, the right-of-use assets were recognised based to the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease previously recognised. Lease liabilities were recognised at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of first time application.

	March 31, 2023 (unaudited)	March 31, 2022 (unaudited)
Short-term rentals and leases	630	553
Rentals and leases for low-value assets	204	389
Royalties	750	432
Total rentals and leases	<u>1,585</u>	<u>1,374</u>

13. PERSONNEL COSTS

	March 31, 2023 (unaudited)	March 31, 2022 (unaudited)
Wages and salaries	22,721	20,095
Social security contributions	7,637	7,346
Non-current employee benefits and other provisions . . .	1,403	1,398
Total personnel costs	<u>31,761</u>	<u>28,838</u>

14. OTHER OPERATING EXPENSES

	March 31, 2023 (unaudited)	March 31, 2022 (unaudited)
Cost under-accruals	948	1,625
Taxes and fees other than income taxes	357	356
Memberships in trade associations	188	115
Settlement agreements	98	222
Advertising and promotional material	84	44
Re-billable costs	74	185
Losses on asset sales	16	6
Losses on receivables	3	0
Charity	0	355
Sundry operating costs	84	140
Total other operating expenses	<u>1,852</u>	<u>3,048</u>

“Cost under-accruals” referred mainly to the higher costs incurred during the financial year in excess of the provisions recognised in the financial year ended December 31, 2022 for supplies pertaining to the previous years.

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

The item “Settlement agreements” related to several private agreements entered into in the course of the three-month period ended March 31, 2023.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

“Sundry operating costs” includes mainly gifts, fines, stamp duties, etc.

15. PROVISIONS AND IMPAIRMENT

This item is shown net of utilisations and releases to income made during the three-month period ended March 31, 2023 and 2022.

	March 31, 2023 (unaudited)	March 31, 2022 (unaudited)
Allocations to the provision for product warranties	11,232	5,121
Provision for miscellaneous risks, net	675	1,518
Allocations to the provision for doubtful accounts	—	232
Total provisions and impairment	11,907	6,872

16. DEPRECIATION AND AMORTISATION

	March 31, 2023 (unaudited)	March 31, 2022 (unaudited)
Depreciation of property, plant and machinery	12,460	10,716
Depreciation of rights-of-use assets	2,142	1,800
Amortisation of intangible assets	1,414	1,039
Total depreciation and amortisation	16,016	13,555

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

17. FINANCIAL INCOME

	March 31, 2023 (unaudited)	March 31, 2022 (unaudited)
Interest income from banks	1,329	0
Interest and other financial income	1,515	4
Total financial income	2,844	4

18. FINANCIAL EXPENSES

	March 31, 2023 (unaudited)	March 31, 2022 (unaudited)
Interests paid to banks and other loans	303	781
Interest on lease liabilities	54	32
Interest on provision for severance benefits and pensions	55	2
Other financial expenses	389	289
Total financial expenses	802	1,103

19. FOREIGN EXCHANGE GAINS/(LOSSES)

As at March 31, 2023, the Group does not have exchange rate risk hedging contracts in force; as a result, creditor and debtor balances denominated in foreign currency are subject to changes on the basis of the exchange rates in force at March 31, 2022.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

20. INCOME TAX

As shown in the table that follows, the “Income tax” amount for the three-month period ended March 31, 2023 was a tax expenses of €7,386 thousand, as detailed below:

	March 31, 2023 (unaudited)	March 31, 2022 (unaudited)
Corporate income tax (IRES)	(603)	(169)
Regional tax (IRAP)	(1,476)	(39)
Federal taxes	(674)	(647)
Total current taxes	(2,753)	(856)
Prior-year taxes	(75)	—
Deferred taxes	(4,559)	2,215
Total income tax	<u>(7,386)</u>	<u>1,360</u>

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

Also the IRAP (Imposta regionale sulle attività produttive) taxable base of Ferretti S.p.A. and the subsidiary Zago S.p.A. was positive, and therefore a provision was made for this tax based on the rate in force in the regions in which the value of production is calculated. The increase is attributable to the higher taxable income for the period.

For companies based in the United States, federal and state taxes of €674 thousand are due, up as a result of the greater taxable income during the period.

NOTES TO THE MAIN ASSET ITEMS

The following Notes provide a breakdown of the individual components of the consolidated statement of financial position as of March 31, 2023 compared with correspondent amount as of December 31, 2022.

CURRENT ASSETS

21. CASH AND CASH EQUIVALENTS

	March 31, 2023 (unaudited)	December 31, 2022 (audited)
Bank and postal accounts	101,415	129,615
Time deposit	160,000	188,127
Cash and securities on hand	20	17
Total cash and cash equivalents	<u>261,435</u>	<u>317,759</u>

The items listed above can be converted readily into cash and are not exposed to a significant risk that their value may change. There are no obligations or restrictions on use except for time deposits accounts which do not bear interests at the agreed rate, if not maintained until the maturity date. Amounts collected and held in escrow accounts are classified as current assets, under the line item “Other current assets”.

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

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

The time deposits accounts with a maturity of more than three months are classified as current financial assets (see Note 25).

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

The credit risk related to liquid assets is very limited because the counterparties are major national and international banking institutions, and the currency of the cash and cash equivalents were mainly denominated in Euro (for details see Note 3).

A detailed analysis of the changes that occurred in this item is provided in the cash flow statement.

22. TRADE AND OTHER RECEIVABLES

	March 31, 2023 (unaudited)	December 31, 2022 (audited)
Trade receivables	19,345	17,011
Other receivables	47,461	42,421
Total trade and other receivables	66,806	59,432

Trade receivables

	March 31, 2023 (unaudited)	December 31, 2022 (audited)
Accounts receivable from customers	22,559	20,227
(Less) Provision for doubtful accounts	(3,215)	(3,216)
Total trade receivables	19,345	17,011

“Accounts receivable from customers” as at March 31, 2023 relate primarily to sales and services other than boat sales, for which the balance is generally received before delivery based on the contractual terms and conditions in force. Therefore, they refer to paid after-sales services, sales of material and spare parts, merchandising and provision of joinery works. These are considered to be receivable within 12 months.

The provision for doubtful accounts, calculated by the Group in compliance with IFRS 9, changed as follows in the two reporting periods:

	March 31, 2023 (unaudited)	December 31, 2022 (audited)
At beginning of year	3,216	5,745
Impairment losses, net	0	558
Amount written off as uncollectible	(2)	(3,089)
At end of period	3,215	3,216

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

For an analysis of the ageing of trade receivables by the due date and net of the provision for doubtful accounts, refer to Note 3, Financial risks management.

In view of the fact that the Group’s trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

Other receivables

	March 31, 2023 (unaudited)	December 31, 2022 (audited)
Other tax receivables	31,866	27,206
Accruals, deferrals and other receivables	15,595	15,215
Total other receivables	47,461	42,421

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

Other tax receivables refer to VAT.

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

	March 31, 2023 (unaudited)	December 31, 2022 (audited)
Receivables owed by social security institutions	261	223
Commissions advances	6,847	4,890
Advances, prepayments and sundry receivables from suppliers	3,035	3,876
Others	395	305
Accruals and deferrals	5,056	5,922
Total accruals, deferrals and other receivables	15,595	15,215

“Receivables owed by social security institutions” at March 31, 2023 refer mainly to receivables from the Italian workman’s compensation agency (INAIL) of €162 thousand, for advances and payments to employees, as well as, for the residual amount, advances against the Redundancy Fund paid to employees on behalf of the Italian social security administration (INPS), still to be refunded for €2 thousand.

The balance relating to “Advances, prepayments and sundry receivables from suppliers” at March 31, 2023 mainly refers for about €380 thousand to advances already paid for the main industry trade shows to be held in the next months of 2023. The balance also includes advances paid to suppliers for services that have not yet been completed or work progress payments for goods not yet delivered.

As at March 31, 2023, the loss allowance of other receivables was assessed to be minimal.

Income tax recoverable

As at March 31, 2023 Income tax recoverable includes mainly tax credits recognised under Italian incentive laws (“**Industria 4.0**”) for €849 thousand and advances for IRES and IRAP for €390 thousand paid in excess of the amount due at year end by some Group subsidiaries.

23. CONTRACT ASSETS

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

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

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

	March 31, 2023 (unaudited)	December 31, 2022 (audited)
Gross value of contract assets	689,585	544,483
Advances collected	(550,611)	(429,111)
Total contract assets	138,974	115,372

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

24. INVENTORIES

	March 31, 2023 (unaudited)			31/12/2022December 31, 2022 (audited)		
	Gross value	Allowance for write-downs	Net amount	Gross value	Allowance for write-downs	Net amount
Raw materials and components inventory	65,806	(10,541)	55,266	64,896	(8,354)	56,541
Work in progress and semi-finished goods	103,486		103,486	92,783	0	92,783
New boats	38,851		38,851	32,263	(230)	32,032
Used boats	29,641	(5,695)	23,946	19,856	(3,093)	16,763
Total inventories	237,785	(16,236)	221,549	209,797	(11,678)	198,120

The “Raw materials and components inventory” is adjusted by an allowance for write-downs of €10,541 thousand as at March 31, 2023 (€8,354 thousand at December 31, 2022) that reflects an estimate of slow-moving and/or potentially obsolete inventory items.

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

The item “New boats”, refers to boats not covered by orders, whose production had been completed at the closing date of the financial year.

The carrying amount of the used boats was adjusted by means of an allowance for write-downs of €5,695 thousand, in order to bring the purchase cost down to its estimated realisable value.

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

	March 31, 2023 (unaudited)	December 31, 2022 (audited)
Within one year	211,939	193,002
Beyond one year	9,610	5,118
Total inventories	221,549	198,120

24. ADVANCES ON INVENTORIES

The item “Advances on inventories” refers to the advances that the Group pays to its suppliers for purchases of raw materials.

25. OTHER CURRENT ASSETS

The item “Other current assets” was €75,283 thousand as at March 31, 2023 detailed as follow:

	March 31, 2023 (unaudited)	December 31, 2022 (audited)
Escrow accounts	761	1,346
Time deposit and other financial investments	73,853	83,267
Incidental borrowing costs	643	641
Other	27	1,478
Total Other Current Assets	75,283	86,732

The escrow accounts for €761 thousand at March 31, 2023 refers to the deposits received by the subsidiary Allied Marine Inc. for its brokerage service (€1,346 thousand at December 31, 2022). These funds, which are provided by customers upon the signing of an order, are held in escrow until the boat is delivered to the corresponding customer.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

During the previous year the Company began to sign time deposit accounts agreements with primary banks, in order to benefit of increasing interest rates. The deposits have maturities ranging from one month to six months and outstanding amounts with a maturity of more than three months are classified as “Other current assets” for a total of €30 million (see Note 3 for further details).

The residual part mainly refers to two financial investments in the form of life insurance policies subscribed in May 2022 detailed as follows:

- Life insurance with “CNP Vita Assicurazioni S.p.A.”, for a premium of €38 million;
- Life insurance with “Bipiemme Vita S.p.A.”, for a premium of €5 million and annual coupon.

The “Incidentals borrowing costs” refer for €643 thousands to the committed “Revolving Credit Facility” and “Revolving Pre-Finance Facility, not in use on March 31, 2023 but available until August 2024 (Note 30).

NON-CURRENT ASSETS

26. PROPERTY, PLANT AND EQUIPMENT

Movements in this item in the three-month period ended March 31, 2023 compared with the same correspondent period for 2022 of prior year were as follows:

	March 31, 2023 (unaudited)	March 31, 2022 (audited)
At January 1, 2023 and January 1, 2022 (audited)		
Cost	689,527	597,435
Accumulated depreciation	(386,131)	(337,581)
Net carrying amount	<u>303,394</u>	<u>259,854</u>
At January 1, 2023 and January 1, 2022, net of accumulated depreciation (audited)	303,394	259,854
Additions — owned assets	58,331	16,218
Additions — right of use assets	2,104	1,363
Disposals	(37)	(16)
Depreciation — owned assets	(12,460)	(10,716)
Disposals — right of use assets	—	—
Depreciation — right of use assets	(2,142)	(1,800)
Reclassification	—	—
Exchange realignment	(216)	117
At March 31, 2023 (unaudited) and March 31, 2022 (unaudited), net of accumulated depreciation	<u>348,975</u>	<u>265,020</u>
At March 31, 2023 (unaudited) and March 31, 2022 (unaudited)		
Cost	746,464	615,211
Accumulated depreciation	(397,489)	(350,191)
Net carrying amount	<u>348,975</u>	<u>265,020</u>

On March 20, 2023, the Group acquired a production site of over 70,000 square meters, including a dry dock, in Italy near Ravenna. The acquisition involved an initial investment of about 40 million euros plus incidental acquisition costs for the advisors of the transaction. The Group will invest in the site to create new production areas and an R&D center. The operation forms part of Ferretti Group’s growth strategy and the new facility, when fully operational, will increase production capacity by about 20%. The acquisition of the new Ravenna shipyard has been financed entirely with equity raised by the recent listing on the Hong Kong stock exchange.

The new production site in the province of Ravenna is strategically located, close to the company’s Forlì headquarters and its Cattolica shipyard. This operation consolidates the Group’s investment strategy, which over the last five years has resulted in the expansion and improvement of all production facilities, and the La Spezia yard and the Ancona Superyacht Yard in particular.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

As at March 31, 2023, the net carrying amounts of land and buildings, plant, machinery and equipment, and other equipment and vehicles included right-of-use assets amounting to €15,948 thousand, €286 thousand and €1,769 thousand, respectively.

As at March 31, 2022, the net carrying amounts of land and buildings, plant, machinery and equipment, and other equipment and vehicles included right-of-use assets amounting to €17.899 thousand, €436 thousand and €279 thousand, respectively.

27. INTANGIBLE ASSETS

Movements in this item in the three-month period ended March 31, 2023 compared with the same correspondent period for 2022 of prior year were as follows:

	March 31, 2023 (unaudited)	March 31, 2022 (audited)
At January 1, 2023 and January 1, 2022 (audited)		
Cost	310,195	299,312
Accumulated depreciation	(46,125)	(41,138)
Net carrying amount	<u>264,070</u>	<u>258,174</u>
At January 1, 2023 and January 1, 2022, net of accumulated amortization (audited)	<u>264,070</u>	<u>258,174</u>
Additions	677	647
Disposals	—	—
Amortization	(1,414)	(1,039)
Exchange realignment	(1)	(126)
At March 31, 2023 (unaudited) and March 31, 2022 (unaudited), net of accumulated amortization	<u>263,331</u>	<u>257,655</u>
At March 31, 2023 (unaudited) and March 31, 2022 (unaudited)		
Cost	310,871	299,833
Accumulated amortization	(47,539)	(42,177)
Net carrying amount	<u>263,331</u>	<u>257,655</u>

Goodwill

Goodwill is related to the investment in the subsidiary Zago S.p.A., the subsidiary Ferretti Group (Monaco) S.a.M. and the subsidiaries acquired during the last year Il Massello S.r.l. and Fratelli Canalicchio S.p.A., as shown in the table below:

	March 31, 2023 (unaudited)	December 31, 2022 (audited)
Zago S.p.A.	332	332
Ferretti Group (Monaco) S.a.M.	1,299	1,299
Fratelli Canalicchio S.p.A.	2,699	2,699
Il Massello S.r.l.	4,584	4,584
Total goodwill	<u>8,914</u>	<u>8,914</u>

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

Trademarks

A breakdown of the value of “Trademarks” at March 31, 2023 is as follows:

	March 31, 2023 (unaudited)	December 31, 2022 (audited)
Ferretti Yachts	95,318	95,318
Crn	46,528	46,528
Custom Line	36,718	36,718
Riva	30,848	30,848
Wally	25,434	25,434
Pershing	8,609	8,609
Easy Boat	9	9
Costs for trademark protection	1,004	983
Total trademarks	<u>244,469</u>	<u>244,448</u>

Impairment test on indefinite useful life intangible assets

As required by IAS 36, “Impairment of Assets,” intangible assets with indefinite useful lives are not amortized, but they are tested for impairment at least once per year.

IAS 36 also requires an entity to assess at each reporting date whether there are indications of impairment for any other assets recognized in the statement of financial position.

As of March 31, 2023, in consideration of the order intake, the revenue and the adjusted Ebitda recorded by the Group in the three-month period ended March 31, 2023 and the results of the impairment test performed at December 31, 2022 (including sensitivities), the Group did not identify any impairment indicators and therefore no impairment test has been performed.

Other Intangible Assets

	March 31, 2023 (unaudited)	December 31, 2022 (audited)
Concessions	1,505	1,519
Intellectual property rights	7,502	8,151
Software	941	1,038
Total other intangible assets	<u>9,948</u>	<u>10,709</u>

This item includes:

- “Concessions” with a net book value of €1,505 thousand and referring chiefly to the costs incurred to acquire docking rights in a marina located in Cattolica within the framework of the Detailed Public Initiative Plan for Port Facilities in the Municipality of Cattolica. The docking rights will be valid until 2053. Besides the docking right in the marina Porto Mirabello, in the Gulf of La Spezia, the net value of the investment is €610 thousand; the right will remain valid until 2067;
- “Intellectual property rights” with a net book value of €7,502 thousand include the costs of the projects carried out by the Group, which extended to the main business areas, in view of constant improvement and complete integration of the various Group companies operating in Italy and abroad, as part of the reorganisation of the Group initiated in previous years.
- the residual value of the item “Other intangible assets” (€941 thousand) referred to the net value of licences for new IT applications and the net value of patents.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

28. OTHER NON-CURRENT ASSETS

A breakdown of this item is as follows:

	March 31, 2023 (unaudited)	December 31, 2022 (audited)
Equity investments designated at fair value through income statement	120	120
Investment in a joint venture	—	12
Deposits	1,588	1,655
Commissions advances	1,368	1,102
Other assets	1,102	1,766
Incidental borrowing costs	218	378
Total other non-current assets	<u>4,396</u>	<u>5,031</u>

a) Equity investments

The balances mainly include equity investment in Nouveau Port Golf Juan which owns certain commercial premises currently occupied by a restaurant.

b) Commissions advances

The balances mainly refer to advances on commissions paid on the basis of interim receipts from customers for boats that will be delivered after the following year.

c) Other assets

The item “Other assets” chiefly refer to prepaid expenses due after year-end.

29. DEFERRED TAX ASSETS

The movements of deferred tax assets for the three-month period ended March 31, 2023 are as follows:

	Provisions	Inventory write- downs	Provision for doubtful accounts	Differences in depreciation and amortisation for reporting rather than tax purposes	Goodwill relevant for income tax purposes	Tax losses	Other sundry differences	Total
At December 31, 2022 and January 1, 2023 (audited)	13,773	2,653	633	10,484	1,114	57,683	904	87,242
Credited/(charged) to:								
profit or loss	1,936	908	(6)	(329)	(79)	—	(159)	2,272
used						(7,072)		(7,072)
other reserves							0	—
At March 31, 2023 (unaudited)	<u>15,709</u>	<u>3,561</u>	<u>628</u>	<u>10,155</u>	<u>1,035</u>	<u>50,611</u>	<u>745</u>	<u>82,443</u>

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

The movements of deferred tax liabilities for the three-month period ended March 31, 2023 are as follows:

	Depreciation of land and other assets valued at less than 516/k	Trademarks	Leases	Others	Total
At December 31, 2022 and January 1, 2023 (audited) . . .	1,315	60,659	5,420	3,450	70,845
Charged/(credited) to:					
profit or loss	—	—	(32)	(209)	(241)
other comprehensive income	—	—		47	47
exchange differences				(12)	(12)
At March 31, 2023 (unaudited)	1,315	60,659	5,388	3,276	70,638

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

	Provisions	Inventory write- downs	Provision for doubtful accounts	Differences in depreciation and amortisation for reporting rather than tax purposes	Goodwill relevant for income tax purposes	Tax losses	Other sundry differences	Total
At December 31, 2021 and January 1, 2022 (audited)	10,054	2,663	1,218	9,525	1,256	61,698	500	86,914
Credited/(charged) to:								
profit or loss	3,719	(10)	(585)	959	(142)	(4,015)	(2,831)	(2,906)
acquisition of subsidiaries . .							71	71
other reserves							3,164	3,164
At December 31, 2022 (audited)	13,773	2,653	633	10,484	1,114	57,683	904	87,242

	Depreciation of land and other assets valued at less than 516/k	Trademarks	Leases	Others	Total
At December 31, 2021 and January 1, 2022 (audited) . . .	1,315	60,659	5,549	1,731	69,254
Charged/(credited) to:					
profit or loss	—	—	(129)	1,115	986
other comprehensive income	0	0		214	214
acquisition of subsidiaries				55	55
exchange differences				335	335
At December 31, 2022 (audited)	1,315	60,659	5,420	3,450	70,845

For the purpose of their presentation in financial statements, some tax assets and liabilities have been set off each other in the statement of financial position. Below is an analysis of Group's deferred tax assets:

	March 31, 2023 (unaudited)	December 31, 2022 (audited)
Deferred tax assets	11,805	16,397
Deferred tax liabilities	—	—
Total deferred tax assets	11,805	16,397

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

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NOTES TO THE MAIN LIABILITIES AND EQUITY ITEMS CURRENT LIABILITIES

30. MINORITY SHAREHOLDERS' LOAN AND BANK AND OTHER BORROWINGS

	March 31, 2023 (unaudited)			December 31, 2022 (audited)		
	Effective Interest rate	Maturity	Amount	Effective Interest rate	Maturity	Amount
Due to banks — secured	Euribor* + 1.6	2024	189	Euribor* + 1.6	2023	150
Due to banks — unsecured . .	Euribor* + 1.0–3.5	2024	2,693	Euribor* + 1.0–3.5	2023	3,878
Incidental borrowing costs . . .			—			—
Due to banks net of incidental borrowing costs			2,882			4,025
Due for maturity factor			—			—
Lease liabilities	1.7–4.7	2024	8,953	1.7–4.7	2023	8,799
Minority Shareholders' Loan		2024	1,000		2023	1,000
Others			—			1,676
Total short-term financial payables			12,835			15,500

	March 31, 2023 (unaudited)			December 31, 2022 (audited)		
	Effective Interest rate	Maturity	Amount	Effective Interest rate	Maturity	Amount
Due to banks — secured	Euribor* + 1.6	2025	1,528	Euribor* + 1.6	2024	1,605
Due to banks — unsecured . .	Euribor* + 1.0–3.5	2025	1,108	Euribor* + 1.0–3.5	2024	1,181
Incidental borrowing costs . . .			—			—
Due to banks net of incidental borrowing costs			2,636			2,786
Lease liabilities	1.7–4.7	2031	18,734	1.7–4.7	2031	19,359
Liabilities arising on Business Combination			1,956			1,912
Total short-term financial payables			23,325			24,056
Total bank and other borrowings			36,160			39,556

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

The Minority Shareholders' Loan refers to the loan of the company Fratelli Canalicchio S.p.A. granted by the minority shareholders.

The bank debt refers to several revolving facilities and term loan facilities related to the subsidiaries Il Massello Srl and its controlled companies, Fratelli Canalicchio S.p.A. and Ram S.p.A. and its controlled company.

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

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

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

- (b) a revolving medium-to-long term line of credit with a total maximum amount of €40 million for the Company, to be repaid on the final maturity date (i.e., August 2, 2024) (with an annual clean-down period, with a threshold of €1,000,000 for a minimum of three consecutive business days, it being understood that no fewer than three months may elapse between one clean-down period and another), to be used to finance its ordinary business activity (defined the “Revolving Credit Facility”);
- (c) a revolving medium-to-long term line of credit with a total maximum amount of €60 million for the Company, to be repaid on the final maturity date (i.e., August 2, 2024), and to be used to finance the ordinary activity relating to commercial contracts for a maximum amount of 90% of the value of the said commercial contracts (defined the “Revolving Pre-Finance Facility”).

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

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

At December 31, 2022 all covenants had been fulfilled.

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

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

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

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

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

The item “Liabilities arising on Business Combinations” of Bank and other borrowings refers for € 1,956 thousand to the value of the put and call options for the acquisition of the non-controlling interest of Fratelli Canalicchio S.p.A. and Il Massello Srl, both exercisable from September 2027 to September 2028.

With regard to the analysis of bank and other borrowings based on maturity, please refer to Note 3 “Financial risk management”.

All borrowings are denominated in Euro.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

31. TRADE AND OTHER PAYABLES

The table below sets forth a breakdown of the Group's trade and other payables as of the dates indicated:

	March 31, 2023 (unaudited)	December 31, 2022 (audited)
Trade payables	296,382	289,653
Other payables	54,233	48,717
Total trade and other payables	<u>350,615</u>	<u>338,370</u>
	March 31, 2023 (unaudited)	December 31, 2022 (audited)
Trade and other payables — current	349,660	337,364
Trade and other payables — non-current	956	1,006
Total trade and other payables	<u>350,615</u>	<u>338,370</u>

a. Trade payables

A breakdown of this item is as follows:

	March 31, 2023 (unaudited)	December 31, 2022 (audited)
Accounts payable to suppliers	296,382	289,653
Total trade payables	<u>296,382</u>	<u>289,653</u>

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

For an analysis of future flows of trade payables, based on their maturity, please refer to Note 3 “Financial risk management”.

b. Other payables

	March 31, 2023 (unaudited)	December 31, 2022 (audited)
Payables due to pension and social security institutions	12,658	12,504
Amounts payable to employees	22,245	23,411
Amounts payable to directors	2,217	2,849
Other tax payable	7,320	3,344
Miscellaneous payables	3,686	3,464
Accrued expenses	1,582	1,426
Deferred income	3,569	714
Government authorization fees	211	229
Deferred income — non current	744	776
Total other payables	<u>54,233</u>	<u>48,717</u>

The item “Payables due to pension and social security institutions” reflects the amounts owed to these institutions at March 31, 2023 by Group companies and their employees for the March payroll and for accrued and deferred remuneration.

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

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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

The item “Other tax payable” chiefly refers to taxes withheld accrued that will be paid in April 2023.

The items “Accrued expenses and deferred income” consists mainly of insurance premiums and other transactions recognised on an accrual basis.

The item “Government authorization fees non-current”, totaling €211 thousand at March 31, 2023, relates mainly to prepayments of public grants received by the Group of €178 thousand authorised in favour of the former Riva S.p.A., now merged in the Company and €33 thousand authorised in favour of the former subsidiary CRN S.p.A., now also merged in the Company. Said deferred income was classified under “Non-current liabilities” for the portion due after the following year. These grants will be recognised in the income statement along with the amortisation periods of the corresponding assets once the underlying framework agreements expire.

The Group’s management believes that the carrying amount of “Total trade and other payables” is close to their fair value.

32. CONTRACT LIABILITIES

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

33. INCOME TAX PAYABLE

The item “Income tax payable” at March 31, 2023 refers to income taxes accrued.

NON-CURRENT LIABILITIES

34. BANK AND OTHER BORROWINGS

For a description of this item, reference should be made to Note 30 above.

35. PROVISIONS

The table below shows the changes that occurred in “Provisions” during the period ended March 31, 2023 and the year ended December 31, 2022:

	Provision for product warranties	Provisions for miscellaneous risks	Total provisions
Balance at January 1, 2023 (audited)	26,300	29,693	55,995
Additions	11,232	5,330	16,561
Utilisations during the period	(6,807)	(2,870)	(9,676)
Total at March 31, 2023 (unaudited)	<u>30,725</u>	<u>32,154</u>	<u>62,880</u>
	Provision for product warranties	Provisions for miscellaneous risks	Total provisions
Balance at January 1, 2022 (audited)	18,867	21,572	40,438
Additions	26,097	16,302	42,399
Utilisations during the period	(18,663)	(8,181)	(26,843)
Total at December 31, 2022 (audited)	<u>26,300</u>	<u>29,693</u>	<u>55,995</u>

c. Provision for product warranties

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

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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

	March 31, 2023 (unaudited)	December 31, 2022 (audited)
Current portion	14,722	13,251
Non-current portion	16,004	13,049
Total provision for product warranties	<u>30,725</u>	<u>26,300</u>

d. Provisions for miscellaneous risks

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

	March 31, 2023 (unaudited)	December 31, 2022 (audited)
Legal proceedings and tax and employment law litigation	9,060	9,171
Dealer incentives	10,305	10,007
Provisions for completion of boats	2,658	2,813
Provisions for other risks	10,131	7,702
Total provisions for miscellaneous risks	<u>32,154</u>	<u>29,693</u>

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

The Group is involved mainly in two tax litigation proceedings: (i) litigation related to VAT for the 2009 period and its appeal was granted in the first and second instance from the Company. The Italian Revenue Agency lodged an appeal in the third instance, that in March 2023 the Court requested to archive. No formal decision has been communicated to the Group at the date of the approval of this report; (ii) litigation related to the so-called “splafonamento” (VAT threshold) for the 2012 tax year. The Provincial Tax Commission accepted the appeal presented by the Company, against which The Revenue Agency notified its appeal. The value of the two litigations is approximately €5 million.

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

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

In addition, in connection with the Company’s development project for public land in La Spezia, the Company presented a new project entailing significant modifications from the original one approved in 2006 in relation to the reclamation of seabed. It should be noted that any changes to the project require further inquiries relating to the initiatives to be pursued to conclude the process of reclaiming the seabed since the procedure has yet to be completed pursuant to Article 242 et seq. of Legislative Decree No. 152/2006. The expected costs of this reclamation project have been estimated by the Company to amount to between €200 thousand and €400 thousand and as of the date of approval of the Financial Statements, the Group is waiting for indications from the Port Authority of La Spezia on the actions to be taken.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

36. NON-CURRENT EMPLOYEE BENEFITS

The breakdown of this item as at March 31, 2023 and December 31, 2022 are as follows:

	March 31, 2023 (unaudited)	December 31, 2022 (audited)
Provision for employee benefits	6,546	6,783
Provision for leaving indemnity	864	863
Total non-current employee benefits	<u>7,410</u>	<u>7,646</u>

Employee benefits

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

Provision for leaving indemnity

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

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

As was the case for the Provision for employee severance indemnities, the Group's liability toward its employees was determined by Mr. Viola, with the same procedure and assumptions followed for the calculation as at December 31, 2022.

SHARE CAPITAL AND RESERVES

As at March 31, 2023 the share capital and reserves were unchanged in respect to the amount as at December 31, 2022, except for the profit of the three-month period ended March 31, 2023.

Equity amounted to €795,025 thousand at March 31, 2023 (€778,391 as at December 31, 2022), as detailed below together with the main components of "Share capital and reserves".

37. SHARE CAPITAL

	March 31, 2023 (unaudited)	December 31, 2022 (audited)
Issued and fully paid	<u>338,483</u>	<u>338,483</u>

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

38. RESERVES

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

The legal reserve, set up pursuant to applicable laws, amounts to €8,287 thousand.

The translation Reserves, amounting to €5,900 thousand at March 31, 2023, reflects the foreign exchange differences that arise from the conversion of the equity opening balances and income statement of the US and UK subsidiaries of the Company, which are translated into Euro at the U.S. dollar and Great Britain Pound exchange rate in force at March 31, 2023 and at the average exchange rate for the period, respectively. During the period, the reserve changed by €2,070 thousand, as reported in the consolidated comprehensive income statement.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

The item “Other reserves”, at €16,890 thousand at March 31, 2023, mainly includes:

- Reserve for transaction costs for issued share capital of €(8,176) thousand, formed during the current year by allocating the costs incurred by the company to undertake the capital increases in relation to the listing of the company on the Main Board of The Stock Exchange of Hong Kong Limited (“SEHK”) on March 31, 2022 and the following partial exercise of the Over-allotment Option. In particular, the Group in 2022 incurred in €11.3 million of listing expenses recognized as a deduction in equity, net of tax effects of €3,164 thousand;
- the overall effect of the income/(loss) on defined-benefit plans: the reserve amounting to €918 thousand at March 31, 2023 was set up in accordance with IAS 19 — Employee Benefits; during the period the amount of the reserve changed by €147 thousand, net of the tax effect, as reported in the consolidated Comprehensive income statement;
- the remaining part is mainly referred to accumulated earnings/(losses)

Dividends

	March 31, 2023 (unaudited)	December 31, 2022 (audited)
Dividends	—	6,707

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

On March 8, 2023, the board of directors of the Company proposed dividend of €19,903 thousand (equal to €5.88 cents per share), which is subject to the approval of the Company’s shareholders at the forthcoming annual general meeting.

39. NON-CONTROLLING INTERESTS

Non-controlling interests are not material and represented by:

- 25% of Sea Lion S.r.l.’s shares;
- 20% of Ram S.p.A.’s shares;
- 15% of Il Massello S.r.l.’s shares.

40. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY BASIC AND DILUTED

Earnings per share were calculated as the ratio of net profit for the year attributable to shareholders of the Company to the weighted average number of shares in issue during the year, as indicated in the table below, and coincides with the earnings per share diluted due to the absence of partially dilutive instruments.

	March 31, 2023 (unaudited)	March 31, 2022 (unaudited)
Profit attributable to shareholders of the company (in thousand Euro)	18,519	13,151
Weighted average number of shares during the period	338,482,654	248,898,086
Earnings per share attributable to shareholders of the company: basic and diluted (in Euro)	0.05	0.05

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

41. BUSINESS COMBINATIONS

2023

No business combination was made in the three-month period ended March 31, 2023.

2022

On July 29, 2022, the Group acquired a 100% interest in MA.RI.NA. s.r.l. through a cash payment of €468 thousand.

MA.RI.NA. s.r.l. is a company specialized in the sale of spare parts for Riva boats.

	Fair value recognised at acquisition date
Cash and cash equivalents	99
Trade and other receivables	170
Other current assets	411
Property, plant and equipment	96
Trademark	132
Current liabilities	(352)
Non-current employee benefits	(82)
Other non-current liabilities	(6)
Total net assets at fair value	<u>468</u>
Payment made	468
Below is an analysis of the cash flows relating to the acquisition of MA.RI.NA. s.r.l.:	
Payment of the consideration	(468)
Cash available at acquisition date	99
Cash outflows for the investment	<u>(369)</u>

From the date of acquisition, MA.RI.NA. s.r.l. contributed €162 thousand of revenue and €0.3 thousand to profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of 2022, the Group's revenue from continuing operations would have been €1,030,286 thousand and the profit before tax from continuing operations would have been €69,366 thousand.

The Company's management believes that, as allowed by IFRS 3, it is preferable to treat the allocation described above as temporary.

On September 19, 2022, the Group acquired a 60% interest in Fratelli Canalicchio S.p.A. through a cash payment of €100 thousand. The remaining 40% is subject to put and call options exercisable from September 19, 2027 to September 19, 2028. The terms of put and call options over these non-controlling interests, mean that they give to the Group a present ownership interest in the underlying securities, accordingly this business combination was accounted for on the basis that the underlying shares subject to the put and call options have been acquired. Thus, the Group does not recognize non-controlling interests and recorded liabilities for shareholders under the options.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

Details and input considered to estimate the fair value of these liabilities are disclosed in Note 3.

	Fair value recognised at acquisition date
Cash and cash equivalents	567
Trade and other receivables	4,256
Other current assets	2,678
Property, plant and equipment	2,468
Other non-current assets	908
Deferred tax	21
Current liabilities	(6,038)
Non-current employee benefits	(530)
Other	(3,393)
Total net assets at fair value	937
Non-controlling interests	—
Goodwill	2,699
Payment made	3,200
Liability arising on business combination (Note 3)	436
Total	3,636
Below is an analysis of the cash flows relating to the acquisition of Fratelli Canalicchio S.p.A.:	
Payment of the consideration	(3,200)
Cash available at acquisition date	567
Cash outflows for the investment	(2,633)

From the date of acquisition, Fratelli Canalicchio S.p.A. contributed €976 thousand of revenue and €11 thousand to profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of 2022, the Group's revenue from continuing operations would have been €1,036,770 thousand and the profit before tax from continuing operations would have been €68,952 thousand.

The goodwill of €2,606 thousand comprises the fair value of expected synergies arising from acquisition and it's not expected to be deductible for income tax purposes.

The Company's management believes that, as allowed by IFRS 3, it is preferable to treat the allocation described above as temporary.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

On September 29, 2022, the Group acquired an 85% interest in Il Massello s.r.l. through a cash payment of €6,375 thousand. The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets. The terms of put and call options over these non-controlling interests, mean that they do not give to the Group a present ownership interest in the underlying securities, accordingly this business combination was accounted for on the basis that the underlying shares subject to the put and call options have not been acquired. Thus, the Group recognized both non-controlling interests and these liabilities for shareholders under the options. Details and input considered to estimate the fair value of these liabilities are disclosed in Note 3.

	Fair value recognised at acquisition date
Cash and cash equivalents	263
Trade and other receivables	2,199
Other current assets	2,005
Property, plant and equipment	798
Other non-current assets	96
Current liabilities	(3,117)
Non-current employee benefits	(138)
Other non-current liabilities	—
Total net assets at fair value	<u>2,107</u>
Non-controlling interests (15% net assets)	(316)
Goodwill	<u>4,584</u>
Payment made	6,375
Liability arising on business combination (Note 3)	1,476
Below is an analysis of the cash flows relating to the acquisition of Il Massello s.r.l.:	
Cash available at acquisition date	263
Payment of the consideration	(6,375)
Cash outflows for the investment	<u>(6,112)</u>

From the date of acquisition, Il Massello s.r.l. contributed €127 thousand of revenue and €(204) thousand to profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of 2022, the Group's revenue from continuing operations would have been €1,031,136 thousand and the profit before tax from continuing operations would have been €69,862 thousand.

The goodwill of €4,584 thousand comprises the fair value of expected synergies arising from acquisition and it's not expected to be deductible for income tax purposes.

The Company's management believes that, as allowed by IFRS 3, it is preferable to treat the allocation described above as temporary.

42. CASH FLOWS

Group's main non-monetary transactions

During the three-month period ended March 31, 2023 and the year ended December 31, 2022, the Group had non-cash additions to rights-of-use assets and lease liabilities of €2,104 thousand and €6,355 thousand, respectively.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

Changes in liabilities arising from financing activities

<u>Bank and other borrowings</u> <i>(excluding lease liabilities)</i>	<u>March 31,</u> <u>2023</u> <u>(unaudited)</u>	<u>March 31,</u> <u>2022</u> <u>(unaudited)</u>
At the beginning of the period	11,400	57,682
Changes in financing activities:		
Acquisition of a subsidiary	—	—
New borrowings	200	100
Repayment	(4,442)	(629)
Other	1,316	998
Total at the end of the period	<u>8,473</u>	<u>58,151</u>
	<u>March 31,</u> <u>2023</u> <u>(unaudited)</u>	<u>March 31,</u> <u>2022</u> <u>(unaudited)</u>
<u>Lease liabilities</u>		
At the beginning of the period	28,158	30,801
Changes in financing activities:		
New lease	2,104	—
Interest expenses	54	32
Lease payment	(2,629)	(1,140)
Total at the end of the period	<u>27,687</u>	<u>29,693</u>

Total cash outflows for leasing

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

	<u>March 31,</u> <u>2023</u> <u>(unaudited)</u>	<u>March 31,</u> <u>2022</u> <u>(unaudited)</u>
Operating activities	834	942
Financing activities	2,629	1,140

43. RELATED PARTY TRANSACTIONS

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

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

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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

	<u>Trade and other receivables</u>	<u>Shareholders' debt</u>	<u>Trade and other payables</u>
Fellow subsidiaries:			
Weichai Power Co Ltd	484		(645)
Shandong Weichai Import & Export Co., Ltd ..	3,150		0
Hydraulics Drive Technology			(23)
Ferretti International Holding S.p.A.	2,427		0
Other related companies:			
HPE S.r.l.	0		(50)
WM S.A.M. (former Wally S.A.M.)	150		(150)
Ferrari S.p.A.	0		(30)
Other related parties	<u>28</u>	<u>1,000</u>	<u>(269)</u>
Total related parties as at March 31, 2023			
(unaudited)	<u>6,239</u>	<u>1,000</u>	<u>(1,167)</u>
	<u>Trade and other receivables</u>	<u>Shareholders' debt</u>	<u>Trade and other payables</u>
Fellow subsidiaries:			
Weichai Power Co Ltd	484		(645)
Shandong Weichai Import & Export Co., Ltd ..	3,150		0
Ferretti International Holding S.p.A.	891		0
Other related companies:			
HPE S.r.l.	0		(50)
WM S.A.M. (former Wally S.A.M.)	360		0
Ferrari S.p.A.	0		(535)
Poem S.r.l.			(8)
Other related parties	<u>28</u>	<u>1,000</u>	<u>(139)</u>
Total related parties as at December 31, 2022			
(audited)	<u>4,913</u>	<u>1,000</u>	<u>(1,376)</u>

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

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

The balance of trade and other receivables from Ferretti International Holding S.p.A. amounting to €2,777 thousand as at March 31, 2023 entirely refers to certain costs and expenses incurred by Ferretti S.p.A. for services carried out by several providers that shall be reimbursed by Ferretti International Holding S.p.A..

The balance of trade and other payables to HPE Srl amounting to €50 thousand as at March 31, 2023 refers wholly to the first instalment in 2023, based on the agreement entered into on January 1, 2017 and relating to the supply of services such as design, simulation, calculation, development, implementation and launch on the market of new concepts and style for the Company's products.

The balance of trade and other payables to Ferrari S.p.A. amounting to €30 thousand as at March 31, 2023 refers primarily to sponsoring the “Riva” brand on the Ferrari helmets and the race cars.

The balance of trade and other payables to other related parties amounting to €269 thousand as at March 31, 2023 mostly refers to the costs incurred by the Company for legal services amounting to €18 thousand and other services provided by related parties under arm's length conditions.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

A breakdown of the Group's transactions with related parties for the period of three-month period ended March 31, 2023 and the correspondent period of prior year is set out below:

	<u>Other revenue</u>	<u>Costs for the use of raw materials, services, rentals and leases</u>
Fellow subsidiaries:		
Hydraulics Drive Technology		(23)
Ferretti International Holding S.p.A.	1,536	—
Other related companies:		
HPE S.r.l.		(50)
Ferrari S.p.A.		(500)
Other related parties	<u>22</u>	<u>(228)</u>
Total related parties as at March 31, 2023		
(unaudited)	<u>1,558</u>	<u>(801)</u>

	<u>Net revenue</u>	<u>Other revenue</u>	<u>Costs for the use of raw materials, services, rentals and leases</u>
Fellow subsidiaries:			
Ferretti International Holding S.p.A.			—
Company's Directors	475		
Other related companies:			
HPE S.r.l.			(50)
WM S.A.M. (former Wally S.A.M.)			—
Ferrari S.p.A.			(536)
PEH S.r.l.			—
Poem S.r.l.			—
Other related parties	—	—	<u>(231)</u>
Total related parties as at March 31, 2022			
(unaudited)	<u>475</u>	<u>—</u>	<u>(817)</u>

The costs with regard to Hydraulics Drive Technology amounting to €23 thousand as at March 31, 2023 refer to the costs incurred by the Company for technical consulting services.

The revenue with regard to Ferretti International Holding S.p.A. amounting to €1,886 thousand as at March 31, 2023 entirely refers to certain costs and expenses incurred by Ferretti S.p.A. for services carried out by several providers that shall be reimbursed by Ferretti International Holding S.p.A...

The costs with regard to HPE S.r.l. amounting to €50 thousand for the first quarter 2023 refer primarily to the supply of services such as design, simulation, calculation, development, implementation and launch on the market of new concepts and style for the Company's products.

The costs with regard to Ferrari S.p.A. amounting to €500 thousand for the first quarter 2023 relate to sponsoring the "Riva" brand on the Ferrari helmets and race cars.

The costs to other related parties amounting to €228 thousand as at March 31, 2023 mostly refer to the costs incurred by the Company for legal services and other consulting services, tied to the development of new boat and the Wally trademark, provided by related parties under arm's length conditions.

In addition, it is reported that during the period the Company incurred costs amounting to €193 thousand, which relate to engineering costs for the development of the Ancona shipyard that have been considered to be accessory costs to the plant construction and hence are shown in this item.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

In application of IFRS 16, costs paid to three companies considered related parties, relating to the rent for offices and production facilities, have not been considered.

Compensation of key management personnel of the Group

	March 31, 2023	March 31, 2022
Fees	1,059	536
Wages and salaries	1,127	906
Social security contributions	380	212
Employee severance indemnities and other allocations ...	—	—
Total compensation paid to key management personnel	<u>2,565</u>	<u>1,654</u>

44. CONTINGENT LIABILITIES

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

45. COMMITMENTS

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

46. SIGNIFICANT EVENTS AFTER MARCH 31, 2023

There was no event that had a significant impact on the Group's operation, financial and trading prospects since the end of the Reporting Period, and up to the date of these Unaudited Interim Condensed Consolidated Financial Statements which the Board is aware of.

47. APPROVAL OF THE FINANCIAL STATEMENTS

The Unaudited Interim Condensed Consolidated Financial Statements were approved and authorized for issue by the Board on May 10, 2023.

**CONSOLIDATED FINANCIAL STATEMENTS
OF FERRETTI S.P.A. AS AT AND FOR THE YEAR ENDED
DECEMBER 31, 2022**

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010
(Translation from the original Italian text)

To the Shareholders of
Ferretti S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Ferretti S.p.A. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of December 31, 2022, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity 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 December 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

EY S.p.A.
Sede Legale: Via Lombardia, 31 - 00187 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. 250904
P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have 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.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities 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.

We have 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 identify during our audit.



Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated January 27, 2010

The Directors of Ferretti S.p.A. are responsible for the preparation of the Report on Operations¹ of the Group at December 31, 2022, including its consistency with the related consolidated financial statements and its 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, with the consolidated financial statements of the Group at December 31, 2022 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the consolidated financial statements of the Group at December 31, 2022 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated January 27, 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Bologna, March 8, 2023

EY S.p.A.

Signed by: Marco Mignani, Auditor

This report has been translated into the English language solely for the convenience of international readers.

¹ The Report on Operations of the Group at December 31, 2022 is not included in this Prospectus.

Consolidated Income Statement
For the year ended December 31, 2022

	Notes	December 31, 2022	December 31, 2021
		<i>(in thousands Euro)</i>	
Revenue		1,072,449	927,477
Commissions and other costs related to revenue		(42,350)	(29,056)
NET REVENUE	7	1,030,099	898,421
Change in inventories of work-in-process, semi-finished and finished goods	8	35,181	(32,650)
Cost capitalised	9	31,982	28,063
Other income	10	16,002	14,034
Raw materials and consumables used	11	(514,468)	(424,277)
Contractors costs	12	(166,051)	(138,027)
Costs for trade shows, events and advertising	13	(19,963)	(12,485)
Other service costs	14	(117,680)	(95,196)
Rentals and leases	15	(8,931)	(6,913)
Personnel costs	16	(128,810)	(112,417)
Other operating expenses	17	(9,052)	(7,062)
Provisions and impairment	18	(33,115)	(15,099)
Depreciation and amortisation	19	(53,089)	(48,519)
Share of loss of a joint venture	20	(44)	(24)
Financial income	21	2,328	224
Financial expenses	22	(4,452)	(5,940)
Foreign exchange gains/(losses)	23	9,448	(1,459)
PROFIT BEFORE TAX		69,385	40,674
Income tax	24	(8,839)	(3,291)
PROFIT FOR THE YEAR		60,546	37,383
Attributable to:			
Shareholders of the Company		60,274	37,545
Non-controlling interests		271	(162)
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
Basic and diluted (€)	44	0.19	0.15

Consolidated Comprehensive Income Statement
For the year ended December 31, 2022

	<u>Notes</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
		<i>(in thousands Euro)</i>	
PROFIT FOR THE YEAR		60,546	37,383
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:			
Actuarial gain on defined benefits plan	42	891	161
Income tax effect	42	(214)	(39)
		676	122
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Gains from the translation of foreign operations	42	3,641	746
OTHER COMPREHENSIVE INCOME FOR THE YEAR		4,317	868
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		64,862	38,251
Attributable to:			
<i>Shareholders of the Company</i>		64,588	38,413
<i>Non-controlling interests</i>		274	(162)

Consolidated Statement of Financial Position
As at December 31, 2022

	Notes	December 31, 2022	December 31, 2021
		<i>(in thousands Euro)</i>	
CURRENT ASSETS			
Cash and cash equivalents	25	317,759	173,010
Trade and other receivables	26	59,432	41,689
Contract assets	27	115,372	111,794
Inventories	28	198,120	144,387
Advances on inventories	28	39,156	24,606
Other current assets	29	86,732	8,731
Income tax recoverable	26	2,091	982
		818,663	505,199
NON-CURRENT ASSETS			
Property, plant and equipment	30	303,394	259,854
Intangible assets	31	264,070	258,174
Other non-current assets	32	5,031	5,189
Deferred tax assets	33	16,397	17,660
		588,893	540,877
TOTAL ASSETS		1,407,556	1,046,076

Consolidated Statement of Financial Position
As at December 31, 2022

	Notes	December 31, 2022	December 31, 2021
<i>(in thousands Euro)</i>			
CURRENT LIABILITIES			
Minority Shareholders' loan	34	1,000	—
Bank and other borrowings	34	14,500	31,157
Provisions	39	42,946	31,056
Trade and other payables	35	337,364	278,809
Contract liabilities	36	185,914	131,664
Income tax payable	37	1,683	754
		<u>583,408</u>	<u>473,440</u>
NON-CURRENT LIABILITIES			
Bank and other borrowings	38	24,056	57,326
Provisions	39	13,049	9,383
Non-current employee benefits	40	7,646	7,506
Trade and other payables	35	1,006	355
		<u>45,757</u>	<u>74,570</u>
TOTAL LIABILITIES		629,165	548,010
SHARE CAPITAL AND RESERVES			
Share capital	41	338,483	250,735
Reserves	42	439,525	247,543
Equity attributable to shareholders of the Company		778,007	498,278
Non-controlling interests	43	384	(212)
TOTAL EQUITY		<u>778,391</u>	<u>498,066</u>
TOTAL LIABILITIES AND EQUITY		<u>1,407,556</u>	<u>1,046,076</u>

Consolidated Cash Flow Statement
For the year ended December 31, 2022

	December 31, 2022	December 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before tax	69,385	40,674
Depreciation and amortisation	53,089	48,519
Loss/(gain) on disposal of property, plant and equipment	(100)	391
Provisions	15,696	(4,540)
Financial income	(13,761)	(224)
Financial expenses	4,452	5,940
Share of loss of joint venture	44	24
Impairment of trade receivables, net	558	746
Provision/(reversal of provision) against inventories, net	678	(528)
Decrease/(increase) in inventories	(64,167)	23,615
Change in contract assets and contract liabilities	50,672	140,200
Decrease/(increase) in trade and other receivables	(18,060)	19,745
Increase/(decrease) in trade and other payables	52,370	(848)
Change in other operating liabilities and assets	(612)	(2,087)
Income tax paid	(4,546)	—
Cash flows from operating activities (A)	145,697	271,627
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment and intangible assets	(81,453)	(76,314)
Proceeds from disposal of property, plant and equipment and intangible assets	1,330	2,665
Acquisition of subsidiaries (Note 45)	(9,153)	(719)
Other financial investments	(75,278)	—
Interest received	1,923	224
Cash flows used in investing activities (B)	(162,632)	(74,144)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of shares	234,753	0
Dividends paid	(6,707)	(3,510)
New bank and other borrowings	2,723	57,673
Repayment of bank and other borrowing	(70,143)	(106,249)
Interest paid	(2,582)	(5,964)
Cash flows from/(used in) financing activities (C)	158,044	(58,050)
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS		
(D=A+B+C)	141,109	139,433
Cash and cash equivalents at beginning of year (E)	173,010	32,830
Effect of foreign exchange rate changes, net (F)	3,641	747
CASH AND CASH EQUIVALENTS AT END OF YEAR (G=D+E+F)	317,759	173,010
Cash and cash equivalents as stated in the consolidated statements of financial position	317,759	173,010

Consolidated Statement of Changes in Equity

For the year ended December 31, 2022

(in thousands Euro)		Share capital	Share premium*	Legal reserve*	Translation reserve*	Other reserves*	Equity attributable to the shareholders of the company	Non-controlling interests	Total equity
At January 1, 2021	.....	250,735	281,293	5,819	3,583	(78,055)	463,375	(50)	463,325
Profit for the year	.....					37,545	37,545	(162)	37,383
Other comprehensive income for the year:									
Actuarial gain on defined benefits plan, net of tax	.....					122	122		122
Exchange differences on translation of foreign operations	.....				746		746		746
Total comprehensive income for the year	.....				746	37,667	38,413	(162)	38,251
Transfer to the legal reserve	.....			1,291		(1,291)	0		0
Dividends	.....					(3,510)	(3,510)		(3,510)
At December 31, 2021	.....	250,735	281,293	7,110	4,329	(45,189)	498,278	(212)	498,066
Profit for the year	.....					60,274	60,274	271	60,546
Other comprehensive income for the year:									
Actuarial gain on defined benefits plan, net of tax	.....					673	673	3	676
Exchange differences on translation of foreign operations	.....				3,641		3,641		3,641
Total comprehensive income for the year	.....				3,641	60,948	64,588	274	64,862
Transfer to the legal reserve	.....			1,177		(1,177)	0		0
Dividends	.....					(6,707)	(6,707)		(6,707)
Issue of share capital (Note 41-42)	.....	87,748	143,748				231,496		231,496
Transaction costs (Note 42)	.....					(8,176)	(8,176)		(8,176)
Acquisition of subsidiaries (Note 45)	.....					(1,476)	(1,476)	321	(1,155)
At December 31, 2022	.....	338,483	425,041	8,287	7,970	(1,775)	778,007	384	778,391

* These reserve accounts comprise the consolidated reserves of €439,525 thousand (2021: €247,543 thousand) in the consolidated statements of financial position.

Notes to the Consolidated Financial Statements

1. CORPORATE INFORMATION

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

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

2. BASIS OF PREPARATION

The financial information presented herein are based on the Consolidated Financial Statements for the year ended December 31, 2022 of the Group.

The Group’s consolidated financial statements have been prepared in accordance with the IAS and IFRS issued or revised by the IASB and approved by the European Union (The “**EU**”). The acronym “IAS/IFRS” also refers to all of the interpretations published by the International Financial Reporting Interpretations Committee (“**IFRIC**”), formerly known as the Standing Interpretations Committee.

At the date of presentation of these consolidated financial statements, there were no differences between the IFRSs endorsed by the European Union and applicable to the Group and those issued by the IASB.

The consolidated financial statements have been prepared on the basis that the Group can operate as a going concern since the Company’s management has verified that there are no uncertainties with regard to this. They include the statement of financial position, the income statement, the comprehensive income statement, the cash flow statement, the statement of changes in equity and notes of the Group.

The consolidated financial statements have been presented in Euro and prepared on the basis of the accounts for the year ended December 31, 2022 (January 1, December 31), of the companies within the consolidation perimeter, as approved by the Boards of Directors.

For the purposes of clarity and to make this document more readily understandable, all the amounts listed are stated in thousands of Euro, except when otherwise indicated.

3. CONSOLIDATION AREA AND CONSOLIDATION PRINCIPLES

These financial statements have been prepared by consolidating the financial statements of the Company and its subsidiaries at the reporting dates indicated.

Pursuant to IFRS 10, control arises when the Group is exposed, or has rights, to variable returns from its involvement with the investee and at the same time has the ability to influence those returns through its power over the said investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e., existing rights that give the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee;
- ability to exert power over the investee to influence the amount of the investor’s returns.

It is generally presumed that the majority of voting rights implies control. In support of this assumption, where the Group holds less than the majority of voting rights (or similar rights), the Group considers all facts and circumstances relevant to determining whether it controls the investee, including:

- contractual agreements with other vote-holders;
- rights under contractual agreements;
- the Group’s actual and potential voting rights.

Notes to the Consolidated Financial Statements

The Group reconsiders whether it controls an investee if the facts and circumstances indicate that there have been changes in one or more of the three factors relevant to determining control. A subsidiary begins to be consolidated when the Group obtains control of it and ceases to be consolidated when the Group loses control. The assets, liabilities, revenues and costs of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group obtains control until the date the Group no longer controls the company.

The main consolidation criteria applied in preparing the consolidated financial statements are reviewed below:

- a) assets and liabilities and revenues and expenses in the financial statements of companies that are consolidated line by line are included in the Group's financial statements, irrespective of the percentage interest held;
- b) the carrying amount of investments in subsidiaries held by Ferretti or by other companies included in the consolidation area is offset by the interest in the equity upon recognition of the assets and liabilities of the subsidiary companies. The amount by which the carrying value of the investment in a subsidiaries exceeds the corresponding interest in the underlying equity at the time of acquisition is offset against the incremental value attributable to assets and liabilities. Any residual amount is recognised as goodwill. In accordance with IFRS 3, the Group changed the accounting principles it applies to goodwill prospectively as of the date of transition to the IFRS. Consequently, starting on that date, the Group no longer amortises goodwill, but it does test it for impairment;
- c) Where a negative difference emerges, IFRS 3 does not require the recognition of badwill. In this case, the Group again verifies whether it has properly identified all assets acquired and liabilities assumed and revises the procedures used to determine the amounts to be recognised at the acquisition date. If the new assessment continues to indicate that the fair value of the net assets acquired exceeds their consideration, the difference (gain) is taken to the income statement.
- d) The profit or loss of any company acquired or sold during the year is recognised in the consolidated income statement from the actual date of acquisition up to the actual date of sale.
- e) Material transactions between consolidated companies are eliminated. The same process is also used for debit and credit entries. Specifically, unrealised gains from transactions between Group companies that on the reporting date are reflected in the valuation of inventories or non-current assets, net of any tax effect, are eliminated.

The interest held by non-controlling shareholders in the net assets of consolidated subsidiaries is shown separately from Group interest in equity. The non-controlling interest is determined based on the interest held by non-controlling shareholders in the fair value of assets and liabilities recognised on the original date of acquisition and in subsequent changes in equity. Subsequently, any losses attributable to the non-controlling shareholders in excess of their interest in the underlying equity are charged against Group interest in equity, unless the non-controlling shareholders have a binding obligation to cover those losses and have the resources to do so.

At December 31, 2022, non-controlling interests related to the shareholders that own 25% of the share capital of the subsidiary Sea Lion Srl, 20% of share of Ram S.p.A., included the company Ma.ri.na. s.r.l. indirectly owned through Ram S.p.A. and 15% of the share capital of Il Massello s.r.l., included the companies Parola s.r.l. and Smart Wodd s.r.l. indirectly owned through Il Massello s.r.l..

Notes to the Consolidated Financial Statements

The table below shows the names, registered offices and interests in capital held directly and indirectly by the Company in subsidiaries at December 31, 2022.

SUBSIDIARIES

(consolidated line by line, with an indication of the percentage of share capital)

Name	Principal country of operation	Registered office	Currency	Share capital (in units)	% controlling interest	
					Direct	Indirect
Zago S.p.A.	Italy	Scorzé (Venice)	Euro	120,000	100%	
Il Massello s.r.l.	Italy	Sant'Ippolito (Pesaro-Urbino)	Euro	30,000		85%
Smart Wood s.r.l.	Italy	Sant'Ippolito (Pesaro-Urbino)	Euro	10,000		85%
Parola s.r.l.	Italy	Sant'Ippolito (Pesaro-Urbino)	Euro	10,000		85%
Sea Lion Srl	Italy	Forlì (Forlì-Cesena)	Euro	10,000	75%	
Ram Srl	Italy	Sarnico (Bergamo)	Euro	520,000	80%	
Ma.ri.na. s.r.l.	Italy	Sarnico (Bergamo)	Euro	10,400		80%
Ferretti Tech Srl	Italy	Cattolica (Rimini)	Euro	10,000	100%	
Allied Marine Inc.	USA	Fort Lauderdale (USA)	US Dollar	10	100%	
Fratelli Canalicchio S.p.A.	Italy	Narni (Terni)	Euro	500,000	60%*	
Ferretti Group of America Holding Company Inc.	USA	Delaware (USA)	US Dollar	10	100%	
BY Winddown Inc.	USA	Miami (USA)	US Dollar	10		100%
Ferretti Group of America Llc.	USA	Fort Lauderdale (USA)	US Dollar	100		100%
Ferretti Group Asia Pacific Ltd.	China	Hong Kong (China)	Hong Kong Dollar	100,000	100%	
Ferretti Asia Pacific Zhuhai Ltd.**	China	Hengqin (Zhuhai)	Reminbi	1,000,000	100%	
Ferretti Group (Monaco) S.a.M.	Monaco	Principality of Monaco	Euro	150,000	99.4%***	
Ferretti Group UK Limited	United Kingdom	United Kingdom	Pound sterling	1	100%	
Ferretti Gulf Marine-Sole Proprietorship Llc.	Arab Emirates	Arab Emirates	Emirati Dirham	300,000	100%	

* The remaining 40% is subject to put and call options exercisable from September 19, 2027 to September 19, 2028. The terms of put and call options over these non-controlling interests, mean that they give to the Group a present ownership interest in the underlying securities, accordingly this business combination was accounted for on the basis that the underlying shares subject to the put and call options have been acquired. Thus, the Group does not recognize non-controlling interests and recorded liabilities for shareholders under the options.

** Registered as a wholly-foreign-owned enterprise under PRC law.

*** The investment of 0.6% is owned by the three directors of Ferretti Group (Monaco) S.a.M. for their role, as provided for by the Bylaws.

These consolidated financial statements are presented in Euro, as this is the currency in which most of the Group's operations are conducted. The separate financial statements of each company in the Group are prepared in the currency of their primary economic environment (functional currency), while for the purposes of the consolidated accounts the financial statements of each foreign entity are presented in Euro.

The assets and liabilities of foreign subsidiaries with functional currencies other than the Euro are translated into Euro at the exchange rate in force at the end of the year. The income statement is translated at the average rate

Notes to the Consolidated Financial Statements

for the year. Any resulting translation differences are recognised in the equity under “Translation reserve”, which is part of the financial statements. This reserve is recognised in the income statement as a gain or a loss in the year when the subsidiary involved is sold.

Interest in a joint venture

On April 28, 2021, the company Restart S.p.A. was incorporated in Milan. Equally owned by the Ferretti Group and PN Sviluppo s.r.l., a wholly owned subsidiary of Sanlorenzo S.p.A., in relation to the project to acquire Perini Navi S.p.A., it is classified as a joint venture (i.e., as a contractual agreement whereby two or more parties undertake a business operation subject to joint control pursuant to IFRS 11). On December 23, 2022 the extraordinary meeting of the shareholders approved the voluntary dissolution of the company due to the termination of the purpose for which it was established and the company was renamed in Restart S.p.A. in liquidazione. The company was accounted for using the equity method.

Translation of the Financial Statements of Foreign Companies into Euro

The consolidated financial statements for the year ended December 31, 2022 have been presented in Euro, which is the functional and presentation currency adopted by Ferretti. Each Group company defines its functional currency, which is used to measure the items in the individual financial statements. The Group uses the direct consolidation method. The profit or loss reclassified to the income statement at the time of sale of an international subsidiary represents the amount resulting from the use of this method.

Group Companies

The assets and liabilities of Group companies are translated into Euro at the spot exchange rate at the reporting date, and the revenues and costs in each separate comprehensive income statement or income statement are translated at the spot exchange rates at the transaction date. The foreign exchange differences resulting from this translation are taken to the comprehensive income statement. Upon the disposal of a foreign operation, the part of the comprehensive income statement relating to such foreign operation is taken to the income statement.

Goodwill on the acquisition of a foreign operation and adjustments to the fair value of the carrying amounts of assets and liabilities arising from the acquisition of a foreign operation are accounted for as assets and liabilities of that foreign operation. They are therefore presented in the functional currency of the foreign operation and translated at the spot exchange rate at year-end.

The conversion into Euro of the financial statements of the non-EU subsidiaries of Ferretti (located in the USA), consolidated line by line, was done adopting the current exchange rate in force at the end of the period of reference for the statement of financial position (1 EUR equal to USD1.06660), and for the income statement items by applying the average exchange rate of the period of reference (1 EUR equal to USD1.05304). Similarly, the conversion into Euro of the financial statements of the subsidiary located in the United Kingdom, also consolidated line by line, was done adopting the current exchange rate at the reporting date December 31, 2022 (1 EUR equal to GBP 0.88693) for the statement of financial position, and for the income statement items by applying the average exchange rate of the period from January 1, 2022 to December 31, 2022 (1 EUR equal to GBP 0.85275).

The Group does not have any assets or liabilities in currencies of hyperinflationary economies.

4. ACCOUNTING POLICIES

The following accounting standards have been consistently applied by all Group companies.

Business Combinations

Business combinations are recognised in accordance with the acquisition method. The cost of an acquisition is determined as the sum of the consideration transferred, measured at fair value on the acquisition date, and the amount of the non-controlling interest in the acquiree. For each business combination, the Group decides whether to measure the non-controlling interest in the acquiree at fair value or in proportion to the share of the non-controlling interest in the acquiree's net identifiable assets. Acquisition costs are expensed and classified under administrative costs.

Notes to the Consolidated Financial Statements

When the Group acquires a business, it classifies or designates the financial assets acquired or liabilities assumed in accordance with the contractual terms, economic conditions and other pertinent conditions in place on the acquisition date. This includes checking whether an incorporated derivative has to be separated from the primary contract.

The assets, liabilities and identifiable contingent liabilities of the acquired company that meet the criteria for recognition set forth in IFRS 3 are recognised at their fair values on the date of acquisition, except for non-current assets (or disposal groups) that are classified as being held for sale (in accordance with IFRS 5). These assets are recognised at fair value, less costs to sell.

The acquiree measures contingent consideration at fair value at acquisition date. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity. The change in fair value of contingent consideration classified as an asset or liability, in that it is a financial instrument falling within the scope of IFRS9 — Financial Instruments, must be recognised in profit or loss in accordance with IFRS 9. The contingent consideration not covered by IFRS 9 is valued at fair value at the reporting date and the changes in fair value are recognised through profit or loss.

Goodwill is initially recognised at cost, as the difference of the aggregate of the value of the consideration transferred and the amount attributed to non-controlling interests compared to net identifiable assets acquired and liabilities assumed by the Group. If the fair value of net acquired assets exceeds the total consideration paid, the Group verifies again whether it correctly identified all the assets acquired and all the liabilities incurred and reviews the procedures used to determine the amounts to be recognised at the acquisition date. If the review again identifies a fair value of net acquired assets exceeding the consideration, the difference (profit) is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any impairment losses. For the purposes of impairment testing, goodwill acquired in a business combination is allocated from the acquisition date to each of the Group's cash-generating units that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree have been assigned to those units.

Transactions that do not have a significant impact on the future cash flows of the transferred net assets — The principle of the continuity of values

The adoption of the principle of the continuity of values results in the recognition on the statement of financial position of values that are the same as those that would be used if the companies that are parties to the business combination had always been combined.

Therefore, if the transfer values are higher than the historical values, the buyer/recipient of the transferred assets must make a reversing entry for the amount of the surplus and adjust downward its equity by a charge to a reserve, whether or not the goodwill paid has economic value.

Transactions that have a significant impact on the future cash flows of the transferred net assets

In this case, the transaction is recognized based on the fair value of the transferred net assets at the date transaction accordingly with the method provided by IFRS 3, including the goodwill.

Recognition of revenue from contracts with customers

The Group generates revenue by selling goods and providing services within its core business. Revenue is stated net of value-added tax, discounts and allowances, and after eliminating sales to Group companies.

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

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

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

Notes to the Consolidated Financial Statements

- the rights of each of the parties in respect of the goods or services to be transferred may be identified;
- the terms of payment for the goods or services to be transferred may be identified;
- the contract has commercial substance;
- it is probable that the consideration for the goods sold or services transferred will be received.

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

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

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

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

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

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

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

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

Commissions and other costs related to revenue

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

Government Grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is

Notes to the Consolidated Financial Statements

recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of reduced depreciation charge. Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to the statement of profit or loss over the expected useful lives of the relevant assets by equal annual instalments. Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for “Financial liabilities” above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Interest Income and Expense

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

Income Taxes

Income taxes comprise current tax expenses and deferred tax expenses.

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

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

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

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

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

The Italian companies Ferretti S.p.A. and Zago S.p.A. have opted for group taxation pursuant to Articles 117 et seq. of TUIR Consolidated Law on Income Tax (Law No. 917 of December 22, 1986). This option allows the parent company to immediately offset any loss incurred by its subsidiaries against the Group’s overall profit.

Cash and Cash Equivalents

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

Notes to the Consolidated Financial Statements

Trade and other receivables and contract assets

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

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

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

Provision for expected credit losses on trade receivables and contract assets The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance). The provision matrix is initially based on the Group’s historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of a customer’s actual default in the future. The information about the ECLs on the Group’s trade receivables and contract assets is disclosed in Note 26 and Note 27 to the financial statements, respectively.

Inventories

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

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

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

Financial Instruments: recognition and measurement

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

Financial Assets

- *Initial recognition and measurement*

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

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

Notes to the Consolidated Financial Statements

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

- *Subsequent measurement*

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

- financial assets at amortised cost (debt instruments);
- financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses (debt instruments);
- financial assets at fair value through other comprehensive income without recycling of cumulative gains and losses upon derecognition (equity instruments);
- financial assets at fair value through profit or loss.

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

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

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

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

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

- 2) Financial assets at fair value through OCI (debt instruments): for assets from debt instruments measured at fair value through OCI, interest income, changes in exchange rate differences and impairment losses, together with the reversals, are recognised in the income statement and are calculated in the same way of financial assets measured at amortised cost. The remaining changes in fair value are recognised in OCI. Upon derecognition, the cumulative change in fair value recognised in OCI is reclassified to profit or loss. The Group’s debt instrument assets measured at fair value recognised in OCI include investments in listed debt instruments included in other non-current financial assets.
- 3) Investments in equity instruments: upon the initial recognition, the Group may irrevocably elect to classify its investments as equity instruments recognised at fair value through OCI when they meet the definition of equity instruments under IAS 32 ‘Financial Instruments: Presentation’ and are not held for trading. The classification is determined for each individual instrument. Gains and losses realised on those financial assets are never reversed through the income statement. Dividends are recognised as other income in the

Notes to the Consolidated Financial Statements

income statement when the right to payment has been approved, except when the Group benefits from that income as the recovery of part of the cost of the financial asset, in which case such gains are recognised in OCI. Equity instruments recognised at fair value through OCI are not subject to an impairment test. The Group has chosen to irrevocably classify its unlisted equity investments in this category.

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

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

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

- *Derecognition*

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

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

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

Financial liabilities

- *Initial recognition and measurement*

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

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

- *Subsequent measurement*

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

- Financial liabilities at fair value through profit or loss

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

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- Loans and borrowings

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

- Derecognition

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

Property, Plant, Machinery and Equipment

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

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

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

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

Buildings

Buildings	3.0%-6.0%
Prefabricated structures	10%
Leasehold improvements	The shorter of the lease term and the estimated useful lives of the assets

Plant, machinery and equipment

Manufacturing plants and automated machines	11.5%-15.0%
Manufacturing and distribution equipment	25.0%

Models and moulds

Models and moulds	20%-33%
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Other property, plant and equipment

Office furniture and machines	12.0%
Electronic machines	40.0%
Vehicles	25.0%

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

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

Notes to the Consolidated Financial Statements

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

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

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

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

IFRS 16 – Leases

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

Rights-of-use assets

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

Lease liabilities

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

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

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

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

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

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

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Intangible assets with indefinite useful life

Goodwill and other assets that have an indefinite useful life (trademarks) or are not available for use are not amortized on a regular basis. Instead, their recoverable value is tested annually for impairment at the level of the cash generating unit to which management allocated the goodwill. Once recognised, write-downs of these assets may not be subsequently reversed.

When a subsidiary, joint venture or business unit is sold, the goodwill attributable to the subsidiary, joint venture or business unit is included in the computation of the gain or loss generated by the sale.

Intangible Assets Generated Internally — Research and Development Costs

Research costs are charged to the income statement in the period in which they are incurred.

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

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

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

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

Other intangible assets

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

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

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

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

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

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

- the brand or trade name's overall positioning in its market expressed in terms of volume of activity, international presence and reputation;
- its expected long term profitability;
- its degree of exposure to changes in the economic environment;

Notes to the Consolidated Financial Statements

- any major event within its business segment liable to compromise its future development;
- its age.

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

Impairment of Assets

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

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

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

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

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

Equity investments

Associated companies

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

Post-employment Employee Benefits

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

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

Notes to the Consolidated Financial Statements

Provisions

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

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

Basic and diluted earnings per share (EPS)

Accounting standard IAS 33 – *Earnings per Share* regulates the calculation and disclosure of information to be provided to users of financial statements regarding basic and diluted earnings per share. The classes of financial instruments identified by the standard that have to be considered when calculating the aforesaid indicators are options, warrants, instruments convertible to shares (e.g. convertible bonds) and similar.

Basic earnings per share are calculated based on earnings for the year attributable to shareholders of the Company divided by the weighted average number of ordinary shares in issue during the financial year.

Diluted earnings per share are calculated based on diluted earnings for the year attributable to shareholders of the Company, divided by the weighted average number of ordinary shares in issue during the financial year amended by the number of potentially dilutive ordinary shares.

The Company has no potentially dilutive financial instruments and so the two indicators are the same.

Use of estimates and assumptions

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

Impairment of non-financial assets

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

Deferred tax assets

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

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Provisions

Provisions are based on evaluations and estimates based on historic experience and assumptions that from time to time are considered reasonable and realistic based on the specific circumstances. For further details, reference should be made to Note 39.

Revenue from contracts with customers for contract assets

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

Commitments

Commitments are those that may give rise to a future outflow of cash or other resources for contractual commitments for the acquisition of property, plant and equipment and intangible assets, for construct or develop investment property or for repairs, maintenance or enhancements. The total commitments the Group has made but not recognised at the reporting date (including its share of commitments made jointly with other investors with joint control of a joint venture) relating to its interests in joint ventures will be eventually disclosed.

Segment Report

For management purposes the Group has a single operating segment relevant for reporting. This segment is the design, construction and marketing of yachts and pleasure craft. Since it is the only operating segment on which the Group reports, no additional analysis of its operating segment is provided.

Geographical information — non-current assets

Since over 90% of the Group's non-current assets is located in Italy, no additional information by geographical sector is provided.

Information on main customers

No single external customer accounts for 10% or more of the Group's revenues.

Changes in accounting policies and disclosure

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

Onerous Contracts — Costs of Fulfilling a Contract — Amendments to IAS 37

An onerous contract is a contract under which the unavoidable of meeting the obligations under the contract costs (i.e., the costs that the Group cannot avoid because it has the contract) exceed the economic benefits expected to be received under it. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group applied the amendments to the contracts for which it had not fulfilled all of its obligations at the beginning of the reporting period. Prior to the application of the amendments, the Group had not identified any contracts as being onerous as the unavoidable

Notes to the Consolidated Financial Statements

costs under the contracts, which were the costs of fulfilling them, comprised only incremental costs directly related to the contracts. These amendments had no impact on the consolidated financial statements of the Group.

Reference to the Conceptual Framework — Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. In accordance with the transitional provisions, the Group applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). These amendments had no impact on the consolidated financial statements of the Group as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.

Property, Plant and Equipment: Proceeds before Intended Use — Amendments to IAS 16

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. In accordance with the transitional provisions, the Group applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 1 First-time Adoption of International Financial Reporting Standards — Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. These amendments had no impact on the consolidated financial statements of the Group as it is not a first-time adopter.

IFRS 9 Financial Instruments — Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement. In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no impact on the consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the period.

Notes to the Consolidated Financial Statements

Standards issued but not yet effective

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

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

- IFRS 17 Insurance Contracts and Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 — Comparative Information
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- Definition of Accounting Estimates — Amendments to IAS 8
- Disclosure of Accounting Policies — Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction — Amendments to IAS 12

5. ACCOUNTING STATEMENTS

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

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

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

- there is an expectation that it will be realized/settled or will be sold or used during the Group's regular operating cycle;
- it is owned primarily for trading purposes; or
- the Group expects to sell it/settle it within 12 months of the closing date of the financial statements.

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

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

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

6. FINANCIAL RISK MANAGEMENT

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

Notes to the Consolidated Financial Statements

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

Financial assets

	December 31, 2022	December 31, 2021
Derivatives not designated as hedging instruments	—	—
Derivatives designated as hedging instruments	—	—
Financial assets at fair value through profit or loss	—	—
Life insurance with “Bipiemme Vita S.p.A.”	4,900	—
Life insurance with “CNP Vita Assicurazione S.p.A.”	38,008	—
Equity instruments designated at fair value through OCI	—	—
Debt instruments at fair value through OCI	—	—
Total financial assets at fair value	42,908	—
Debt instruments at amortised cost		
Trade receivables	17,011	9,124
Financial assets included in other receivables	2,563	2,911
Other current assets	3,465	8,731
Other non-current assets	2,530	1,759
Total financial assets*	68,477	22,525

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

In addition during the year ended December 31, 2022, the Company has signed time deposit accounts agreements with four primary banks, in order to benefit of increasing interest rates, with maturities ranging from one month to six months as follows:

Fixed Interest Period	Bank	Currency	Amount	Rate%	Expire Date
Two weeks	Unicredit S.p.A.	USD	28,127	4.70%	01/10/2023
One month	BNL S.p.A. – BNP P Group	Eur	30,000	1.60%	01/27/2023
Two months	Unicredit S.p.A.	Eur	10,000	1.25%	01/04/2023
Two months	Barclays Bank Ireland PLC	Eur	20,000	1.89%	02/23/2023
Three months	BNL S.p.A. – BNP P Group	Eur	30,000	1.45%	01/27/2023
Three months	Unicredit S.p.A.	Eur	10,000	1.45%	02/06/2023
Three months	Credit Agricole CIB S.a.	Eur	40,000	1.85%	02/24/2023
Three months	Credit Agricole CIB S.a.	Eur	20,000	2.12%	03/28/2023
“Time deposit accounts” under “Cash and Cash Equivalents”			188,127		
Six months	Unicredit S.p.A.	Eur	20,000	1.95%	05/04/2023
Six months	Barclays Bank Ireland PLC	Eur	20,000	1.94%	05/03/2023
Interests			359		
“Time deposit accounts” under “Other Current Assets”			40,359		

The credit risk related to liquid assets is very limited because the counterparties are major national and international banking institutions; the currency of the cash and cash equivalents were mainly denominated in Euro. The time deposits accounts with a maturity of more than three months are classified as current financial assets (see Note 29).

Notes to the Consolidated Financial Statements

Financial liabilities

	December 31, 2022	December 31, 2021
Interest-bearing loans and borrowings		
<i>Bank and other borrowings</i>	6,811	57,682
<i>Lease liabilities</i>	28,158	30,801
<i>Minority Shareholder Loan</i>	1,000	—
<i>Other</i>	1,676	—
Total Interest-bearing loans and borrowings	<u>37,645</u>	<u>88,483</u>
Other financial liabilities		
Derivatives not designated as hedging instruments		
Derivatives designated as hedging instruments		
Financial liabilities at fair value through profit or loss		
<i>Liability arising on business combination</i>	1,912	—
Total financial instruments at fair value	<u>1,912</u>	<u>—</u>
Other financial liabilities at amortised cost, other than interest-bearing loans and borrowings		
Trade and other payables	293,150	242,155
Total other financial liabilities	<u>332,707</u>	<u>330,638</u>

Fair Value Measurement

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

	December 31, 2022		December 31, 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Life insurance with "Bipiemme Vita S.p.A."	4,900	4,900	—	—
Life insurance with with "CNP Vita Assicurazioni S.p.A."	38,008	38,008	—	—
Total	<u>42,908</u>	<u>42,908</u>	<u>—</u>	<u>—</u>
Bank and other borrowings	6,811	6,811	57,682	57,682
Lease liabilities	28,158	28,158	30,801	30,801
Minority Shareholder Loan	1,000	1,000	—	—
Other	1,676	1,676	—	—
Liability arising on business combination	1,912	1,912	—	—
Total	<u>39,557</u>	<u>39,557</u>	<u>88,483</u>	<u>88,483</u>

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

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

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

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

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

Notes to the Consolidated Financial Statements

- Level 2 — inputs other than the quoted prices of Level 1 but which are directly (prices) or indirectly (derived from prices) observable in the market;
- Level 3 — inputs that are not based on observable market data.

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

Financial statement line item	December 31, 2022				December 31, 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial Other current assets	—	—	42,908	42,908	—	—	—	—
Bank and other borrowings	—	6,811	—	6,811	—	57,682	—	57,682
Lease liabilities	—	28,158	—	28,158	—	30,801	—	30,801
Minority Shareholders' Loan	—	1,000	—	1,000	—	—	—	—
Other	—	1,676	—	1,676	—	—	—	—
Liability arising on business combination	—	—	1,912	1,912	—	—	—	—

The Financial Other current asset under Level 3 for € 42.908 thousand refers to the value of two financial investments in the form of life insurance policies subscribed in May 2022 detailed as follows:

	Financial Other current assets — Level 3
At December 31, 2021 and January 1, 2022	—
Life insurance with “Bipiemme Vita S.p.A.”	4,900
Life insurance with “CNP Vita Assicurazioni S.p.A.”	37,999
Unrealised fair value changes recognised in profit or loss	9
At December 31, 2022	42,908

The financial debt has been calculated on the base of the current value reported by the insurance companies as of the reporting date.

The following table presents a sensitivity analysis of the Financial Other current assets — Level 3, keeping all other variables constant, with a disinvestment occurring 12 months after the relevant subscription date..

	At December 31, 2022
Change % interest rate	Financial Other current assets — Level 3
	(in thousand Euro)
-0,5%	13
+ 0,5%	(13)

The Bank and other borrowings non-current under Level 3 for € 1.912 thousand refer to the value of the put and call options for the acquisition of the non-controlling interest of Fratelli Canalicchio S.p.A. and Il Massello s.r.l., both exercisable from September 2027 to September 2028.

	Bank and other borrowings non-current — Level 3
At December 31, 2021 and January 1, 2022	—
Liability arising on business combination for Fratelli Canalicchio S.p.A.	436
Liability arising on business combination for Il Massello	1,476
Unrealised fair value changes recognised in profit or loss	—
At December 31, 2022	1,912

The financial debt has been calculated on the basis of the agreements with non-controlling interests that links the price of exercise of this put/call option to the financial performance of the subsidiaries and the Net Present Value has been discounted using the rate of 9.5%.

Notes to the Consolidated Financial Statements

The following table presents a *sensitivity analysis* of the Bank and other borrowings non-current — Level 3, keeping all other variables constant.

Change % interest rate	At December 31, 2022
	Bank and other borrowings non-current — Level 3
	(in thousand Euro)
- 0.5%	44
+ 0.5%	(44)

Liquidity Risk

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

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

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

The table below, which provides a quantitative analysis of the liquidity risk, shows a breakdown of future financial flows based on the financial liabilities outstanding at December 31, 2022 and at the end of the previous fiscal year, with a breakdown of the Group's financial payables by contractually stipulated due dates:

	Balance at December 31, 2022	Future financial flows					Total financial flows
		Less than 3 months	4 to 9 months	10 to 12 months	1 to 5 years	More than 5 years	
Bank and other borrowings							
(excluding lease liabilities)	(11,399)	(5,246)	(414)	(1,208)	(3,715)	(1,343)	(11,927)
Minority Shareholders' Loan	(1,000)	—	—	(1,000)	—	—	(1,000)
Other	(1,676)	(1,676)	—	—	—	—	(1,676)
Liability arising on business							
combination	(1,912)	—	—	—	(1,912)	—	(1,912)
Lease liabilities	(28,158)	(2,558)	(5,035)	(2,472)	(16,885)	(5,008)	(31,957)
Trade and other payables	(293,150)	(245,786)	(45,758)	(1,606)	—	—	(293,150)
Total	(332,707)	(255,266)	(51,209)	(6,285)	(22,512)	(6,351)	(341,622)
	Balance at December 31, 2021	Future financial flows					Total financial flows
		Less than 3 months	4 to 9 months	10 to 12 months	1 to 5 years	More than 5 years	
Bank and other borrowings							
(excluding lease liabilities)	(57,682)	(1,411)	(11,548)	(11,473)	(35,605)	—	(60,037)
Lease liabilities	(30,801)	(2,087)	(4,169)	(2,079)	(18,936)	(4,745)	(32,016)
Trade and other payables	(242,155)	(189,334)	(51,112)	(1,709)	—	—	(242,155)
Total	(330,638)	(192,832)	(66,829)	(15,261)	(54,541)	(4,745)	(334,208)

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

Market and Interest Rate Risk

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

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

Notes to the Consolidated Financial Statements

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

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

The Group is primarily exposed to the exchange rate risk in relation to the US Dollar as a result of the sales made by the subsidiary Ferretti Group of America LLC.

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

The following table presents a *sensitivity analysis*, at the end of each of the financial years, of the Group's profit before tax and equity (excluding losses carried forward) to a reasonably possible change in the exchange rate with the US dollar, keeping all other variables constant.

Change % EUR/USD exchange rate	At December 31, 2022		At December 31, 2021	
	+/- Profit before tax	+/- Equity	+/- Profit before tax	+/- Equity
		(in thousand Euro)		
- 5%	522	15,038	2,357	14,593
+ 5%	(473)	(13,606)	(2,133)	(13,203)

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

The following is a sensitivity analysis determined on the basis of the exposure as at the reporting dates December 31, 2022 and December 31, 2021 of the Group's financial debt (assuming that Euribor is above zero, considering the zero-floor condition generally applied to the group's main borrowings).

Change in 6M Euribor		At December 31, 2022		At December 31, 2021	
(+)	(-)	(+)	(-)	(+)	(-)
		(in thousand Euros)			
+50 BP	-50 BP	175	(175)	461	(461)
+100 BP	-100 BP	350	(350)	923	(923)
+200 BP	-200 BP	700	(700)	1,845	(1,845)
+300 BP	-300 BP	1,050	(1,050)	2,768	(2,768)

Credit Risk

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

In light of the type of customers targeted by the Group's products and services and the commercial policies it has adopted — which envisage, in most of transactions, that the balance of the contract amount, net of advances collected, is paid before or concurrently with the delivery of the boat — the Group believes that its credit risk is not material. The payment of advances is associated with both the defined contractual due dates and the achievement of production milestones.

Notes to the Consolidated Financial Statements

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

The table below reports residual amounts — i.e., already net of any write-downs — which even if expired at the reporting date (December 31, 2022) are considered fully recoverable:

	Balance at December 31, 2022	Not due	Past due			
			30 days	30-60	60-90	Beyond
Cash and cash equivalents	317,759	317,759	—	—	—	—
Trade receivables*	17,011	6,975	2,305	1,363	1,456	4,912
Other current assets	86,732	86,732	—	—	—	—
Financial assets included in other receivables	2,563	2,563	—	—	—	—
Financial assets included in other non-current assets	2,530	2,530	—	—	—	—
Total at December 31, 2022	426,595	416,559	2,305	1,363	1,456	4,912

(*) Net of the allowance for doubtful accounts of €3,216 thousand.

	Balance at December 31, 2021	Not due	Past due			
			30 days	30-60	60-90	Beyond
Cash and cash equivalents	173,010	173,010	—	—	—	—
Trade receivables*	9,124	2,367	2,045	395	229	4,088
Other current assets	8,731	8,731	—	—	—	—
Financial assets included in other receivables	2,911	2,911	—	—	—	—
Financial assets included in other non-current assets	1,759	1,759	—	—	—	—
Total at December 31, 2021	195,535	188,778	2,045	395	229	4,088

(*) Net of the allowance for doubtful accounts of €5,745 thousand.

The table below reports the amount of trade receivables — i.e., gross of any write-downs — which even if expired at the reporting date (December 31, 2022) are considered fully recoverable:

	Balance at December 31, 2022	Not due	Past due			
			30 days	30-60	60-90	Beyond
%	16%	0%	0%	1%	8%	38%
Trade receivables	20,227	6,975	2,309	1,373	1,586	7,984
Provision for doubtful accounts	3,216	0	3	9	131	3,073
Total at December 31, 2022	17,011	6,975	2,305	1,363	1,456	4,912

	Balance at December 31, 2021	Not due	Past due			
			30 days	30-60	60-90	Beyond
%	39%	0%	0%	0%	0%	58%
Trade receivables	14,869	2,367	2,045	395	229	9,833
Provision for doubtful accounts	5,745	—	—	—	—	5,745
Total at December 31, 2021	9,124	2,367	2,045	395	229	4,088

CAPITAL MANAGEMENT

The goals of managing the Group's capital are safeguarding continuing operation and improving financial performance, as indicated by profit before tax, financial charges (Notes 20–23), depreciation and amortisation

Notes to the Consolidated Financial Statements

(Note 19), of €115,194 thousand for the year ended December 31, 2022 (2021: €96,392 thousand), in addition to maintenance of sound capital ratios in support of its business and maximising value for shareholders.

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

The Group is not subject to externally imposed capital requirements.

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

NOTES TO THE MAIN COMPONENTS OF THE INCOME STATEMENT

The following notes provide a review of the individual components of the income statement for the fiscal year ended December 31, 2022, compared with those in the income statement for the fiscal year ended December 31, 2021.

7. NET REVENUE

The following table provides the breakdown of the item net revenue for 2022, compared with the same item for 2021:

	<u>31/12/2022</u>	<u>31/12/2021</u>
Total revenue from contracts with customers	1,072,449	927,477
Commissions and other costs related to revenue	(42,350)	(29,056)
Total net revenue	<u>1,030,099</u>	<u>898,421</u>

The table below shows the breakdown of net revenue by production type:

	<u>31/12/2022</u>	<u>31/12/2021</u>
Composite yachts	439,309	464,291
Made-to-measure yachts	405,810	249,734
Super yachts	95,441	84,561
Other businesses	89,539	99,835
Total net revenue	<u>1,030,099</u>	<u>898,421</u>

Revenue arising from other businesses is broken down below.

	<u>31/12/2022</u>	<u>31/12/2021</u>
Boat brokerage	14,312	13,237
Sales and provision of carpentry products and services . .	16,909	15,259
FSD	2,945	10,676
Used boats	33,980	46,998
Provision of services and sales of replacement parts, merchandise and other goods	14,894	9,677
Wally sailboats	6,500	3,988
Total other businesses	<u>89,539</u>	<u>99,835</u>

In accordance with IFRS 15, the Group identified the revenue streams, including the main ones:

- Sale of yachts to order;
- Sale of used boats.

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

Notes to the Consolidated Financial Statements

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

Commissions and other costs related to revenue mainly represents the costs incurred by the Group for the intermediation activities carried out by the dealers and brokers.

“Boat brokerage” refer to the activity related to yacht brokerage and yacht charters performed by the U.S. subsidiary Allied Marine.

“Sales and provision of carpentry products and services” relate entirely to subsidiary Zago S.p.A., concerning assembly works and wooden furnishings for yachts of over 100 feet produced by third-party sites and cruise ships.

“Provision of services and sales of replacement parts, merchandise and other goods” partly refer to the refit activity that the Group carried out, and partly regard the sale of replacement parts and other assistance services rendered in Italy and worldwide on boats previously sold. In addition, in 2022 as well the Group continued to sell Riva brand luxury accessories, as part of the Riva Brand Experience project.

The breakdown of net revenue by geographical area was as follows:

	<u>31/12/2022</u>	<u>31/12/2021</u>
EMEA	376,756	376,021
APAC	95,876	49,280
AMAS	372,487	288,724
Global*	95,441	84,561
Other businesses	89,539	99,835
Total net revenue	<u>1,030,099</u>	<u>898,421</u>

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

In accordance with IFRS 15, net revenue are shown below with a breakdown into obligations fulfilled at a point in time and those that are fulfilled over time.

	<u>31/12/2022</u>	<u>31/12/2021</u>
At a point in time	75,133	87,850
Over time	954,966	810,571
Total net revenue	<u>1,030,099</u>	<u>898,421</u>

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

	<u>31/12/2022</u>	<u>31/12/2021</u>
Revenue from contract liabilities	126,282	54,023

The following table shows the amount of transaction price for existing contracts outstanding at December 31, 2022 which will be converted into revenue from contracts with customers within one year or after one year.

	<u>31/12/2022</u>	<u>31/12/2021</u>
Within one year	471,924	411,338
After one year	277,985	99,595
	<u>749,908</u>	<u>510,933</u>

Notes to the Consolidated Financial Statements

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

During the Relevant Period, revenue to Russian and Ukraine purchasers accounted for less than 3% of our total revenue for the same period. Therefore, Russian and Ukraine sales are deemed immaterial to our business, results of operations and financial condition as a whole. Furthermore, in the event of a customer default, we are able to freely resell the yacht to another customer.

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

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

9. COST CAPITALISED

This item, amounting to €31,982 thousand, consists mainly of costs incurred for labour, materials and manufacturing overhead that were capitalised under the item “Models and moulds”. These costs were incurred primarily for the internal production of models and moulds used to build fiberglass-reinforced plastic forms which constitute the hull and other structural elements of the boats classified in this item as per industry practice.

10. OTHER INCOME

	<u>31/12/2022</u>	<u>31/12/2021</u>
Cost over-accruals	2,891	2,195
Discounts from suppliers	2,550	3,725
Rental income	1,285	733
Rebiling of miscellaneous costs to customers and dealers	1,050	961
Damage settlements	205	1,530
Gains on sales of assets	205	14
Other	7,816	4,876
Total other income	<u>16,002</u>	<u>14,034</u>

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

The item “Discounts from suppliers” regards the discounts received from suppliers which co-operate with the Group, and the Company in particular, in accordance with the sales agreements entered into in the financial year.

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

The item “Other” includes, approximately €2,055 thousand for invoices to suppliers due to non-compliance of materials received, proceeds from sundry activities not directly connected with shipbuilding such as: income from promotional, marketing and co-branding agreements entered into with other internationally-renowned firms.

Notes to the Consolidated Financial Statements

11. RAW MATERIALS AND CONSUMABLES USED

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

12. CONTRACTORS COSTS

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

13. COSTS FOR TRADE SHOWS, EVENTS AND ADVERTISING

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

14. OTHER SERVICE COSTS

	<u>31/12/2022</u>	<u>31/12/2021</u>
Transportation and customs clearing costs	23,793	17,667
Technical consulting	15,138	11,799
Tax, legal and administrative consulting services	11,447	13,233
Utilities	8,607	4,165
Fees paid to members of corporate governance bodies . . .	8,287	5,435
Insurance	6,222	4,966
Entertainment expenses	4,739	3,622
Maintenance	4,569	4,092
Travel and per diem expenses	4,186	3,168
Recruiting and training costs	2,678	2,448
Other	28,014	24,601
Total other service costs	<u>117,680</u>	<u>95,196</u>

The item “Technical consulting” amounting to €15,138 thousand refers to consultancy on production issues and services rendered by engineering firms and designers with regard to the design of boats and new models of vessels, interiors and other studies and research bearing on the shipbuilding process. It also includes the costs of certifications or services from other entities of a technical nature.

The item “Tax, legal and administrative consulting services” mainly included €4,268 thousand for legal advice and notaries’ fees and €3,079 thousand relating to administrative consulting, including accounts auditing, and tax assistance. Moreover, €477 thousand referred to IT consulting.

In the fiscal year ended December 31, 2022, “Fees paid to members of corporate governance bodies” included €8,063 thousand for fixed and variable compensation, benefits and remuneration paid to Directors, including the Management Incentive Plan, as well as €142 thousand in fees paid to Statutory Auditors and €82 thousand for the Supervisory Body.

With regard to the Note “Fees paid to Directors, Statutory Auditors, members of the Supervisory Body and Independent Auditors” see the schedule relating to the fees received by the Group’s corporate bodies.

The item “Recruiting and training costs” mainly refers to the costs incurred by Group companies for the company canteen and meal vouchers (as provided for contractually), as well as remuneration for project workers and the costs of training.

The item “Other” consists mainly of costs incurred for services of various types, such as security services, janitorial services, etc.

Notes to the Consolidated Financial Statements

15. RENTALS AND LEASES

The Group recognised the right-of-use assets and the lease liabilities, excluding short-term leases and leases related to low-value assets. The right-of-use assets of most lease contracts were recognised based on the carrying amount, discounted using the incremental borrowing rate. For some lease contracts, the right-of-use assets were recognised based to the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease previously recognised. Lease liabilities were recognised at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of first time application.

	<u>31/12/2022</u>	<u>31/12/2021</u>
Short-term rentals and leases	4,510	3,626
Rentals and leases for low-value assets	682	377
Royalties	3,739	2,910
Total rentals and leases	<u>8,931</u>	<u>6,913</u>

16. PERSONNEL COSTS

	<u>31/12/2022</u>	<u>31/12/2021</u>
Wages and salaries	94,426	80,761
Social security contributions	28,692	26,721
Non-current employee benefits and other provisions	5,691	4,935
Total personnel costs	<u>128,810</u>	<u>112,417</u>

The five highest-paid employees during the year ended December 31, 2022 and 2021 include a director, whose details are given in Note 48, and four employees, who are not directors and whose personnel costs are as follows:

	<u>31/12/2022</u>	<u>31/12/2021</u>
Wages and salaries	11,326	3,054
Social security contributions	375	548
Non-current employee benefits and other provisions	99	73
Total personnel costs	<u>11,800</u>	<u>3,675</u>

The number of highest-paid non-direct employees whose remuneration, including the special cash bonus paid under the Management Incentive Plan approved on April 28, 2022, fell into the following ranges was as follows:

	<u>31/12/2022</u>	<u>31/12/2021</u>
HK\$5,500,001–HK\$15,500,000	4	4
Total number of employees	<u>4</u>	<u>4</u>

17. OTHER OPERATING EXPENSES

	<u>31/12/2022</u>	<u>31/12/2021</u>
Cost under-accruals	1,619	1,305
Taxes and fees other than income taxes	1,426	1,432
Re-billable costs	1,293	617
Reward vouchers and other benefits for employees	1,164	18
Settlement agreements	793	1,221
Memberships in trade associations	702	556
Advertising and promotional material	585	634
Charity initiatives	358	300
Losses on asset sales	105	405
Losses on receivables	3	95
Sundry operating costs	1,005	480
Total other operating expenses	<u>9,052</u>	<u>7,062</u>

Notes to the Consolidated Financial Statements

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

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

The item “Settlement agreements” related to several private agreements entered into in the course of the year ended December 31, 2022.

“Sundry operating costs” includes mainly gifts, fines, stamp duties, etc.

18. PROVISIONS AND IMPAIRMENT

This item is shown net of utilisations and releases to income made during the year ended December 31, 2022 and 2021.

	<u>31/12/2022</u>	<u>31/12/2021</u>
Allocations to the provision for product warranties	26,097	18,767
Provision for miscellaneous risks, net	6,493	(4,414)
Allocations to the provision for doubtful accounts	525	746
Total provisions and impairment	<u>33,115</u>	<u>15,099</u>

19. DEPRECIATION AND AMORTISATION

	<u>31/12/2022</u>	<u>31/12/2021</u>
Depreciation of property, plant and machinery	40,396	35,045
Depreciation of rights-of-use assets	7,706	6,627
Amortisation of intangible assets	4,986	6,847
Total depreciation and amortisation	<u>53,089</u>	<u>48,519</u>

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

20. SHARE OF LOSS OF A JOINT VENTURE

The item “Share of loss of a joint venture” amounted to €(44) thousand and referred to the accounting using the equity method of Restart S.p.A. in liquidazione, a company incorporated in 2021, as described in detail in Note 2.

21. FINANCIAL INCOME

	<u>31/12/2022</u>	<u>31/12/2021</u>
Interest income from banks	636	15
Interest and other financial income	1,692	209
Total financial income	<u>2,328</u>	<u>224</u>

22. FINANCIAL EXPENSES

	<u>31/12/2022</u>	<u>31/12/2021</u>
Interest on banks and other loans	3,037	4,566
Interest on lease liabilities	153	187
Interest on provision for severance benefits and pensions	41	10
Other financial expenses	1,221	1,177
Total financial expenses	<u>4,452</u>	<u>5,940</u>

Notes to the Consolidated Financial Statements

23. FOREIGN EXCHANGE GAINS/(LOSSES)

At December 31, 2022, the Group does not have exchange rate risk hedging contracts in force; as a result, creditor and debtor balances denominated in foreign currency are subject to changes on the basis of the exchange rates in force at December 31, 2022. It refers for €11,393 to exchange rate gains related to financial transactions, among which mainly the change of the proceeds of the listing process from HK dollars to Euro.

24. INCOME TAX

As shown in the table that follows, the “Income tax” amount for the year ended December 31, 2022 was tax expenses of €8,839 thousand, as detailed below:

	<u>31/12/2022</u>	<u>31/12/2021</u>
Corporate income tax (IRES)	(837)	0
Regional tax (IRAP)	(2,891)	(2,009)
Federal taxes and other foreign taxes	(2,516)	(1,566)
Total current taxes	(6,244)	(3,575)
Prior-year taxes	1,296	748
Deferred taxes	(3,891)	(464)
Total income tax	<u>(8,839)</u>	<u>(3,291)</u>

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

The IRAP (Imposta regionale sulle attività produttive) taxable base of several companies was positive, and therefore a provision was made for this tax based on the rate in force in the regions in which the value of production is calculated. The increase is attributable to the higher taxable income for the year.

For companies based in the United States, federal and state taxes of €2,510 thousand are due, up as a result of the greater taxable income during the period.

The following table provides a reconciliation between the nominal and effective tax rate of the Group for the fiscal year ended December 31, 2022 and 2021:

	<u>31/12/2022</u>	<u>31/12/2021</u>
Theoretical taxable base*	69,385	40,674
IRES 24%	(16,650)	(9,762)
IRAP 3.90%	(2,706)	(1,586)
Total theoretical tax	<u>(19,356)</u>	<u>(11,348)</u>
Credit used for ACE (Allowance for Corporate Equity) of the year	2,570	1,715
Utilisation of tax losses	7,873	6,250
Other differences	76	92
Effective tax recognised in the income statement	<u>(8,839)</u>	<u>(3,291)</u>

(*) Figure referred to the profit before tax.

Notes to the Consolidated Financial Statements

NOTES TO THE MAIN ASSET ITEMS

The following Notes provide a breakdown of the individual components of the consolidated statement of financial position for the fiscal year ended December 31, 2022 compared with December 31, 2021.

CURRENT ASSETS

25. CASH AND CASH EQUIVALENTS

	<u>31/12/2022</u>	<u>31/12/2021</u>
Bank and postal accounts	129,615	172,957
Time deposit accounts	188,127	—
Cash and securities on hand	17	53
Total cash and cash equivalents	<u>317,759</u>	<u>173,010</u>

The items listed above can be converted readily into cash and are not exposed to a significant risk that their value may change. There are no obligations or restrictions on use except for time deposits accounts which do not bear interests at the agreed rate, if not maintained until the maturity date. Amounts collected and held in escrow accounts are classified as current assets, under the line item “Other current assets”.

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

During the year ended December 31, 2022, the Company has signed time deposit accounts agreements with four primary banks, in order to benefit of increasing interest rates, with maturities ranging from one month to six months.

The time deposits accounts with a maturity of more than three months are classified as current financial assets (see Note 29).

The credit risk related to liquid assets is very limited because the counterparties are major national and international banking institutions and the currency of the cash and cash equivalents were mainly denominated in Euro (for details see Note 6).

A detailed analysis of the changes that occurred in this item is provided in the cash flow statement.

26. TRADE AND OTHER RECEIVABLES

	<u>31/12/2022</u>	<u>31/12/2021</u>
Trade receivables	17,011	9,124
Other receivables	42,421	32,565
Total trade and other receivables	<u>59,432</u>	<u>41,689</u>

Trade receivables

	<u>31/12/2022</u>	<u>31/12/2021</u>
Accounts receivable from customers	20,227	14,869
(Less) Provision for doubtful accounts	(3,216)	(5,745)
Total trade receivables	<u>17,011</u>	<u>9,124</u>

“Accounts receivable from customers” at December 31, 2022 relate primarily to sales and services other than boat sales, for which the balance is generally received before delivery based on the contractual terms and conditions in force. Therefore, they refer to paid after-sales services, sales of material and spare parts, merchandising and provision of joinery works. These are considered to be receivable within 12 months.

Notes to the Consolidated Financial Statements

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

	<u>31/12/2022</u>	<u>31/12/2021</u>
At beginning of year	5,745	6,589
Impairment losses, net	558	746
Amount written off as uncollectible	(3,089)	(1,590)
At end of year	<u>3,216</u>	<u>5,745</u>

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

For an analysis of the ageing of trade receivables by the due date and net of the provision for doubtful accounts, refer to Note 6, Management of financial risks.

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

Other receivables

	<u>31/12/2022</u>	<u>31/12/2021</u>
Other tax receivables	27,206	16,825
Accruals, deferrals and other receivables	15,215	15,740
Total other receivables	<u>42,421</u>	<u>32,565</u>

Other tax receivables refers to VAT.

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

	<u>31/12/2022</u>	<u>31/12/2021</u>
Receivables owed by social security institutions	223	396
Commissions advances	4,890	4,844
Advances, prepayments and sundry receivables from suppliers	3,876	3,443
Others	305	291
Accruals and deferrals	5,922	6,766
Total accruals, deferrals and other receivables	<u>15,215</u>	<u>15,740</u>

"Receivables owed by social security institutions" at December 31, 2022 refer mainly to receivables from the Italian workman's compensation agency (INAIL) of €168 thousand, for advances and payments to employees, as well as, for the residual amount, advances against the Redundancy Fund paid to employees on behalf of the Italian social security administration (INPS), still to be refunded for €2 thousand.

The balance relating to "Advances, prepayments and sundry receivables from suppliers" at December 31, 2022 mainly refers for about €1,310 thousand to advances already paid for the main industry trade shows to be held in the first months of 2023, such as those in Dusseldorf and Miami. The balance also includes several insurance indemnities requested during the current year, which will be paid in the following months, in addition to advances paid to suppliers for services that have not yet been completed or work progress payments for goods not yet delivered.

As at December 31, 2022, the loss allowance of other receivables was assessed to be minimal.

Notes to the Consolidated Financial Statements

Income tax recoverable

As at December 31, 2022 Income tax recoverable includes mainly tax credits recognised under Italian incentive laws (“**Industria 4.0**”) for €1,494 thousand and advances for IRES and IRAP for €474 thousand paid in excess of the amount due at year end by some Group subsidiaries.

27. CONTRACT ASSETS

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

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

The following table provides the breakdown arising from “Contract assets” at December 31, 2022, compared to those at December 31, 2021.

	31/12/2022	31/12/2021
Gross value of contract assets	544,483	514,077
Advances collected	(429,111)	(402,283)
Total contract assets	115,372	111,794

28. INVENTORIES

	31/12/2022			31/12/2021		
	Gross value	Allowance for write-downs	Net amount	Gross value	Allowance for write-downs	Net amount
Raw materials and components inventory	64,896	(8,354)	56,541	52,534	(6,928)	45,606
Work in progress and semi-finished goods	92,783	0	92,783	62,919	0	62,919
New boats	32,263	(230)	32,032	20,931	(330)	20,601
Used boats	19,856	(3,093)	16,763	19,003	(3,742)	15,261
Total inventories	209,797	(11,678)	198,120	155,387	(11,000)	144,387

The “Raw materials and components inventory” is adjusted by an allowance for write-downs of €8,354 thousand at December 31, 2022 (€6,928 thousand at December 31, 2021) that reflects an estimate of slow-moving and/or potentially obsolete inventory items.

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

The item “New boats”, refers to boats not covered by orders, whose production had been completed at the closing date of the financial year. The carrying amount of finished boats not covered by orders was adjusted by means of an allowance for write-downs of €230 thousand in order to bring it down to the lower of the cost or estimated realisable value.

The carrying amount of the used boats was adjusted by means of an allowance for write-downs of €3,093 thousand, in order to bring the purchase cost down to its estimated realisable value.

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

	31/12/2022	31/12/2021
Within one year	193,002	139,470
Beyond one year	5,118	4,917
Total inventories	198,120	144,387

Notes to the Consolidated Financial Statements

28. ADVANCES ON INVENTORIES

The item “Advances on inventories” refers to the advances that the Group pays to its suppliers for purchases of raw materials.

29. OTHER CURRENT ASSETS

The item “Other current assets” totalled €86,732 thousand at December 31, 2022 detailed as follow:

	<u>31/12/2022</u>	<u>31/12/2021</u>
Escrow accounts	1,346	2,224
Time deposit accounts and other financial investments	83,267	0
Incidental borrowing costs	641	0
Other	1,478	6,508
Total Other Current Assets	<u>86,732</u>	<u>8,731</u>

The escrow accounts for €1,346 thousand at December 31, 2022 refers to the deposits received by the subsidiary Allied Marine Inc. for its brokerage service (€2,224 thousand at December 31, 2021). These funds, which are provided by customers upon the signing of an order, are held in escrow until the boat is delivered to the corresponding customer.

During the year ended December 31, 2022, the Company has signed time deposit accounts agreements with four primary banks, in order to benefit of increasing interest rates. The deposits have maturities ranging from one month to six months and outstanding amounts with a maturity of more than three months are classified as “Other current assets” for a total of €40 million (see Note 6 for further details).

The residual part mainly refers to two financial investments in the form of life insurance policies subscribed in May 2022 detailed as follows:

- Life insurance with “CNP Vita Assicurazioni S.p.A.”, for a premium of €38 million;
- Life insurance with “Bipiemme Vita S.p.A.”, for a premium of €5 million and annual coupon.

The “Incidentals borrowing costs” refer for €641 thousands to the committed “Revolving Credit Facility” and “Revolving Pre-Finance Facility, not in use on December 31, 2022 but available until August 2024 (Note 34).

A residual amount of €1,432 thousand refers to a receivable claimed by the Company from Perini Navi S.p.A., purchased from a financial institution (Banca Ifis S.p.A.). This receivable amounts to around one-third of the nominal value of the receivable. This receivable was purchased in relation to the project to acquire Perini Navi S.p.A. and will be collected in the first months of the year 2023.

Notes to the Consolidated Financial Statements

NON-CURRENT ASSETS

30. PROPERTY, PLANT AND EQUIPMENT

Movements in this item in the year 2022 were as follows:

	Land and buildings	Plant, machinery and equipment	Other property, plant and equipment	Models and moulds	Total
At January 1, 2022					
Cost	221,210	59,620	40,537	276,068	597,435
Accumulated depreciation	(67,560)	(44,210)	(24,042)	(201,769)	(337,581)
Net carrying amount	153,650	15,410	16,495	74,299	259,854
At January 1, 2022, net of accumulated depreciation	153,650	15,410	16,495	74,299	259,854
Additions — owned assets	36,938	6,605	5,508	32,081	81,131
Additions — right-of-use assets	4,400	0	2,165	0	6,564
Acquisition of subsidiaries	2,339	1,341	252	0	3,932
Disposals	(1,298)	(20)	(12)	(0)	(1,327)
Disposals — right-of-use assets	0	(209)	0	0	(209)
Depreciation — owned assets	(6,696)	(3,124)	(3,205)	(27,371)	(40,396)
Depreciation — right-of-use assets	(6,510)	(207)	(989)	0	(7,706)
Reclassification	135	(1,281)	1,987	130	970
Exchange realignment	141	200	115	130	585
At December 31, 2022, net of accumulated depreciation	183,098	18,714	22,315	79,268	303,394
At December 31, 2022					
Cost	263,335	67,720	50,980	307,492	689,527
Accumulated depreciation	(80,237)	(49,005)	(28,665)	(228,224)	(386,131)
Net carrying amount	183,098	18,714	22,315	79,268	303,394

As at December 31, 2022, the net carrying amounts of land and buildings, plant, machinery and equipment, and other equipment and vehicles included right-of-use assets amounting to €16,194 thousand, €82 thousand and €1,764 thousand, respectively.

Notes to the Consolidated Financial Statements

Movements in this item in 2021 were as follows:

	Land and buildings	Plant, machinery and equipment	Other property, plant and equipment	Models and moulds	Total
At January 1, 2021					
Cost	190,298	53,200	37,982	255,476	536,956
Accumulated depreciation	(56,064)	(41,962)	(20,908)	(186,371)	(305,305)
Net carrying amount	<u>134,234</u>	<u>11,238</u>	<u>17,074</u>	<u>69,105</u>	<u>231,651</u>
At January 1, 2021, net of accumulated depreciation	134,234	11,238	17,074	69,105	231,651
Additions — owned assets	26,769	6,141	2,851	30,650	66,411
Additions — right-of-use assets	1,896	537	223	—	2,656
Acquisition of subsidiaries	2,271	43	7	—	2,321
Disposals	(464)	(15)	(237)	(1,255)	(1,971)
Depreciation — owned assets	(6,148)	(2,411)	(2,575)	(23,911)	(35,045)
Depreciation — right-of-use assets	(5,475)	(274)	(878)	—	(6,627)
Reclassification	(131)	93	11	27	—
Exchange realignment	698	58	19	(317)	458
At December 31, 2021, net of accumulated depreciation	<u>153,650</u>	<u>15,410</u>	<u>16,495</u>	<u>74,299</u>	<u>259,854</u>
At December 31, 2021					
Cost	221,210	59,620	40,537	276,068	597,435
Accumulated depreciation	(67,560)	(44,210)	(24,042)	(201,769)	(337,581)
Net carrying amount	<u>153,650</u>	<u>15,410</u>	<u>16,495</u>	<u>74,299</u>	<u>259,854</u>

As at December 31, 2021, the net carrying amounts of land and buildings, plant, machinery and equipment, and other equipment and vehicles included right-of-use assets amounting to €18,069 thousand, €498 thousand, and €484 thousand, respectively.

31. INTANGIBLE ASSETS

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

	Goodwill	Trademarks	Other intangible assets	Total
At January 1, 2022				
Cost	1,631	243,980	53,701	299,312
Accumulated amortisation	—	—	(41,138)	(41,138)
Net carrying amount	<u>1,631</u>	<u>243,980</u>	<u>12,563</u>	<u>258,174</u>
At January 1, 2022, net of accumulated amortisation	1,631	243,980	12,563	258,174
Acquisition of subsidiaries	7,283	132	474	7,888
Additions	—	345	3,784	4,129
Disposals	—	—	(4,987)	(4,987)
Amortisation	—	—	(970)	(970)
Reclassification	—	—	(155)	(163)
Exchange realignment	—	(8)	—	—
At December 31, 2022, net of accumulated amortisation	<u>8,914</u>	<u>244,448</u>	<u>10,709</u>	<u>264,070</u>
Cost	8,914	244,448	56,833	310,195
Accumulated amortisation	—	—	(46,125)	(46,125)
Net carrying amount	<u>8,914</u>	<u>244,448</u>	<u>10,709</u>	<u>264,070</u>

Notes to the Consolidated Financial Statements

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

	<u>Goodwill</u>	<u>Trademarks</u>	<u>Other intangible assets</u>	<u>Total</u>
At January 1, 2021				
Cost	1,631	243,840	51,169	296,640
Accumulated amortisation	—	—	(34,291)	(34,291)
Net carrying amount	<u>1,631</u>	<u>243,840</u>	<u>16,878</u>	<u>262,349</u>
At January 1, 2021, net of accumulated amortisation	1,631	243,840	16,878	262,349
Additions	—	138	3,204	3,342
Disposals	—	—	(693)	(693)
Amortisation	—	—	(6,847)	(6,847)
Exchange realignment	—	2	21	23
At December 31, 2021, net of accumulated amortisation	<u>1,631</u>	<u>243,980</u>	<u>12,563</u>	<u>258,174</u>
At December 31, 2021 Cost	1,631	243,980	53,701	299,312
Accumulated amortisation	—	—	(41,138)	(41,138)
Net carrying amount	<u>1,631</u>	<u>243,980</u>	<u>12,563</u>	<u>258,174</u>

Goodwill

Goodwill is related to the investment in the subsidiary Zago S.p.A., the subsidiary Ferretti Group (Monaco) S.a.M. and the new subsidiaries acquired during the year ended December 31, 2022 Il Massello S.r.l. and Fratelli Canalicchio S.p.A., as shown in the table below.

	<u>31/12/2022</u>	<u>31/12/2021</u>
Zago S.p.A.	332	332
Ferretti Group (Monaco) S.a.M.	1,299	1,299
Fratelli Canalicchio S.p.A.	2,699	0
Il Massello S.r.l.	4,584	0
Total goodwill	<u>8,914</u>	<u>1,631</u>

Trademarks

A breakdown of the value of “Trademarks” at December 31, 2022 is as follows:

	<u>31/12/2022</u>	<u>31/12/2021</u>
Ferretti Yachts	95,318	95,318
Crn	46,528	46,528
Custom Line	36,718	36,718
Riva	30,848	30,716
Wally	25,434	25,434
Pershing	8,609	8,609
Easy Boat	9	9
Costs for trademark protection	983	648
Total trademarks	<u>244,448</u>	<u>243,980</u>

Impairment test on indefinite useful life intangible assets

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

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

Notes to the Consolidated Financial Statements

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

- the free cash flows used to determine value in use were those derived from the management's most recent forecasts with a five-year time period;
- the impairment test was performed considering as the value in use of the CGUs, which includes their terminal value, determined in accordance with the perpetuity criterion; and
- the main criteria used to determine the value in use are summarised in the following table, and are the same for all the CGUs:

	<u>31/12/2022</u>	<u>31/12/2021</u>
Interest rate for riskless assets	3.00%	0.74%
Discount rate pre-tax — WACC	11.82%	8.37%
Perpetuity growth rate (g-rate)	2.00%	2.00%

- the Group's management adopted a discount rate in a configuration pre-tax effects that reflects current market valuations of the cost of money and the specific risk associated with each CGU. In the calculation of the terminal value, the Group uses a long-term growth rate of 2.0% after considering publicly available data and market perspective.

The impairment test results did not indicate any need to write down the intangible and tangible assets for the Group's CGUs. The Group also carried out a second-level test, considering and verifying goodwill impairment at that level. The impairment test carried out did not show any need for write-downs.

The Group also conducted sensitivity analyses of the parameters applied in the base version of the test, increasing or decreasing the WACC discount rate and/or the g-rate.

On the basis of the analyses done, the management of the Group has not identified that a reasonable possible change in the key parameters that could cause the carrying amount of the CGUs to exceed the recoverable amount as at the end of 2022 and 2021.

Other Intangible Assets

	<u>31/12/2022</u>	<u>31/12/2021</u>
Concessions	1,519	1,507
Intellectual property rights	8,151	9,595
Software	1,038	1,461
Total other intangible assets	<u>10,709</u>	<u>12,563</u>

This item includes:

- "Concessions" with a net book value of €1,519 thousand and referring chiefly to the costs incurred to acquire docking rights in a marina located in Cattolica within the framework of the Detailed Public Initiative Plan for Port Facilities in the Municipality of Cattolica. The docking rights will be valid until 2053. Besides the docking right in the marina Porto Mirabello, in the Gulf of La Spezia, the net value of the investment is €613 thousand; the right will remain valid until 2067;
- "Intellectual property rights" with a net book value of €8,151 thousand include the costs of the projects carried out by the Group, which extended to the main business areas, in view of constant improvement and complete integration of the various Group companies operating in Italy and abroad, as part of the reorganisation of the Group initiated in previous years. This item also includes the design work to develop naval platforms for the construction of the CRN models. The Group conducted research and development on innovative solutions for each model to be applied to all units built. In particular, the projects being developed include: the creation of special gates, built on land before the steel boat structure arrives in the shipyard; standardisation of the plant processes; study of the installation of plastic pipes to optimise footprint; development of an engine room optimised for the passage of pipes and conduits; and the study and development of light-weight furnishings, with support from the Engineering Department.

Notes to the Consolidated Financial Statements

- the residual value of the item “Other intangible assets” (€1,038 thousand) referred to the net value of licences for new IT applications and the net value of patents.

32. OTHER NON-CURRENT ASSETS

A breakdown of this item is as follows:

	<u>31/12/2022</u>	<u>31/12/2021</u>
Equity investments designated at fair value through income statement	120	325
Investment in a joint venture	12	31
Deposits	1,655	1,565
Commissions advances	1,102	2,727
Other assets	1,766	541
Incidental borrowing costs	378	0
Total other non-current assets	<u>5,031</u>	<u>5,189</u>

a) Equity investments

The balances mainly include equity investment in Nouveau Port Golf Juan which owns certain commercial premises currently occupied by a restaurant.

b) Commissions advances

The balances mainly refer to advances on commissions paid on the basis of interim receipts from customers for boats that will be delivered after the following year.

c) Other assets

The item “Other assets” chiefly refer to prepaid expenses due after year-end.

33. DEFERRED TAX ASSETS

As at December 31, 2022 and December 31, 2021 deferred tax assets have been restated on the basis of the option afforded by IAS 12 net of deferred tax liabilities as they relate to Italian Group companies that are part of tax consolidation.

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

	<u>Provisions</u>	<u>Inventory write- downs</u>	<u>Provision for doubtful accounts</u>	<u>Differences in depreciation and amortisation for reporting rather than tax purposes</u>	<u>Goodwill relevant for income tax purposes</u>	<u>Tax losses</u>	<u>Other sundry differences</u>	<u>Total</u>
At December 31, 2021 and January 1, 2022	10,054	2,663	1,218	9,525	1,256	61,698	500	86,914
Credited/(charged) to:								
profit or loss	3,719	(10)	(585)	959	(142)	(4,015)	(2,831)	(2,906)
Acquisition of								
subsidiaries	—	—	—	—	—	—	71	71
other reserves	—	—	—	—	—	—	3,164	3,164
At December 31, 2022	<u>13,773</u>	<u>2,653</u>	<u>633</u>	<u>10,484</u>	<u>1,114</u>	<u>57,683</u>	<u>904</u>	<u>87,242</u>

Notes to the Consolidated Financial Statements

	Depreciation of land and other assets valued at less than 516/k	Trademarks	Leases	Other	Total
At December 31, 2021 and January 1, 2022	1,315	60,659	5,549	1,731	69,254
Charged/(credited) to:					
profit or loss	—	—	(129)	1,115	986
other comprehensive income	—	—	—	214	214
Acquisition of subsidiaries	—	—	—	55	55
Exchange differences	—	—	—	335	335
At December 31, 2022	1,315	60,659	5,420	3,450	70,845

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

	Provisions	Inventory write-downs	Provision for doubtful accounts	Differences in depreciation and amortisation for reporting rather than tax purposes	Goodwill relevant for income tax purposes	Tax losses	Other sundry differences	Total
At December 31, 2020 and January 1, 2021	11,422	2,859	1,565	8,310	1,407	62,128	374	88,065
Credited/(charged) to:								
profit or loss	(1,368)	(196)	(347)	1,215	(151)	(560)	126	(1,281)
other reserves	—	—	—	—	—	130	—	130
At December 31, 2021	10,054	2,663	1,218	9,525	1,256	61,698	500	86,914

	Depreciation of land and other assets valued at less than 516/k	Trademarks	Leases	Other	Total
At December 31, 2020 and January 1, 2021	1,324	61,045	5,701	1,646	69,716
Charged/(credited) to:					
profit or loss	(9)	(386)	(152)	(270)	(817)
other comprehensive income	—	—	—	39	39
Acquisition of a subsidiary	—	—	—	288	288
Exchange differences	—	—	—	28	28
At December 31, 2021	1,315	60,659	5,549	1,731	69,254

For the purpose of their presentation in financial statements, some tax assets and liabilities have been set off each other in the statement of financial position. Below is an analysis of Group's deferred tax assets:

	31/12/2022	31/12/2021
Deferred tax assets	16,397	17,660
Deferred tax liabilities	—	—
Total deferred tax assets	16,397	17,660

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

	31/12/2022	31/12/2021
Tax losses and interest expense	9,632	16,345

Notes to the Consolidated Financial Statements

The Company has tax assets from tax losses and surplus of financial interest expense (in Italy surplus of financial interest expenses is deductible only within the limits of 30% of gross operating income) arising from €67,315 thousand and €78,044 thousand as at December 31, 2022 and 2021 that are available without any time limit for offsetting against future taxable profits of the entities included in Group tax consolidation scheme in the limit of 80% of the income (the Italian tax regulations permits to deduce in future periods tax losses and surplus of financial deduct expense that were not deducted in the past). Deferred tax assets were recognized, consistently with IAS 12 requirements, only to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

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

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

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

NOTES TO THE MAIN LIABILITIES AND EQUITY ITEMS

CURRENT LIABILITIES

34. MINORITY SHAREHOLDERS’ LOAN AND BANK AND OTHER BORROWINGS

	31/12/2022			31/12/2021		
	Effective interest rate	Maturity	Amount	Effective interest rate	Maturity	Amount
Due to banks — secured . . .	Euribor* +1.6	2023	150	Euribor* + 1.5–2.9	2022	23,047
Due to banks — unsecured	Euribor* +1.0–3.5	2023	3,878	1.8–9.2	2022	1,354
Incidental borrowing costs			—			(1,275)
Due to banks net of incidental borrowing costs			4,025			23,126
Due for maturity factor			—			—
Lease liabilities	1.7–4.7	2023	8,799	1.7–4.7	2022	8,031
Minority Shareholders’ Loan	—	2023	1,000			
Others			1,676			—
Total short-term financial payables			15,500			31,157

Notes to the Consolidated Financial Statements

	31/12/2022			31/12/2021		
	Effective interest rate	Maturity	Amount	Effective interest rate	Maturity	Amount
Due to banks — secured . .	Euribor* +1.6	2024	1,605	Euribor* + 1.5–2.9	2024	35,792
Due to banks — unsecured	Euribor* +1.0–3.5	2024	1,181			
Incidental borrowing costs			—			(1,236)
Due to banks net of incidental borrowing costs			2,786			34,556
Lease liabilities	1.7–4.7	2031	19,359	1.7–4.7	2031	22,770
Liabilities arising on Business Combinations			1,912			
Total medium-/long-term financial payables			24,056			57,326
Total bank and other borrowings			39,556			88,483

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

The Minority Shareholders' Loan refers to the loan of the company Fratelli Canalicchio S.p.A. granted by the minority shareholders.

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

- (a) an amortizing medium-to-long term line of credit with a total maximum amount of €70 million for the Company, to be repaid according to an amortisation schedule that calls for six half-yearly payments, starting on December 31, 2021, with maturity on August 2, 2024, to be used to finance, inter alia, industrial investments per its business plan, and substitute tax on the various lines of credit pursuant to the Loan Agreement (defined the “Term Loan Facility”);
- (b) a revolving medium-to-long term line of credit with a total maximum amount of €40 million for the Company, to be repaid on the final maturity date (i.e., August 2, 2024) (with an annual clean-down period, with a threshold of €1,000,000 for a minimum of three consecutive business days, it being understood that no fewer than three months may elapse between one clean-down period and another), to be used to finance its ordinary business activity (defined the “Revolving Credit Facility”);
- (c) a revolving medium-to-long term line of credit with a total maximum amount of €60 million for the Company, to be repaid on the final maturity date (i.e., August 2, 2024), and to be used to finance the ordinary activity relating to commercial contracts for a maximum amount of 90% of the value of the said commercial contracts (defined the “Revolving Pre-Finance Facility”).

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

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

Notes to the Consolidated Financial Statements

At December 31, 2022 and December 31, 2021, all covenants had been fulfilled.

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

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

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

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

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

The current financial debts include € 1,676 thousand due to Banca Ifis S.p.A in consideration of a collection of receivable from Perini Navi S.p.A (Note 29).

The item “Liabilities arising on Business Combinations” of Bank and other borrowings refers for € 1,912 thousand to the value of the put and call options for the acquisition of the non-controlling interest of Fratelli Canalicchio S.p.A. and Il Massello s.r.l., both exercisable from September 2027 to September 2028.

With regard to the analysis of bank and other borrowings based on maturity, please refer to Note 6 “Financial risk management”.

All borrowings are denominated in Euro.

35. TRADE AND OTHER PAYABLES

The table below sets forth a breakdown of the Group’s trade and other payables as of the dates indicated:

	<u>31/12/2022</u>	<u>31/12/2021</u>
Trade payables	289,653	238,687
Other payables	48,717	40,477
Total trade and other payables	<u>338,370</u>	<u>279,164</u>
	<u>31/12/2022</u>	<u>31/12/2021</u>
Trade and other payables – current	337,364	278,809
Trade and other payables – non-current	1,006	355
Total trade and other payables	<u>338,370</u>	<u>279,164</u>

a. Trade payables

A breakdown of this item is as follows:

	<u>31/12/2022</u>	<u>31/12/2021</u>
Accounts payable to suppliers	289,653	238,687
Total trade payables	<u>289,653</u>	<u>238,687</u>

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

Notes to the Consolidated Financial Statements

For an analysis of future flows of trade payables, based on their maturity, please refer to Note 6 “Financial risk management”.

b. Other payables

	<u>31/12/2022</u>	<u>31/12/2021</u>
Payables due to pension and social security institutions . .	12,504	11,781
Amounts payable to employees	23,411	17,824
Amounts payable to directors	2,849	1,255
Other tax payable	3,344	5,190
Miscellaneous payables	3,464	3,468
Accrued expenses	1,426	432
Deferred income	714	172
Government authorisation fees — non current	229	355
Deferred income — non current	776	0
Total other payables	<u>48,717</u>	<u>40,477</u>

The item “Payables due to pension and social security institutions” reflects the amounts owed to these institutions at December 31, 2022 by Group companies and their employees for the December payroll and for accrued and deferred remuneration.

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

The item “Amounts payable to directors” refers to remuneration which has accrued but was not yet paid as of December 31, 2022.

The item “Other tax payable” chiefly refers to taxes withheld accrued that will be paid in January 2023.

The items “Accrued expenses and deferred income” consists mainly of insurance premiums and other transactions recognised on an accrual basis.

The item “Government authorisation fees non-current”, totalling €229 thousand at December 31, 2022, relates mainly to prepayments of public grants received by the Group of €195 thousand authorised in favour of the former Riva S.p.A., now merged in the Company and €35 thousand authorised in favour of the former subsidiary CRN S.p.A., now also merged in the Company. Said deferred income was classified under “Non-current liabilities” for the portion due after the following year. These grants will be recognised in the income statement along with the amortisation periods of the corresponding assets once the underlying framework agreements expire.

The Group’s management believes that the carrying amount of “Total trade and other payables” is close to their fair value.

36. CONTRACT LIABILITIES

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

37. INCOME TAX PAYABLE

The item “Income tax payable” at December 31, 2022 refers to income taxes accrued that will be paid in the following year.

Notes to the Consolidated Financial Statements

NON-CURRENT LIABILITIES

38. BANK AND OTHER BORROWINGS

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

39. PROVISIONS

The table below shows the changes that occurred in “Provisions” during the year ended December 31, 2022 and the year ended December 31, 2021:

	Provision for product warranties	Provisions for miscellaneous risks	Total provisions
Balance at January 1, 2022	18,867	21,572	40,438
Additions	26,097	16,302	42,399
Utilisations during the year	(18,663)	(8,181)	(26,843)
Total at December 31, 2022	26,300	29,693	55,995
	Provision for product warranties	Provisions for miscellaneous risks	Total provisions
Balance at January 1, 2021	15,258	29,432	44,690
Additions	18,767	7,346	26,113
Utilisations during the year	(15,158)	(15,206)	(30,364)
Total at December 31, 2021	18,867	21,572	40,439

a. Provision for product warranties

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

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

	31/12/2022	31/12/2021
Current portion	13,251	9,484
Non-current portion	13,049	9,383
Total provision for product warranties	26,300	18,867

b. Provisions for miscellaneous risks

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

	31/12/2022	31/12/2021
Legal proceedings and tax and employment law litigation	9,171	6,359
Dealer incentives	10,007	8,392
Provisions for completion of boats	2,813	1,512
Provisions for other risks	7,702	5,309
Total provisions for miscellaneous risks	29,693	21,572

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

Notes to the Consolidated Financial Statements

The Group is involved mainly in two tax litigation proceedings: (i) litigation related to VAT for the 2009 period and its appeal was granted in the first and second instance from the Company. The Italian Revenue Agency lodged an appeal in the third instance, but no hearing has been scheduled at this time; (ii) litigation related to the so-called “splafonamento” (VAT threshold) for the 2012 tax year. The Provincial Tax Commission accepted the appeal presented by the Company, against which The Revenue Agency notified its appeal. The value of the two litigations is approximately €5 million.

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

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

In addition, in connection with the Company’s development project for public land in La Spezia, the Company presented a new project entailing significant modifications from the original one approved in 2006 in relation to the reclamation of seabed. It should be noted that any changes to the project require further inquiries relating to the initiatives to be pursued to conclude the process of reclaiming the seabed since the procedure has yet to be completed pursuant to Article 242 et seq. of Legislative Decree No. 152/2006. The expected costs of this reclamation project have been estimated by the Company to amount to between €200 thousand and €400 thousand and as of the date of approval of the Financial Statements, the Group is waiting for indications from the Port Authority of La Spezia on the actions to be taken.

40. NON-CURRENT EMPLOYEE BENEFITS

The breakdown of this item at December 31, 2022 and December 31, 2021 are as follows:

	<u>31/12/2022</u>	<u>31/12/2021</u>
Provision for employee benefits	6,783	6,609
Provision for leaving indemnity	863	897
Total non-current employee benefits	<u>7,646</u>	<u>7,506</u>

a. Employee benefits

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

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

The process of determining the Group’s obligations toward its employees, which was carried out by Mr. Tommaso Viola (“**Mr. Viola**”), being an Italian independent actuary and a member of the Italian “Ordine Nazionale degli Attuari”, with the same procedure followed at December 31, 2021, involved the following steps:

- projection of vested severance indemnity benefits on the valuation date and of the benefits that will vest until the uncertain date when the employment relationship is terminated or payment of an advance on vested severance indemnity benefits;
- discounting at the valuation date of the expected cash flows that the Group will allocate to its employees in the future;
- in each valuation year, for each employee, the calculation of the annual severance pay increase was made net of the 17% substitute tax (on the annual revaluation amount of severance pay), as provided for in the 2015 Stability Law.

Notes to the Consolidated Financial Statements

The following table provides the movements in the item “Provision for employee benefits” at December 31, 2022 and December 31, 2021:

	<u>31/12/2022</u>	<u>31/12/2021</u>
Present value of the initial obligation	6,609	6,849
Acquisition of subsidiaries	725	284
Interest cost	40	10
Service cost	21	—
Actuarial gains	(215)	(110)
Use for indemnities paid and advances	(397)	(424)
Present value of the final obligation	<u>6,783</u>	<u>6,609</u>

At December 31, 2022, the following assumptions were made:

Demographic Assumptions

- Probability of death of active employees (grouped by age and gender) obtained by reducing by 30% the death probabilities for the Italian population in 2021 (source: ISTAT);
- yearly probability of termination of employment for various reasons (resignation, dismissal), based on the experience for the population in the last five years and applied to all employees aged 65 or younger, equal to 3%;
- yearly probability of requests for payment of advances on vested severance indemnity benefits, based on the experience for the population in recent four years and applied to all employees with seniority of one year or more, of 1%;
- the frequency of employment termination due to resignation by employees achieving the right to receive an old-age or seniority-based pension was also conservatively assumed to be 100%. The requirements for obtaining an old-age or seniority-based pension were assumed to be the same as those set forth in the current regulations of the Italian Social Security Administration (INPS). At present, no employees have requested early retirement.

Financial Assumptions

- Annual inflation rate: 3.0% for the entire valuation period;
- annual revaluation rate of severance indemnity benefits: fixed at 1.5% for the entire valuation period plus 75% of the inflation rate;
- technical discounting rate applied to value defined-benefit plan obligations and the current service cost relating to December 31, 2022: 3.3%;
- technical discounting rate for the valuation of financial charges for the period January 1, 2022 — December 31, 2022, equal to the discounting rates for valuations of the defined-benefit obligations at December 31, 2021 (interest cost): 1.0%;
- technical discounting rate at December 31, 2022, based on the yield of the iBoxx Euro 10+ AA Allstock Corporate Bond Index: 3.3926%.

In 2022, an actuarial gain amounting to €891 thousand (before tax), gross of fiscal effect, was recognised under the “Other equity reserves” item.

The amounts recognised in the income statement are summarised below:

	<u>31/12/2022</u>
	<i>(in thousand Euro)</i>
Interest cost	41
Service cost	30
Total	<u>71</u>

Notes to the Consolidated Financial Statements

b. Provision for leaving indemnity

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

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

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

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

At December 31, 2022, the following assumptions were made:

Demographic Assumptions

- Probability of death of active employees (grouped by age and gender) obtained by reducing by 30% the death probabilities for the Italian population in 2021 (source: ISTAT);
- probability of termination of employment for various reasons (resignation, dismissal), equal to 3% annually for all employees aged 65 or younger;
- the frequency of employment termination due to resignation by employees achieving the right to receive an old-age or seniority-based pension was also assumed to be 100%. The requirements for obtaining an old-age or seniority-based pension were assumed to be the same as those set forth in the current regulations of the Italian Social Security Administration (INPS). In this regard, it should be borne in mind that no employees have requested early retirement at the present moment.

Financial Assumptions

- Technical discounting rate applied to value defined-benefit obligations and the current service cost relating to December 31, 2022: 3.3%;
- technical discounting rate for the valuation of financial charges for the period January 1, 2022 — December 31, 2022, equal to the discounting rates for valuations of the defined-benefit obligations at December 31, 2021 (interest cost): 1.0%;
- technical discounting rate at December 31, 2022, based on the yield of the iBoxx Euro 10+ AA Allstock Corporate Bond Index: 3.3926%.

The actuarial valuation performed in accordance with the method explained above shows that the provision had a value of €424 thousand at December 31, 2022, including the respective contributions.

The provision for indemnities payable upon termination of employment, which had a balance of €439 thousand at December 31, 2022, is attributable to Zago S.p.A.

The table below provides an analysis of the sensitivity of the parameters applied in the actuarial valuation to an increase or decrease in the technical discounting rate for measuring the value of the final obligation in relation to future employee benefits.

	<u>Increase/(decrease) of the interest rate of %</u>	<u>Increase/(decrease) of Provision for employee benefits Euro thousand</u>
December 31, 2022	0.25	144
	(0.25)	(132)

Notes to the Consolidated Financial Statements

	Increase/(decrease) of the interest rate of %	Increase/(decrease) of Provision for employee benefits Euro thousand
December 31, 2021	0.25 (0.25)	130 (134)

SHARE CAPITAL AND RESERVES

Equity amounted to €498,066 thousand at December 31, 2022, as detailed below together with the main components of “Share capital and reserves”.

41. SHARE CAPITAL

	31/12/2022	31/12/2021
Issued and fully paid	<u>338,483</u>	<u>250,735</u>

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

A summary of movements in the Company’s share capital is as follows:

Ordinary shares issued and fully paid	Thousands	€000
At January 1, 2021 and December 31, 2021	250,735	250,735
Issued on March 31, 2022 for Listing	83,580	83,580
Issued on April 27, 2022 for Over-allotment option exercise	4,168	4,168
At December 31, 2022	<u>338,483</u>	<u>338,483</u>

The share capital increased from €250,735 thousand as at the end of December 2021 to €338,483 thousand as at the end of December 31 due to the issue of n°83,580,000 shares of the company on March 31, 2022 in relation to the listing of the company on the Main Board of The Stock Exchange of Hong Kong Limited (“SEHK”) and the issue of n°4,167,700 shares on April 27, 2022 due to the partial exercise of the Over-allotment Option by the Sole Global Coordinator on behalf of the International Underwriters on April 22, 2022. The total number of the shares of the company issued and fully paid at December 31, 2022 is equal to n°338,482,654 for a value of €338,482,654.00.

The new shares were issued by the Company at HK\$22.88 per Share, being the Offer Price per Share under the Global Offering. The proceed of the listing were in total €231.5 million with stock issue costs for €8.2 million, net of fiscal effects.

42. RESERVES

The share premium reserve increased from €281,293 thousand as at the end of December 2021 to €425,041 thousand as at December 31, 2022 due to the listing process described above, for the amount not allocated to share capital. A summary of movements in the Company’s share premium reserve is as follows:

	€000
At January 1, 2021 and December 31, 2021	281,293
Issuance of share capital on March 31, 2022 for Listing	136,433
Issuance of share capital on April 27, 2022 for Over- allotment option exercise	7,315
At December 31, 2022	<u>425,041</u>

The legal reserve, set up pursuant to applicable laws, amounts to €8,287 thousand. In the fiscal year ended December 31, 2022 the reserve increased for €1,176,672.60 due to the approval by the Annual General Meeting of the Shareholders held on May 25, 2022 of the allocation of 5% of the net income of the Company, for the year ended December 31, 2021, as per Article 2430 of the Civil Code.

Notes to the Consolidated Financial Statements

The translation Reserves, amounting to €7,970 thousand at December 31, 2022, reflects the foreign exchange differences that arise from the conversion of the equity opening balances and income statement of the US and UK subsidiaries of the Company, which are translated into Euro at the U.S. dollar and Great Britain Pound exchange rate in force at December 31, 2022 and at the average exchange rate for the period, respectively. During the year, the reserve changed by €3,641 thousand, as reported in the consolidated comprehensive income statement.

The item “Other reserves”, at €(1,775) thousand at December 31, 2022, mainly includes:

- Reserve for transaction costs for issued share capital of €(8,176) thousand, formed during the current year by allocating the costs incurred by the company to undertake the capital increases in relation to the listing of the company described above. In particular, the Group in 2022 incurred in €14.6 million of listing expenses categorized into underwriting-related expenses of approximately of €9.3 million and non-underwriting-related expenses of €5.3 million (fees and expenses of legal advisors and accountants). Approximately €3.2 million have been recognized as administrative and other operating expenses and the remaining approximately €11.3 million has been recognized as a deduction in equity. The reserve is stated net of tax effects of €3,164 thousand;
- the overall effect of the income/(loss) on defined-benefit plans: the reserve amounting to €577 thousand at December 31, 2022 was set up in accordance with IAS 19 — Employee Benefits; during the period the amount of the reserve changed by €676 thousand, net of the tax effect, as reported in the consolidated Comprehensive income statement;
- the remaining part is mainly referred to accumulated earnings/(losses)

Dividends

	<u>31/12/2022</u>	<u>31/12/2021</u>
Dividends	<u>6,707</u>	<u>3,510</u>

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

The General Shareholders’ Meeting convened on May 11, 2021, authorised a dividend payout for €3,510 thousand, equal to €1.40 cents per share, made on June 14, 2021.

On March 8, 2023, the board of directors of the Company proposed dividend of €19,903 thousand (equal to €5.88 cents per share), which is subject to the approval of the Company’s shareholders at the forthcoming annual general meeting.

43. NON-CONTROLLING INTERESTS

Non-controlling interests are non material and represented by:

- 25% of Sea Lion S.r.l.’s shares;
- 20% of Ram S.p.A.’s shares;
- 15% of Il Massello S.r.l.’s shares.

Notes to the Consolidated Financial Statements

44. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY BASIC AND DILUTED

Earnings per share were calculated as the ratio of net profit for the year attributable to shareholders of the Company to the weighted average number of shares in issue during the year, as indicated in the table below, and coincides with the earnings per share diluted due to the absence of partially dilutive instruments.

	<u>31/12/2022</u>	<u>31/12/2021</u>
Profit attributable to shareholders of the company (in thousand Euro)	60,274	37,545
Weighted average number of shares during the year	316,778,344	250,734,954
Earnings per share attributable to shareholders of the company:		
basic and diluted (in Euro)	<u>0.19</u>	<u>0.15</u>

45. BUSINESS COMBINATIONS

2022

On July 29, 2022, the Group acquired a 100% interest in MA.RI.NA. s.r.l. through a cash payment of € 468 thousand.

MA.RI.NA. s.r.l. is a company specialized in the sale of spare parts for Riva boats.

	<u>Fair value recognised at acquisition date</u>
Cash and cash equivalents	99
Trade and other receivables	170
Other current assets	411
Property, plant and equipment	96
Trademark	132
Current liabilities	(352)
Non-current employee benefits	(82)
Other non-current liabilities	<u>(6)</u>
Total net assets at fair value	<u>468</u>
Payment made	468
Below is an analysis of the cash flows relating to the acquisition of, MA.RI.NA. s.r.l.:	
Payment of the consideration	(468)
Cash available at acquisition date	<u>99</u>
Cash outflows for the investment	<u>(369)</u>

From the date of acquisition, MA.RI.NA. s.r.l. contributed €162 thousand of revenue and €0.3 thousand to profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of 2022, the Group's revenue from continuing operations would have been €1,030,286 thousand and the profit before tax from continuing operations would have been €69,366 thousand.

The Company's management believes that, as allowed by IFRS 3, it is preferable to treat the allocation described above as temporary.

On September 19, 2022, the Group acquired a 60% interest in Fratelli Canalicchio S.p.A. through a cash payment of € 100 thousand. The remaining 40% is subject to put and call options exercisable from September 19, 2027 to September 19, 2028. The terms of put and call options over these non-controlling interests, mean that they give to the Group a present ownership interest in the underlying securities, accordingly this business combination was accounted for on the basis that the underlying shares subject to the put and call options have been acquired. Thus,

Notes to the Consolidated Financial Statements

the Group does not recognize non-controlling interests and recorded liabilities for shareholders under the options. Details and input considered to estimate the fair value of these liabilities are disclosed in Note 6.

	<u>Fair value recognised at acquisition date</u>
Cash and cash equivalents	567
Trade and other receivables	4,256
Other current assets	2,678
Property, plant and equipment	2,468
Other non-current assets	908
Deferred tax	21
Current liabilities	(6,038)
Non-current employee benefits	(530)
Other	(3,393)
Total net assets at fair value	<u>937</u>
Non-controlling interests	—
Goodwill	<u>2,699</u>
Payment made	3,200
Liability arising on business combination (Note 6)	<u>436</u>
Total	<u>3,636</u>
Below is an analysis of the cash flows relating to the acquisition of Fratelli Canalicchio S.p.A.:	
Payment of the consideration	(3,200)
Cash available at acquisition date	<u>567</u>
Cash outflows for the investment	<u>(2,633)</u>

From the date of acquisition, Fratelli Canalicchio S.p.A. contributed €976 thousand of revenue and €11 thousand to profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of 2022, the Group's revenue from continuing operations would have been €1,036,770 thousand and the profit before tax from continuing operations would have been €68,952 thousand.

The goodwill of €2,606 thousand comprises the fair value of expected synergies arising from acquisition and it's not expected to be deductible for income tax purposes.

The Company's management believes that, as allowed by IFRS 3, it is preferable to treat the allocation described above as temporary.

On September 29, 2022, the Group acquired a 85% interest in Il Massello s.r.l. through a cash payment of €6,375 thousand. The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets. The terms of put and call options over these non-controlling interests, mean that they do not give to the Group a present ownership interest in the underlying securities, accordingly this business combination was accounted for on the basis that the underlying shares subject to the put and call options have not been acquired. Thus, the Group recognized both non-controlling interests and these liabilities for shareholders under the options. Details and input considered to estimate the fair value of these liabilities are disclosed in Note 6.

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	<u>Fair value recognised at acquisition date</u>
Cash and cash equivalents	263
Trade and other receivables	2,199
Other current assets	2,005
Property, plant and equipment	798
Other non-current assets	96
Current liabilities	(3,117)
Non-current employee benefits	(138)
Other non-current liabilities	—
Total net assets at fair value	<u><u>2,107</u></u>
Non-controlling interests (15% net assets)	(316)
Goodwill	<u>4,584</u>
Payment made	<u>6,375</u>
Liability arising on business combination (Note 6)	1,476
Below is an analysis of the cash flows relating to the acquisition of Il Massello s.r.l.:	
Cash available at acquisition date	263
Payment of the consideration	<u>(6,375)</u>
Cash outflows for the investment	<u><u>(6,112)</u></u>

From the date of acquisition, Il Massello s.r.l. contributed €127 thousand of revenue and €(204) thousand to profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of 2022, the Group's revenue from continuing operations would have been €1,031,136 thousand and the profit before tax from continuing operations would have been €69,862 thousand.

The goodwill of €4,584 thousand comprises the fair value of expected synergies arising from acquisition and it's not expected to be deductible for income tax purposes.

The Company's management believes that, as allowed by IFRS 3, it is preferable to treat the allocation described above as temporary.

2021

On May 7, 2021, the Group acquired an 80% interest in Ram S.r.l. (now Ram S.p.A.) through a cash payment of €720 thousand.

Ram — Revisione Assistenza Motoscafi is the first Riva Boat Service, created by Carlo Riva in 1957, located on the lakeshore next to the Riva di Sarnico shipyard.

Notes to the Consolidated Financial Statements

	Fair value recognised at acquisition date
Cash and cash equivalents	1
Trade and other receivables	365
Other current assets	1,600
Property, plant and equipment	2,901
Other non-current assets	46
Current liabilities	(2,965)
Deferred taxes	(360)
Non-current employee benefits	(355)
Other non-current assets	(334)
Total net assets at fair value	899
Non-controlling interests (20% net assets)	(179)
Payment made	720
Below is an analysis of the cash flows relating to the acquisition of Ram S.r.l.:	
Payment of the consideration	(720)
Cash available at acquisition date	1
Cash outflows for the investment	(719)

Since acquisition, Ram S.r.l. has contributed €628 thousand to the Group's net revenue and a loss of €499 thousand to consolidated profit for the year ended December 31, 2021. If the combination had occurred at the beginning of the year, the revenue of the Group's continuing operations and the profit for the year would have been 899,049 thousand and €37,882 thousand, respectively.

46. CASH FLOWS

Group's main non-monetary transactions

During the years ended December 31, 2022 and 2021, the Group had non-cash additions to rights-of-use assets and lease liabilities of €6,355 thousand and €2,820 thousand, respectively.

Changes in liabilities arising from financing activities

Bank and other borrowings (excluding lease liabilities)	31/12/2022	31/12/2021
At the beginning of the period	57,682	127,245
Changes in financing activities:		
Acquisition of a subsidiary	7,926	—
New borrowings	2,723	57,682
Repayment	(61,353)	(127,245)
Other	4,421	—
Total at the end of the year	11,400	57,682
Lease liabilities	31/12/2022	31/12/2021
At the beginning of the period	30,801	36,625
Changes in financing activities:		
New lease	6,355	2,820
Interest expenses	153	187
Lease payment	(9,151)	(8,831)
Total at the end of the year	28,158	30,801

Notes to the Consolidated Financial Statements

Total cash outflows for leasing

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

	<u>31/12/2022</u>	<u>31/12/2021</u>
Operating activities	5,192	4,003
Financing activities	9,151	8,831

47. RELATED PARTY TRANSACTIONS

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

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

The breakdown of the Group's balances with related parties at December 31, 2022 and December 31, 2021 is set out below:

	<u>Trade and other receivables</u>	<u>Shareholders' debt</u>	<u>Trade and other payables</u>
Fellow subsidiaries:			
Weichai Power Co., Ltd	484		(645)
Shandong Weichai Import & Export Co., Ltd	3,150		
Ferretti International Holding S.p.A.	891		
Other related companies:			
HPE S.r.l.	—		(50)
WM S.A.M. (former Wally S.A.M.)			
Ferrari S.p.A.	360		(535)
Poem S.r.l.			(8)
Other related parties	28	1,000	(139)
Total related parties at December 31, 2022	<u>4,913</u>	<u>1,000</u>	<u>(1,376)</u>
	<u>Trade and other receivables</u>		<u>Trade and other payables</u>
Fellow subsidiaries:			
Weichai Power Co., Ltd	484		(645)
Shandong Weichai Import & Export Co., Ltd	3,150		—
Other related companies:			
HPE S.r.l.	—		(50)
Wally S.A.M.	297		(25)
Ferrari S.p.A.	—		(5)
PEH S.r.l.	—		(21)
CoEnergetica S.a.s.	—		(15)
Other related parties	33		(216)
Total related parties at December 31, 2021	<u>3,964</u>		<u>(977)</u>

The balance of trade and other payables to Weichai Power Co., Ltd amounting to €645 thousand at December 31, 2022 refers wholly to the agreements on the right to sponsor the "Riva" brand on the Ferrari single-seater helmet during the FIA Formula One championship.

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The balance of trade and other receivables from Shandong Weichai Import & Export Co., Ltd amounting to €3.2 million at December 31, 2022 refers wholly to the sale of a yacht.

The balance of trade and other receivables from Ferretti International Holding S.p.A. amounting to €891 thousand at December 31, 2022 refers wholly to the sale of a yacht.

The balance of trade and other payables to HPE Srl amounting to €50 thousand at December 31, 2022 refers wholly to the last instalment in 2022, based on the agreement entered into on January 1, 2017 and relating to the supply of services such as design, simulation, calculation, development, implementation and launch on the market of new concepts and style for the Company's products.

The balance of trade and other payables to Ferrari S.p.A. amounting to €535 thousand at December 31, 2022 refers primarily to sponsoring the "Riva" brand on the Ferrari helmets and the race cars.

The balance of trade and other payables to other related parties amounting to €139 thousand at December 31, 2022 mostly refers to the costs incurred by the Company for legal services amounting to €9 thousand and other services provided by related parties under arm's length conditions.

A breakdown of the Group's transactions with related parties for the years ended December 31, 2022 and December 31, 2021 is set out below:

	<u>Net revenue</u>	<u>Other revenue</u>	<u>Costs for the use of raw materials, services, rentals and leases</u>
Hydraulics Drive Technology			(23)
Ferretti International Holding S.p.A.		891	
Company's Directors	1,945		
HPE S.r.l.			(200)
WM S.A.M. (former Wally S.A.M.)			(550)
Ferrari S.p.A.			(1,530)
PEH S.r.l.			(3)
Poem S.r.l.			(60)
Other related parties		10	(1,114)
Total related parties at December 31, 2022	<u>1,945</u>	<u>901</u>	<u>(3,480)</u>

	<u>Net revenue</u>	<u>Costs for the use of raw materials, services, rentals and leases</u>
Weichai Power Co., Ltd		(129)
HPE S.r.l.	—	(200)
Wally S.A.M.	4	(241)
Ferrari S.p.A.	—	(5)
PEH S.r.l.	—	(164)
CoEnergetica S.a.s.	—	(15)
Other related parties	—	(997)
Total related parties at December 31, 2021	<u>4</u>	<u>(1,751)</u>

The costs with regard to Hydraulics Drive Technology amounting to €23 thousand at December 31, 2022 refer to the costs incurred by the Company for technical consulting services.

The revenue with regard to Ferretti International Holding S.p.A. amounting to €891 thousand at December 31, 2022 refers wholly to the sale of a yacht.

Revenues from Company's Directors amounting to €1.9 million for the year ended December 31, 2022 refer wholly to the sale of two pleasure craft, one through a contract entered into with a leasing company, the lessee of which is a related party of the Company and one directly to a person which is a related party.

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The costs with regard to WM S.A.M. amounting to €550 thousand for 2022 relate primarily to commission for the sale of two boats.

The costs with regard to HPE S.r.l. amounting to €200 thousand for 2022 refer primarily to the supply of services such as design, simulation, calculation, development, implementation and launch on the market of new concepts and style for the Company's products.

The costs with regard to Ferrari S.p.A. amounting to €1,530 thousand for 2022 relate to sponsoring the "Riva" brand on the Ferrari helmets and race cars.

The costs with regard to PEH S.r.l. of €3 thousand for 2022 relate mainly to consulting services provided in identifying potential acquisition targets in the boating sector.

The costs to other related parties amounting to €1,114 thousand at December 31, 2022 mostly refer to the costs incurred by the Company for legal services and other consulting services, tied to the development of new boat and the Wally trademark, provided by related parties under arm's length conditions.

In addition, it is reported that during the period the Company incurred costs amounting to €534 thousand, which relate to engineering costs for the development of the Ancona shipyard that have been considered to be accessory costs to the plant construction and hence are shown in this item.

In application of IFRS 16, costs paid to three companies considered related parties, relating to the rent for offices and production facilities, have not been considered.

Compensation of key management personnel of the Group

	<u>31/12/2022</u>	<u>31/12/2021</u>
Fees	5,988	4,075
Wages and salaries	8,916	3,985
Social security contributions	1,037	864
Employee severance indemnities and other allocations ...	<u>—</u>	<u>—</u>
Total compensation paid to key management personnel	<u>15,941</u>	<u>8,924</u>

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

The remuneration paid to Ferretti S.p.A.'s Directors is provided below (in thousands Euro):

	<u>31/12/2022</u>	<u>31/12/2021</u>
Fees	7,658	4,313
Social security contributions	35	36
Total fees and compensation	<u>7,693</u>	<u>4,349</u>

Notes to the Consolidated Financial Statements

Fees are broken down as follows (in thousand Euro):

2022

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

2021

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

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

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

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

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

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

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

The fees, including all related expenses paid to the independent auditors in relation to the auditing of the financial statements for the years ended December 31, 2022 and 2021 are shown below (in thousands Euro):

2022

<u>Name</u>	<u>Nature of the fees and compensation</u>	<u>Fees and compensation</u>
EY S.p.A.	Fees for the auditing of accounts	258
EY S.p.A.	Fees for other services	698
EY Advisory S.p.A.	Fees for other services	167
Ernst & Young	Fees for other services	938
Studio Legale Tributario	Fees for other services	40
Total		<u>2,101</u>

2021

<u>Name</u>	<u>Nature of the fees and compensation</u>	<u>Fees and compensation</u>
EY S.p.A.	Fees for the auditing of accounts	207
EY S.p.A.	Fees for other services	732
Ernst & Young	Fees for other services	321
Total		1,260

49. CONTINGENT LIABILITIES

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

50. MORTGAGES ON PROPERTIES

As at December 31, 2022 and 2021, the Group's secured bank loans were secured by mortgages on properties with carrying amount of €98,088 thousand and €85,486 thousand, respectively.

51. COMMITMENTS

As at December 31, 2022 no commitment was reported (December 31, 2021: Nil).

52. GUARANTEES PROVIDED TO/RECEIVED FROM THIRD PARTIES

For purposes of comprehensive disclosure, the following paragraphs provide a detail the guarantees provided and the commitments undertaken by the Group at December 31, 2022.

Notes to the Consolidated Financial Statements

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

Ferretti S.p.A.:

- a surety policy issued by Atradius for the benefit of the Marche Revenue Agency in the amount of €2,274 thousand and for the benefit of the Emilia Romagna Revenue Agency in the amounts of €28 thousand and €77 thousand, respectively, in order to avoid the administrative block against the 2013 VAT refund;
- a surety policy for a total amount of €3,482 thousand issued by Liberty Mutual Insurance Europe SE for the benefit of the Emilia Romagna Revenue Agency in connection with the Group VAT credit rebate for 2021;
- a surety policy for a total amount of €3,018 thousand issued by Liberty Mutual Insurance Europe SE for the benefit of the Emilia Romagna Revenue Agency in connection with the Group VAT rebate for 2020;
- a surety policy for a total amount of €1,471 thousand issued by Liberty Mutual Insurance Europe SE for the benefit of the Emilia Romagna Revenue Agency in connection with the Group VAT credit rebate for 2019;
- a surety policy of €3,222 thousand received from Liberty Mutual Insurance Europe SE for the benefit of the Ancona Revenue Agency as a guarantee for offsetting the VAT credit for 2019;
- a surety policy for a total amount of €752 thousand issued by Elba Assicurazioni for the benefit of the Emilia Romagna Revenue Agency in connection with the VAT offsetting for 2019;
- an insurance policy for €25 thousand issued by Vittoria Assicurazioni for the benefit of the Sarnico municipal administration in connection with urban development projects;
- an insurance policy issued by Reale Mutua Assicurazioni for the Iseo, Endine and Moro Lake Authority for concession charges of €53 thousand;
- a surety policy for a total amount of €851 thousand issued by Elba Assicurazioni as a guarantee for contractual obligations associated with the supply of several patrol boats to the Carabinieri Corps;
- a surety policy for a total amount of €91 thousand, issued by Coface, as a guarantee for the offsetting landscaping works on public green space on Via San Bartolomeo in La Spezia;
- guarantees totalling €1.2 million issued by various banks in favour of certain suppliers, following negotiated supply conditions;
- guarantees totalling €168.2 million issued by various banks in favour of customers as a guarantee of the advances paid for the construction of several boats;
- a bank guarantee for €250 thousand issued by Cassa di Risparmio de La Spezia to the Port System Authority of the Eastern Ligurian Sea to secure the performance of obligations arising under a government concession;
- a bank guarantee issued in relation to the process awarding the Wally brand.
- a surety policy of €30 thousand received from Unipol Assicurazioni in favour of the Ancona Customs Agency for excise incentives on diesel used in engine tests;
- a surety policy of €40 thousand received from Axa Assicurazioni in favour of the Ancona Port Authority for the granting of use of public land;
- a surety policy of €103 thousand Euro, received from Liberty Mutual Assicurazioni for the benefit of the Italian Customs and Monopolies Agency of Ancona — seafront for a global guarantee (tax relief measures).

Zago S.p.A.:

- sureties of €4,154 thousand issued by Coface for the benefit of a customer in connection with advances received or as guarantee on furnishing and fixture.
- two insurance policies for €148 thousand in total issued by Coface for the benefit of the Scorzè municipal administration in connection with urban development projects.

Ram S.p.A.:

- a surety policy of €44 thousand received from Liberty Specialty Markets Assicurazioni for the benefit of the Bergamo Customs Agency for the temporary import of boats.

Notes to the Consolidated Financial Statements

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

- a first-degree deed of mortgage on the properties owned by Ferretti S.p.A. The Company has also committed to granting a mortgage on the docks under concession in La Spezia, Sarnico and Ancona, once consent is provided by the competent public land authorities;
- deed of special lien pursuant to Article 46 of the Consolidated Banking Act on the bridge cranes and other cranes owned by Ferretti S.p.A.;
- deed of pledge on four current accounts (the minimum balance required for these accounts is €2 thousand);

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

53. SIGNIFICANT EVENTS AFTER DECEMBER 31, 2022

There was no event that had a significant impact on the Group's operation, financial and trading prospects since the end of the Reporting Period, and up to the date of this annual report which the Board is aware of.

54. APPROVAL OF THE FINANCIAL STATEMENTS

The Financial Statements, Management Discussion and Analysis and Directors' Report were approved and authorized for issue by the Board on March 8, 2023.

**CONSOLIDATED FINANCIAL STATEMENTS
OF FERRETTI S.P.A. AS AT AND FOR THE YEAR ENDED
DECEMBER 31, 2021**

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010
(Translation from the original Italian text)

To the Shareholders of
Ferretti S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Ferretti S.p.A. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of December 31, 2021, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity 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 December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

EY S.p.A. Sede Legale: Via Lombardia, 31 - 00187 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. 250904
P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997
A member firm of Ernst & Young Global Limited

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have 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.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities 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.

We have 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 identify during our audit.



Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated January 27, 2010

The Directors of Ferretti S.p.A. are responsible for the preparation of the Report on Operations¹ of the Group at December 31, 2021, including its consistency with the related consolidated financial statements and its 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, with the consolidated financial statements of the Group at December 31, 2021 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the consolidated financial statements of the Group at December 31, 2021 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated January 27, 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Bologna, March 25, 2022

EY S.p.A.

Signed by: Marco Mignani, Auditor

This report has been translated into the English language solely for the convenience of international readers.

¹ The Report on Operations of the Group at December 31, 2021 is not included in this Prospectus.

CONSOLIDATED INCOME STATEMENT

	Notes	31 December 2021	31 December 2020
		<i>(in thousand Euros)</i>	
Revenue		927,477	638,194
Commissions and other costs related to revenue		(29,056)	(26,839)
NET REVENUE	7	898,421	611,355
Change in inventories of work-in-process, semi-finished and finished goods	8	(32,650)	(21,727)
Cost capitalised	9	28,063	34,076
Other income	10	14,034	15,027
Raw materials and consumables used	11	(424,277)	(291,768)
Contractors costs	12	(138,027)	(91,604)
Costs for trade shows, events and advertising	13	(12,485)	(9,446)
Other service costs	14	(95,196)	(69,837)
Rentals and leases	15	(6,913)	(5,582)
Personnel costs	16	(112,417)	(92,454)
Other operating expenses	17	(7,062)	(7,366)
Provisions and impairment	18	(15,099)	(17,272)
Depreciation and amortisation	19	(48,519)	(42,493)
Share of loss of a joint venture	20	(24)	—
Financial income	21	224	133
Financial expenses	22	(5,940)	(6,897)
Foreign exchange losses	23	(1,459)	(618)
PROFIT BEFORE TAX		40,674	3,527
Income tax	24	(3,291)	18,455
PROFIT FOR THE YEAR		37,383	21,982
PROFIT FOR THE YEAR		37,383	21,982
Attributable to:			
Shareholders of the Company		37,545	22,006
Non-controlling interests		(162)	(24)
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
Basic and diluted (€)	44	0.15	0.09

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

	Notes	31 December 2021	31 December 2020
		<i>(in thousand Euros)</i>	
PROFIT FOR THE YEAR		37,383	21,982
Other comprehensive income/ (loss) not to be reclassified to profit or loss in subsequent periods:			
Profit on defined benefits plan	42	161	116
Income tax effect	42	(39)	(28)
		122	88
Other comprehensive income/ (loss) to be reclassified to profit or loss in subsequent periods:			
Gains/(losses) from the translation of foreign operations	42	746	(1,488)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		868	(1,400)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		38,251	20,582
Attributable to:			
<i>Shareholders of the Company</i>		38,413	20,606
<i>Non-controlling interests</i>		(162)	(24)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2021	31 December 2020
		<i>(in thousand Euros)</i>	
CURRENT ASSETS			
Cash and cash equivalents	25	173,010	32,830
Trade and other receivables	26	41,689	36,422
Contract assets	27	111,794	176,037
Inventories	28	144,387	176,941
Advances on inventories	28	24,606	15,139
Other current assets	29	8,731	3,592
Income tax recoverable		982	2,114
		505,199	443,075
NON-CURRENT ASSETS			
Property, plant and equipment	30	259,854	231,651
Intangible assets	31	258,174	262,349
Other non-current assets	32	5,189	3,019
Deferred tax assets	33	17,660	18,349
		540,877	515,368
TOTAL ASSETS		1.046.076	958,443

	note	31 December 2021	31 December 2020
		<i>(in thousand Euros)</i>	
CURRENT LIABILITIES			
Bank and other borrowings	34	31,157	79,024
Provisions	39	31,056	37,148
Trade and other payables	35	278,809	222,476
Contract liabilities	36	131,664	55,704
Income tax payable	37	754	75
		473,440	394,427
NON-CURRENT LIABILITIES			
Bank and other borrowings	38	57,326	84,846
Provisions	39	9,383	7,542
Non-current employee benefits	40	7,506	7,794
Trade and other payables	35	355	509
		74,570	100,691
TOTAL LIABILITIES		548,010	495,118
SHARE CAPITAL AND RESERVES			
Share capital	41	250,735	250,735
Reserves	42	247,543	212,640
Equity attributable to shareholders of the Company		498,278	463,375
Non-controlling interests	43	(212)	(50)
TOTAL EQUITY		498,066	463,325
TOTAL LIABILITIES AND EQUITY		1,046,076	958,443

CONSOLIDATED CASH FLOW STATEMENT

	31 December 2021	31 December 2020
	<i>(in thousand Euros)</i>	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before tax	40,674	3,527
Depreciation and amortisation	48,519	42,493
Loss/(gain) on disposal of property, plant and equipment	391	(1,487)
Provisions	(4,540)	(3,930)
Financial income	(224)	(133)
Financial expenses	5,940	6,897
Share of loss of joint venture	24	—
Impairment of trade receivables, net	746	630
Provision against inventories, net	(528)	2,888
	91,002	50,885
Decrease in inventories	23,615	7,961
Decrease/(increase) in contract assets and contract liabilities	140,200	(11,013)
Decrease in trade and other receivables	19,745	12,948
Decrease in trade and other payables	(848)	(4,798)
Change in other operating liabilities and assets	(2,087)	1,358
	271,627	57,341
Income tax paid	—	—
Cash flows from operating activities (A)	271,627	57,341
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment and intangible assets	(76,314)	(72,278)
Proceeds from disposal of property, plant and equipment and intangible assets	2,665	5,526
Acquisition of subsidiaries	(719)	(3,315)
Interest received	224	133
Cash flows used in investing activities (B)	(74,144)	(69,934)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid	(3,510)	(6,582)
New bank and other borrowings	57,673	89,343
Repayment of bank and other borrowings	(106,249)	(68,141)
Interest paid	(5,964)	(6,897)
Cash flows from/(used in) financing activities (C)	(58,050)	7,723
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
(D=A+B+C)	139,433	(4,870)
Cash and cash equivalents at beginning of year (E)	32,830	39,164
Effect of foreign exchange rate changes, net (F)	747	(1,464)
CASH AND CASH EQUIVLANETS AT END OF YEAR (G=D+E+F)	173,010	32,830
Cash and cash equivalents as stated in the consolidated statements of financial position	173,010	32,830

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Legal reserve	Translation reserve	Other reserves	Equity attributable to the shareholders of the company	Non-controlling interests	Total equity
At 1 January 2020	250,735	281,293	4,354	5,071	(92,102)	449,351	(26)	449,325
Profit for the year	—	—	—	—	22,006	22,006	(24)	21,982
Other comprehensive income for the year:								
Profit on defined benefits plan . . .	—	—	—	—	88	88	—	88
Exchange differences on translation of foreign operations	—	—	—	(1,488)	—	(1,488)	—	(1,488)
Total comprehensive income for the year	—	—	—	(1,488)	22,094	20,606	(24)	20,582
Transfer to the legal reserve	—	—	1,465	—	(1,465)	—	—	—
Dividends	—	—	—	—	(6,582)	(6,582)	—	(6,582)
At 31 December 2020	250,735	281,293	5,819	3,583	(78,055)	463,375	(50)	463,325
At 1 January 2021	250,735	281,293	5,819	3,583	(78,055)	463,375	(50)	463,325
Profit for the year	—	—	—	—	37,545	37,545	(162)	37,383
Other comprehensive income for the year:								
Loss on defined benefits plan . . .	—	—	—	—	122	122	—	122
Exchange differences on translation of foreign operations	—	—	—	746	—	746	—	746
Total comprehensive income for the year	—	—	—	746	37,667	38,413	(162)	38,251
Transfer to the legal reserve	—	—	1,291	—	(1,291)	—	—	—
Dividends	—	—	—	—	(3,510)	(3,510)	—	(3,510)
At 31 December 2021	250,735	281,293	7,110	4,329	(45,189)	498,278	(212)	498,066

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Italy. The registered office of the Company is located at Via Irma Bandiera, 62 – 47841 Cattolica (Rimini), Italy.

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

2. BASIS OF PREPARATION

The Group’s consolidated accounts have been prepared in accordance with the IAS and IFRS issued or revised by the IASB and approved by the EU. The acronym “IAS/IFRS” also refers to all of the interpretations published by the International Financial Reporting Interpretations Committee (“IFRIC”), formerly known as the Standing Interpretations Committee (“SIC”).

The consolidated accounts have been prepared on the basis that the Group can operate as a going concern since the Company’s management has verified that there are no uncertainties with regard to this. They include the Statement of Financial Position, the Income Statement, the Comprehensive Income Statement, the Cash Flow Statement, the Statement of Changes in Equity and Notes of Ferretti and its Italian and foreign subsidiaries, collectively referred to as “Ferretti Group”.

The consolidated accounts have been presented in euros and prepared on the basis of the accounts for the year ended 31 December 2021 (1 January-31 December), of the companies within the consolidation perimeter, as approved by the Boards of Directors.

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

To facilitate the reading and comparison to the figures as at 31 December 2021, it should be noted that the Group has applied some reclassifications to the presentation of the figures as at 31 December 2020.

3. CONSOLIDATION AREA AND CONSOLIDATION PRINCIPLES

These financial statements have been prepared by consolidating the financial statements of the Company and its subsidiaries at the reporting dates indicated.

Pursuant to IFRS 10, control arises when the Group is exposed, or has rights, to variable returns from its involvement with the investee and at the same time has the ability to influence those returns through its power over the said investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e., existing rights that give the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee;
- ability to exert power over the investee to influence the amount of the investor’s returns.

It is generally presumed that the majority of voting rights implies control. In support of this assumption, where the Group holds less than the majority of voting rights (or similar rights), the Group considers all facts and circumstances relevant to determining whether it controls the investee, including:

- contractual agreements with other vote-holders;
- rights under contractual agreements;
- the Group’s actual and potential voting rights.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Group reconsiders whether it controls an investee if the facts and circumstances indicate that there have been changes in one or more of the three factors relevant to determining control. A subsidiary begins to be consolidated when the Group obtains control of it and ceases to be consolidated when the Group loses control. The assets, liabilities, revenues and costs of a subsidiary acquired or disposed of during the year are included in the Consolidated Financial Statements from the date the Group obtains control until the date the Group no longer controls the company.

The main consolidation criteria applied in preparing the consolidated financial statements are reviewed below:

- a) assets and liabilities and revenues and expenses in the financial statements of companies that are consolidated line by line are included in the Group's financial statements, irrespective of the percentage interest held;
- b) the carrying amount of investments in associates held by Ferretti or by other companies included in the consolidation area is offset by the interest in the equity upon recognition of the assets and liabilities of the subsidiary companies. The amount by which the carrying value of the investment in an associate exceeds the corresponding interest in the underlying equity at the time of acquisition is offset against the incremental value attributable to assets and liabilities. Any residual amount is recognised as goodwill. In accordance with IFRS 3, the Group changed the accounting principles it applies to goodwill prospectively as of the date of transition to the IFRS. Consequently, starting on that date, the Group no longer amortises goodwill, but it does test it for impairment;
- c) Where a negative difference emerges, IFRS 3 does not require the recognition of badwill. In this case, the Group again verifies whether it has properly identified all assets acquired and liabilities assumed and revises the procedures used to determine the amounts to be recognised at the acquisition date. If the new assessment continues to indicate that the fair value of the net assets acquired exceeds their consideration, the difference (gain) is taken to the income statement.
- d) The profit or loss of any company acquired or sold during the year is recognised in the consolidated Income Statement from the actual date of acquisition up to the actual date of sale.
- e) Material transactions between consolidated companies are eliminated. The same process is also used for debit and credit entries. Specifically, unrealised gains from transactions between Group companies that on the reporting date are reflected in the valuation of inventories or non-current assets, net of any tax effect, are eliminated.

The interest held by minority shareholders in the net assets of consolidated subsidiaries is shown separately from Group interest in equity. The minority interest is determined based on the interest held by minority shareholders in the fair value of assets and liabilities recognised on the original date of acquisition and in subsequent changes in equity. Subsequently, any losses attributable to the minority shareholders in excess of their interest in the underlying equity are charged against Group interest in equity, unless the minority shareholders have a binding obligation to cover those losses and have the resources to do so.

At 31 December 2021, minority interests related to the shareholders that own 25% of the share capital of the subsidiary Sea Lion Srl share 20% of Ram Srl.

In the year ended 31 December 2020, Ferretti Group did any investments in associates (associate companies in which the Group holds at least 20% of voting rights or exercises a significant influence, but not control or joint control, over financial and operating policies).

On 28 April 2021, the company Restart S.p.A. was incorporated in Milan. Equally owned by the Ferretti Group and Sanlorenzo S.p.A., it is classified as a joint venture (i.e., as a contractual agreement whereby two or more parties undertake a business operation subject to joint control pursuant to IFRS 11). The company was accounted for using the equity method.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The table below shows the names, registered offices and interests in capital held directly and indirectly by the Company in subsidiaries at 31 December 2021.

SUBSIDIARIES

(consolidated line by line, with an indication of the percentage of share capital)

Name	Registered office	Currency	Share capital (in units)	% controlling interest	
				Direct	Indirect
Zago S.p.A.	Scorzé (Venice)	Euro	120,000	100%	
Sea Lion Srl	Forlì (Forlì-Cesena)	Euro	10,000	75%	
Ram Srl	Sarnico (Bergamo)	Euro	520,000	80%	
Ferretti Tech Srl	Cattolica (Rimini)	Euro	10,000	100%	
Allied Marine Inc.	Fort Lauderdale (USA)	US Dollar	10	100%	
Ferretti Group of America Holding Company Inc.	Delaware (USA)	US Dollar	10	100%	
BY Winddown Inc.	Miami (USA)	US Dollar	10		100%
Ferretti Group of America Llc.	Fort Lauderdale (USA)	US Dollar	100		100%
Ferretti Group Asia Pacific Ltd.	Hong Kong (China)	Hong Kong Dollar	100,000	100%	
Ferretti Asia Pacific Zhuhai Ltd.	Hengqin (Zhuhai)	Reminbi	1,000,000	100%	
Ferretti Group (Monaco) S.a.M.	Principality of Monaco	Euro	150,000	99.4%	*
Ferretti Group UK Limited	United Kingdom	Pound sterling	1	100%	
Ferretti Gulf Marine -Sole Proprietorship Llc.	Arab Emirates	Emirati Dirham	300,000	100%	

* The investment of 0.6% is owned by the three directors of Ferretti Group (Monaco) S.a.M. for their role, as provided for by the Bylaws.

These consolidated financial statements are denominated in Euros, as this is the currency in which most of the Group's operations are conducted. The separate financial statements of each company in the Group are prepared in the currency of their primary economic environment (functional currency), while for the purposes of the consolidated accounts the financial statements of each foreign entity are denominated in euros.

The assets and liabilities of foreign subsidiaries with functional currencies other than the Euro are translated into Euros at the exchange rate in force at the end of the year. The Income Statement is translated at the average rate for the year. Any resulting translation differences are recognised in the equity under "Reserve for currency translation", which is part of the financial statements. This reserve is recognised in the Income Statement as a gain or a loss in the year when the subsidiary involved is sold.

Translation of the Financial Statements of Foreign Companies into Euros

The Consolidated Financial Statements for the year ending 31 December 2021 have been presented in Euros, which is the functional and presentation currency adopted by Ferretti. Each Group company defines its functional currency, which is used to measure the items in the individual financial statements. The Group uses the direct consolidation method. The profit or loss reclassified to the income statement at the time of sale of an international subsidiary represents the amount resulting from the use of this method.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Group Companies

The assets and liabilities of Group companies are translated into Euros at the spot exchange rate at the reporting date, and the revenues and costs in each separate comprehensive income statement or income statement are translated at the spot exchange rates at the transaction date. The foreign exchange differences resulting from this translation are taken to the comprehensive income statement. Upon the disposal of a foreign operation, the part of the comprehensive income statement relating to such foreign operation is taken to the income statement.

Goodwill on the acquisition of a foreign operation and adjustments to the fair value of the carrying amounts of assets and liabilities arising from the acquisition of a foreign operation are accounted for as assets and liabilities of that foreign operation. They are therefore presented in the functional currency of the foreign operation and translated at the spot exchange rate at year-end.

The conversion into Euros of the financial statements of the non-EU subsidiaries of Ferretti (located in the USA), consolidated line by line, was done adopting the current exchange rate in force at the end of the period of reference for the Statement of Financial Position (1 EUR equal to USD 1.13260), and for the Income Statement items by applying the average exchange rate of the period of reference (1 EUR equal to USD 1.18274). Similarly, the conversion into Euro of the financial statements of the subsidiary located in the United Kingdom, also consolidated line by line, was done adopting the current exchange rate at the reporting date 31 December 2021 (1 EUR equal to GBP 0.84028) for the Statement of Financial Position, and for the Income Statement items by applying the average exchange rate of the period from 1 January 2021 to 31 December 2021 (1 EUR equal to GBP 0.85960) and the previous year.

The Group does not have any assets or liabilities in currencies of hyperinflationary economies.

4. ACCOUNTING STANDARDS

The following accounting standards have been consistently applied by all Group companies.

Business Combinations

Business combinations are recognised in accordance with the acquisition method. The cost of an acquisition is determined as the sum of the consideration transferred, measured at fair value on the acquisition date, and the amount of the non-controlling interest in the acquiree. For each business combination, the Group decides whether to measure the non-controlling interest in the acquiree at fair value or in proportion to the share of the non-controlling interest in the acquiree's net identifiable assets. Acquisition costs are expensed and classified under administrative costs.

When the Group acquires a business, it classifies or designates the financial assets acquired or liabilities assumed in accordance with the contractual terms, economic conditions and other pertinent conditions in place on the acquisition date. This includes checking whether an incorporated derivative has to be separated from the primary contract.

The assets, liabilities and identifiable contingent liabilities of the acquired company that meet the criteria for recognition set forth in IFRS 3 are recognised at their fair values on the date of acquisition, except for non-current assets (or disposal groups) that are classified as being held for sale (in accordance with IFRS 5). These assets are recognised at fair value, less costs to sell.

The acquiree measures contingent consideration at fair value at acquisition date. The contingent consideration classified in equity is not remeasured and its subsequent payment is recognised with a counterentry in equity. The change in fair value of contingent consideration classified as an asset or liability, in that it is a financial instrument falling within the scope of IFRS9 – Financial Instruments, must be recognised in profit or loss in accordance with IFRS 9. The contingent consideration not covered by IFRS 9 is valued at fair value at the reporting date and the changes in fair value are recognised through profit or loss.

Goodwill is initially recognised at cost, as the difference of the aggregate of the value of the consideration transferred and the amount attributed to minority interests compared to net identifiable assets acquired and liabilities assumed by the Group. If the fair value of net acquired assets exceeds the total consideration paid, the Group verifies again whether it correctly identified all the assets acquired and all the liabilities incurred and

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

reviews the procedures used to determine the amounts to be recognised at the acquisition date. If the review again identifies a fair value of net acquired assets exceeding the consideration, the difference (profit) is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any impairment losses. For the purposes of impairment testing, goodwill acquired in a business combination is allocated from the acquisition date to each of the Group's cash-generating units that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree have been assigned to those units.

Transactions Between Parties Under Common Control

The mandatory adoption of IFRS 3 does not apply to business combinations involving entities or businesses under common control.

In the absence of references to specific IFRS principles or interpretations with regard to these transactions, IAS 1.13 requires in general terms that the financial statements provide a reliable and truthful presentation of the effects of such transactions and of other events and conditions, in accordance with the definition and recognition criteria of the IFRS Framework for assets, liabilities, costs and revenues. In addition, IAS 1.15 determines an obligation to select, in accordance with the order of priority provided in IAS 8, accounting principles that are suitable for achieving the overall objective of a reliable and truthful presentation.

Because the IFRS do not specifically address transactions of this type, the choice of the most suitable accounting principle must be guided by the general guidelines provided for in IAS 8.

In seeking an accounting treatment that is conceptually consistent with the IFRS Framework and meets the requirements of IAS 8.10, the critical element is the fact that the accounting principle chosen to present transactions between parties under common control must reflect the substance of the transactions, irrespective of their legal form and without taking into account the concept of the separate identity of legal entities.

The substance must be the creation of value added for all parties involved (e.g., increased revenues, cost savings, realization of synergies) that results in significant differences between the pre-transaction and post-transaction cash flows generated by the transferred assets and, consequently, makes the determination as to whether the price paid is adequate for the economic value of the acquired asset irrelevant. With this approach, the type of legal structure used to execute the transaction is not particularly relevant.

This notion of economic substance is similar to the one mentioned in IAS 16 and IAS 38 with regard to the "commercial" substance of exchanges.

Based on the consideration provided above, the choice of the accounting treatment of transactions between parties under common control must be based on whether there is evidence that the transaction will have a significant impact on the future cash flows of the net assets transferred between the entities involved.

Transactions that do not have a significant impact on the future cash flows of the transferred net assets – The principle of the continuity of values

The adoption of the principle of the continuity of values results in the recognition on the Statement of Financial Position of values that are the same as those that would be used if the companies that are parties to the business combination had always been combined. Consequently, the acquired net assets must be recognized at the book values at which they were carried in the respective accounting records before the transaction. In principle, subsequent accounting entries should continue to bring forward the values used for the previous entry.

Therefore, if the transfer values are higher than the historical values:

- the buyer/recipient of the transferred assets must make a reversing entry for the amount of the surplus and adjust downward its equity by a charge to a reserve, whether or not the goodwill paid has economic value;
- the seller/conveyor of the assets must recognise in equity – rather than through profit or loss – any difference between the transaction price and the pre-existing carrying amount of the transferred assets.

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Transactions that have a significant impact on the future cash flows of the transferred net assets

In this case, the transaction is recognized based on the new values determined by the transaction.

Recognition of revenue from contracts with customers

The Group generates revenue by selling goods and providing services within its core business. Revenue is stated net of value-added tax, discounts and allowances, and after eliminating sales to Group companies.

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

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

- the parties to the contract have approved the contract and undertaken to perform their respective obligations;
- the rights of each of the parties in respect of the goods or services to be transferred may be identified;
- the terms of payment for the goods or services to be transferred may be identified;
- the contract has commercial substance;
- it is probable that the consideration for the goods sold or services transferred will be received.

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

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

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

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

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

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

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

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Government Grants

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

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

Interest Income and Expense

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

Income Taxes

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

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

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

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

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

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

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

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cash and Cash Equivalents

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

Trade and other receivables and contract assets

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

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

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

For detailed information on receivables and assets for contract work in process, reference should be made to section “Financial Instruments: recognition and measurement” here below.

Inventories

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

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

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

Financial Instruments: recognition and measurement

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

Financial Assets

- **Initial recognition and measurement**

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

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

For a financial asset to be classified and measured at amortised cost or fair value through OCI, it must generate cash flows that depend only on the principal and interest on the amount of the principal to be repaid (so-called

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

“solely payments of principal and interest (SPPI)”). This measurement is indicated as an SPPI test and is carried out at instrument level. The Company’s business model for managing financial assets refers to the way in which it manages its financial assets in order to generate cash flows. The business model decides whether the cash flows will derive from the collection of contractual cash flows, the sale of financial assets or both. The purchase or sale of a financial asset requiring its delivery within a period of time generally set by regulation or market practices (so-called regular way trade) is recognised on the deal date, namely the date on which the Company undertook to buy or sell the asset.

- Subsequent measurement

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

- financial assets at amortised cost (debt instruments);
- financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses (debt instruments);
- financial assets at fair value through other comprehensive income without recycling of cumulative gains and losses upon derecognition (equity instruments);
- financial assets at fair value through profit or loss.

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

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

and

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

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

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

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

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

Financial liabilities

- Initial recognition and measurement

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

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

The Company's financial liabilities extend to trade and other payables and payable related to shareholders' loans.

- Subsequent measurement

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

- *Financial liabilities at fair value through profit or loss*

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

- *Loans and receivables*

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

- Derecognition

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

Offsetting of financial instruments

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

Property, Plant, Machinery and Equipment

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

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

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

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Buildings

Buildings	3.0%-6.0%
Prefabricated structures	10%
Leasehold improvements	Over the lease terms

Plant, machinery and equipment

Manufacturing plants and automated machines	11.5%-15.0%
Manufacturing and distribution equipment	25.0%-40.0%

Models and moulds

Models and moulds	20%-33%
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Other property, plant and equipment

Office furniture and machines	12.0%
Electronic machines	40.0%
Vehicles	25.0%

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

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

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

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

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

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

IFRS 16 – Leases

The Group has leases for a series of activities mainly related to the lease of real estate, plant, machinery, vehicles and other equipment. Before adopting IFRS 16, at the inception of the lease the Group (as lessee) classified each of its leases as a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all the risks and rewards incident to ownership of the leased asset to the Group. All other leases were classified as operating leases. At commencement of the lease term, finance leases were capitalised at the lower of the fair value of the leased asset or the present value of the minimum lease payments.

Assets held under finance leases are recognized as Group assets at their fair value on the date the lease is executed or at the present value of the minimum payments due under the lease, whichever is lower. The liability toward the lessor is included in the Statement of Financial Position as a liability for finance leases. Finance lease payments were apportioned between the finance charge (recognised as financial expenses) and the principal, as a reduction of the outstanding liability. For operating leases, the leased asset was not capitalised and the lease payments were recognised as an expense in the income statement over the lease term on a straight-line basis.

All advances paid and the portion regarding lease payments were classified in trade and other payables, respectively.

Interest expense is charged directly to income in the year it is incurred.

The depreciation of these assets is recognized in the annual consolidated financial statements in accordance with the same criteria used for property, plant and equipment.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Lease payments made under operating leases are recognized on a straight line over the lives of the leases. Benefits received or receivable as incentives to enter into operating leases are also recognized on a straight line over the lives of the leases.

Leases previously classified as finance leases

The Group did not modify the initial carrying amount of the lease assets and liabilities recognised at the date of initial application for the contracts previously classified as finance leases (rights-of-use assets and lease liabilities are exactly the same amounts of the lease assets and liabilities recognised under IAS 17). IFRS 16 requirements have been applied to the above-mentioned leases effective 1 January 2019, through the application of the modified retrospective method.

Leases previously classified as operating leases

The Group recognised the rights-of-use assets and lease liabilities related to all contracts previously classified as operating leases, excluding short-term leases and leases related to low-value assets. For some lease contracts, the right-of-use assets were recognised based to the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued expenses on lease payments previously recognised. Lease liabilities were recognised at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of first time application.

The Group also applied the following practical expedients available whereby:

- It applied a single discounting rate of 2.75% to a portfolio of leases with reasonably similar nature;
- It relied on its assessment of whether leases were onerous immediately before the date of initial application;
- It used hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

The Group's basis of preparation upon adoption of IFRS 16 are as follows:

Rights-of-use assets

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

Lease liabilities

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

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

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

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Goodwill

Goodwill and other assets that have an indefinite useful life (trademarks) or are not available for use are not amortized on a regular basis. Instead, their recoverable value is tested annually for impairment at the level of the cash generating unit to which management allocated the goodwill. Once recognised, write-downs of these assets may not be subsequently reversed.

When a subsidiary, joint venture or business unit is sold, the goodwill attributable to the subsidiary, joint venture or business unit is included in the computation of the gain or loss generated by the sale.

Intangible Assets Generated Internally – Research and Development Costs

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

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

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

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

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

Other Intangible Assets

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

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

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

Contingent consideration for the purchase of intangible assets is not governed by IAS 38. In the absence of references to specific international standards or interpretations for such transactions, the Group has adopted the policy of recognising the executory payments at the time of the subsequent payment and not including them in the initial value of the intangible assets acquired.

Impairment of Assets

At least at each reporting date, the Group reviews the carrying values of its property, plant and equipment and of its intangible assets to determine if there are any indications that the value of these assets has been impaired. If

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

such indications exist, the recoverable value of the affected assets is estimated in order to determine the amount of the write-down that may be required. When the recoverable value of an individual asset cannot be estimated, the Group estimates the recoverable value of the cash-generating unit to which the individual asset has been allocated.

Intangible assets with an indefinite useful life (goodwill and trademarks, potentially even those inherent within shareholdings) are tested annually for impairment, whether there are indications that their value has been impaired or not.

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

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

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

Equity investments

Affiliated companies

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

Instruments Representative of Equity

Securities representative of equity issued by the Group are classified in accordance with the substantive conditions of the agreements under which they were generated, consistent with the respective definitions of securities representative of equity. These have been defined as contracts that convey a right to benefit from any residual interest in the Group's assets after deducting its liabilities.

Instruments representative of equity issued by the Group are recognised based on the proceeds collected, less direct issue costs. At 31 December 2021, the Group did not issue securities representative of equity.

Post-employment Employee Benefits

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

In the case of defined-benefit plans (which include the employee severance benefit plans of Italian Group companies), the cost of benefits provided is determined in accordance with the projected unit credit method by making actuarial valuations at the end of each year. The new standard re-organises the information disclosures which must be provided in relation to benefits granted to employees and introduces the obligation to book actuarial gains and losses in the comprehensive income statement, thereby eliminating the possibility of adopting the corridor method. Actuarial gains and losses booked in the comprehensive income statement are not subsequently booked within the Income Statement. The relative cost of post-employment benefits is recognized immediately to the extent that the benefits are already vested or it is amortized on a straight line over the average benefit vesting period.

Provisions

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

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Basic and diluted earnings per share

Accounting standard IAS 33 – *Earnings per Share* regulates the calculation and disclosure of information to be provided to users of financial statements regarding basic and diluted earnings per share. The classes of financial instruments identified by the standard that have to be considered when calculating the aforesaid indicators are options, warrants, instruments convertible to shares (e.g. convertible bonds) and similar.

Basic earnings per share are calculated based on earnings for the year divided by the ordinary shares outstanding at the reporting date.

Diluted earnings per share are calculated based on diluted earnings for the year attributable to shareholders, divided by the number of ordinary shares outstanding amended by the number of potentially dilutive ordinary shares.

The Company has no potentially dilutive financial instruments and so the two indicators are the same.

Use of estimates and assumptions

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

Impairment of non-financial assets

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

Deferred tax assets

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

Provisions

Provisions are based on evaluations and estimates based on historic experience and assumptions that from time to time are considered reasonable and realistic based on the specific circumstances. For further details, reference should be made to Note 39.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Revenue from contracts with customers for contract work in process

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

Segment Report

For management purposes the Group has a single operating segment relevant for reporting. This segment is the design, construction and marketing of yachts and pleasure craft. Since it is the only operating segment on which the Group reports, no additional analysis of its operating segment is provided.

Geographical information – non-current assets

Since over 90% of the Group's non-current assets is located in Italy, no additional information by geographical sector is provided.

Information on main customers

No single external customer accounts for 10% or more of the Group's revenues.

Standards issued but not yet effective

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

<u>Description</u>	<u>Date of entry into force of the standard (IASB)</u>
IFRS 17 — <i>Insurance Contracts</i>	1 January 2023
Amendments to IAS 1 — <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendment to IFRS 3 — <i>Business Combinations – References to the Conceptual Framework</i>	1 January 2022
Amendments to IAS 16 — <i>Property, Plant and Equipment: Proceeds before Intended Use</i>	1 January 2022
Amendments to IAS 37 — <i>Onerous Contracts – Costs of Fulfilling a Contract</i>	1 January 2022
IFRS 1 — <i>First-time Adoption of International Financial Reporting Standards – Subsidiary as a First-time Adopter</i>	1 January 2022
IFRS 9 — <i>Financial Instruments – Fees in the “10 per Cent” Test for Derecognition of Financial Liabilities</i>	1 January 2022
Amendments to IAS 8 — <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to IAS 1 and IFRS — <i>Practice Statement 2 – Making Materiality Judgements</i>	1 January 2023

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. ACCOUNTING STATEMENTS

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

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

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

- there is an expectation that it will be realized/settled or will be sold or used during the Group's regular operating cycle;
- it is owned primarily for trading purposes; or
- the Group expects to sell it/settle it within 12 months of the closing date of the financial statements.

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

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

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

6. FINANCIAL RISK MANAGEMENT

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

Fair Value Measurement Hierarchy

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

- Level 1 – prices quoted in an active market for the assets or liabilities that are being measured;
- Level 2 – inputs other than the quoted prices of Level 1 but which are directly (prices) or indirectly (derived from prices) observable in the market;
- Level 3 – inputs that are not based on observable market data.

The table below lists the assets and liabilities valued at fair value, based on the hierarchical ranking of their measurement. All the Group's financial assets and liabilities are classified Level 2, except for values related to Cash and cash equivalents.

Financial statement line item	31 December 2021				31 December 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	173,010			173,010	32,830			32,830
Other current assets		8,731		8,731		3,592		3,592
Bank and other borrowings . . .		(88,483)		(88,483)		(163,870)		(163,870)

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Financial statement line item	31 December 2021			31 December 2020		
	Fair value in the Income Statement	Amortised cost	Total	Fair value in the Income Statement	Amortised cost	Total
Cash and cash equivalents		173,010	173,010		32,830	32,830
Financial assets included in trade and other receivables		12,035	12,035		16,408	16,408
Other current assets	8,731		8,731	3,592		3,592
Financial assets included in other non-current assets		1,759	1,759		1,797	1,797
Total financial receivables	8,731	186,804	195,535	3,592	51,035	54,627

Financial statement line item	31 December 2021	31 December 2020
	Amortised cost	
Bank and other borrowings	88,483	163,870
Financial liabilities included in trade and other payables	242,155	196,338
Total bank and other borrowings	330,638	360,208

Liquidity Risk

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

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

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

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

	Balance at 31 December 2021	Future financial flows					Total financial flows
		0 to 3 months	3 to 9 months	9 to 12 months	1 to 5 years	More than 5 years	
Bank and other borrowings (excluding lease liabilities)	(57,682)	(1,411)	(11,548)	(11,473)	(35,605)	—	(60,037)
Lease liabilities	(30,801)	(2,087)	(4,169)	(2,079)	(18,936)	(4,745)	(32,016)
Trade and other payables	(242,155)	(189,334)	(51,112)	(1,709)	—	—	(242,155)
Total	(330,638)	(192,832)	(66,829)	(15,261)	(54,541)	(4,745)	(334,208)

	Balance at 31 December 2020	Future financial flows					Total financial flows
		0 to 3 months	3 to 9 months	9 to 12 months	1 to 5 years	More than 5 years	
Bank and other borrowings (excluding lease liabilities)	(127,244)	(35,976)	(26,463)	(11,094)	(65,521)	—	(135,054)
Lease liabilities	(36,626)	(2,098)	(3,428)	(2,537)	(23,546)	(6,508)	(38,117)
Trade and other payables	(196,338)	(138,089)	(46,606)	(11,643)	—	—	(196,338)
Total	(360,208)	(176,163)	(76,497)	(25,274)	(85,067)	(6,508)	(369,509)

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

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Market and Interest Rate Risk

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

- Currency risk (the risk that the value of financial instruments may fluctuate due to changes in foreign exchange rates);
- Interest rate risk (the risk that the value of financial instruments may fluctuate due to changes in market interest rates);
- Price risk (the risk that the value of financial instruments may fluctuate due to changes in market prices).

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

The Group is primarily exposed to the exchange rate risk in relation to the US Dollar as a result of the sales made by the subsidiary Ferretti Group of America LLC.

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

The following table presents a *sensitivity analysis*, at the end of each of the reporting periods, of the Group's profit before tax and equity (excluding losses carried forward) to a reasonably possible change in the exchange rate with the US dollar, keeping all other variables constant.

	At 31 December 2021		At 31 December 2020	
	(in thousand Euros)			
	+ / - Profit before tax	+ / - Equity	+ / - Profit before tax	+ / - Equity
<u>Change % EUR/USD exchange rate</u>				
- 5%	2,357	14,593	1,771	13,795
+ 5%	(2,133)	(13,203)	(1,602)	(12,481)

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

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

Change in 6M Euribor		At 31 December 2021		At 31 December 2020	
		(in thousand Euros)			
(+)	(-)	(+)	(-)	(+)	(-)
+50 BP	-50 BP	461	(461)	836	(836)
+100 BP	-100 BP	923	(923)	1,673	(1,673)
+200 BP	-200 BP	1,845	(1,845)	3,345	(3,345)
+300 BP	-300 BP	2,768	(2,768)	5,018	(5,018)

Credit Risk

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

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In light of the type of customers targeted by the Group's products and services and the commercial policies it has adopted — which envisage, in most of transactions, that the balance of the contract amount, net of advances collected, is paid before or concurrently with the delivery of the boat — the Group believes that its credit risk is not material. The payment of advances is associated with both the defined contractual due dates and the achievement of production milestones.

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

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

	Balance at 31 December 2021	Not due	Past due			
			30 days	30-60	60-90	Beyond
Cash and cash equivalents	173,010	173,010				
Trade receivables*	9,124	2,367	2,045	395	229	4,088
Other current assets	8,731	8,731				
Financial assets included in other receivables	2,911	2,911				
Financial assets included in other non-current assets	1,759	1,759				
Total at 31 December 2021	195,535	188,778	2,045	395	229	4,088

(*) Net of the allowance for doubtful accounts of €5,745 thousand.

	Balance at 31 December 2020	Not due	Past due			
			30 days	30-60	60-90	Beyond
Cash and cash equivalents	32,830	32,830	—			—
Trade receivables*	12,250	7,491		1,231	103	3,425
Other current assets	3,592	3,592				
Financial assets included in other receivables	4,158	4,158				
Financial assets included in other non-current assets	1,797	1,797				
Total at 31 December 2020	54,627	49,868		1,231	103	3,425

(*) Net of the allowance for doubtful accounts of €6,589 thousand.

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

	Balance at 31 December 2020	Not due	Past due			
			30 days	30-60	60-90	Beyond
%	35%	0%	0%	0%	0%	66%
Trade receivables	18,839	7,491	—	1,231	103	10,014
Provision for doubtful accounts	6,589					6,589
Total at 31 December 2020	12,250	7,491	—	1,231	103	3,425

	Balance at 31 December 2021	Not due	Past due			
			30 days	30-60	60-90	Beyond
%	39%	0%	0%	0%	0%	58%
Trade receivables	14,869	2,367	2,045	395	229	9,833
Provision for doubtful accounts	5,745					5,745
Total at 31 December 2021	9,124	2,367	2,045	395	229	4,088

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CAPITAL MANAGEMENT

The goals of managing the Group's capital are safeguarding continuing operation and improving financial performance, as indicated by profit before tax, financial charges (Notes 20-23), depreciation and amortisation (Note 19), of €53,402 thousand and €96,392 thousand for the years ended 31 December 2020 and 2021, respectively, in addition to maintenance of sound capital ratios in support of its business and maximising value for shareholders.

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

The Group is not subject to externally imposed capital requirements.

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

NOTES TO THE MAIN COMPONENTS OF THE INCOME STATEMENT

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

7. Net Revenue

The following table provides the breakdown of the item Net revenue for 2021, compared with the same item for 2020:

	<u>31/12/2021</u>	<u>31/12/2020</u>
Total Revenue from contracts with customers	927,477	638,194
<i>Commissions and other costs related to revenue</i>	<i>(29,056)</i>	<i>(26,839)</i>
Total Net revenue	<u>898,421</u>	<u>611,355</u>

The table below shows the breakdown of net revenue by production type:

	<u>31/12/2021</u>	<u>31/12/2020</u>
Composite yachts	464,291	298,368
Made-to-measure yachts	249,734	168,506
Super yachts	84,561	63,742
Other businesses	99,835	80,739
Total Net revenue	<u>898,421</u>	<u>611,355</u>

Revenue arising from other businesses is broken down below.

	<u>31/12/2021</u>	<u>31/12/2020</u>
Boat brokerage	13,237	5,932
Sales and provision of carpentry products and services . .	15,259	10,231
FSD	10,676	19,074
Used boats	46,998	39,451
Provision of services and sales of replacement parts, merchandise and other goods	9,677	6,051
Wally sailboats	3,988	—
Total Other businesses	<u>99,835</u>	<u>80,739</u>

In accordance with IFRS 15, the Group identified the revenue streams, including the main ones:

- Sale of yachts to order;
- Sale of used boats.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Regarding the sale of yachts to order, the Group considers that the only performance obligation contained in the sales contracts is the building of the vessel, with no significant accessory services or further activities.

Revenue from the sale of boats related to the delivery of 211 units (of which 194 new boats manufactured by the Group and 17 used boats) in 2021. During the same period of the previous year, 166 boats were delivered (of which 142 were new boats and 24 were used boats).

Commissions and other costs related to revenue mainly represents the costs incurred by the Group for the intermediation activities carried out by the dealers and brokers.

“Boat brokerage” refer to the activity related to yacht brokerage and yacht charters performed by the U.S. subsidiary Allied Marine.

“Sales and provision of carpentry products and services” relate entirely to subsidiary Zago S.p.A., concerning assembly works and wooden furnishings for yachts of over 100 feet produced by third-party sites and cruise ships.

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

The breakdown of Revenue by geographical area was as follows:

	<u>31/12/2021</u>	<u>31/12/2020</u>
EMEA	376,021	254,027
APAC	49,280	62,925
AMAS	288,724	149,922
Global*	84,561	63,742
Other businesses	99,835	80,739
Total Net revenue	<u>898,421</u>	<u>611,355</u>

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

In accordance with IFRS 15, revenue from contracts with customers are show below with a breakdown into obligations fulfilled at a point in time and those that are fulfilled *over time*.

	<u>31/12/2021</u>	<u>31/12/2020</u>
At a point in time	87,850	64,952
Over time	810,571	546,403
Total Net revenue	<u>898,421</u>	<u>611,355</u>

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

	<u>31/12/2021</u>	<u>31/12/2020</u>
Revenue from contract assets	54,023	43,738

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

	<u>31/12/2021</u>	<u>31/12/2020</u>
Within one year	411,338	248,712
After one year	99,595	96,221
	<u>510,933</u>	<u>344,933</u>

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. Change in Inventories of Work-in-Process, Semi-finished and Finished Goods

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

9. Cost Capitalised

This item, amounting to €28,063 thousand, consists mainly of costs incurred for labour, materials and manufacturing overhead that were capitalised under the item “Models and moulds”. These costs were incurred primarily for the internal production of models and moulds used to build fiberglass-reinforced plastic forms which constitute the hull and other structural elements of the boats classified in this item as per industry practice.

10. Other Income

	31/12/2021	31/12/2020
Cost over-accruals	2,195	4,791
Damage settlements	1,530	2,101
Gains on sales of assets	14	1,822
Discounts from suppliers	3,725	1,780
Rental income	733	641
Rebiling of miscellaneous costs to customers and dealers	961	256
Other	4,876	3,636
Total Other income	14,034	15,027

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

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

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

The item “Other” includes, approximately €1,640 thousand for invoices to suppliers due to non-compliance of materials received, proceeds from sundry activities not directly connected with shipbuilding such as: income from promotional, marketing and co-branding agreements entered into with other internationally-renowned firms.

11. Raw Materials and Consumables Used

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

12. Contractors Costs

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

13. Costs for Trade Shows, Events and Advertising

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

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. Other Service Costs

	<u>31/12/2021</u>	<u>31/12/2020</u>
Transportation, insurance and customs clearing costs	17,667	13,753
Tax, legal and administrative consulting services	13,233	5,699
Technical consulting	11,799	13,355
Fees paid to members of corporate governance bodies . . .	5,435	3,402
Insurance	4,966	4,106
Utilities	4,165	3,865
Maintenance	4,092	2,952
Entertainment expenses	3,622	1,507
Travel and per diem expenses	3,168	1,700
Recruiting and training costs	2,448	2,051
Other	24,601	17,447
Total other service costs	<u>95,196</u>	<u>69,837</u>

The item “Tax, legal and administrative consulting services” mainly included €4,184 thousand for legal advice and notaries’ fees and €2,118 thousand relating to administrative consulting, including accounts auditing, and tax assistance, also with regard to the audits and resolution of disputes during the year. Moreover, €334 thousand referred to IT consulting.

The item “Technical consulting” amounting to €11,799 thousand refers to consultancy on production issues and services rendered by engineering firms and designers with regard to the design of boats and new models of vessels, interiors and other studies and research bearing on the shipbuilding process. It also includes the costs of certifications or services from other entities of a technical nature.

In the fiscal year ended 31 December 2021, “Fees paid to members of corporate governance bodies” included €5,202 thousand for fixed and variable compensation, benefits and remuneration paid to Directors, as well as €128 thousand in fees paid to Statutory Auditors and €105 thousand for the Supervisory Body.

With regard to the Note “Fees paid to Directors, Statutory Auditors, members of the Supervisory Body and Independent Auditors” see the schedule relating to the fees received by the Group’s corporate bodies.

The item “Recruiting and training costs” mainly refers to the costs incurred by Group companies for the company canteen and meal vouchers (as provided for contractually), as well as remuneration for project workers and the costs of training.

The item “Other” consists mainly of costs incurred for services of various types, such as security services, janitorial services, etc. During the year, the Group also incurred costs amounting to €150 thousand in relation with the merger into Ferretti of the companies CRN and Michelini.

15. Rentals and Leases

Following the adoption by the Group of IFRS 16 — *Leases*, the item “Rentals and leases”, as previously described in Note 3, to which the reference should be made, the Group recognised the right-of-use assets and the lease liabilities, excluding short-term leases and leases related to low-value assets. The right-of-use assets of most lease contracts were recognised based on the carrying amount, discounted using the incremental borrowing rate. For some lease contracts, the right-of-use assets were recognised based to the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease previously recognised. Lease liabilities were recognised at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of first time application.

	<u>31/12/2021</u>	<u>31/12/2020</u>
Short-term rentals and leases	3,626	3,409
Rentals and leases for low-value assets	377	370
Royalties	2,910	1,803
Total rentals and leases	<u>6,913</u>	<u>5,582</u>

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. Personnel Costs

	<u>31/12/2021</u>	<u>31/12/2020</u>
Wages and salaries	80,761	65,540
Social security contributions	26,721	22,438
Non-current employee benefits and other provisions	4,935	4,476
Total personnel costs	<u>112,417</u>	<u>92,454</u>

The five highest-paid employees during the years ended 31 December 2020 and 2021 include a director, whose details are given in Note 48, and four employees, who are not directors and whose personnel costs are as follows:

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

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

	<u>31/12/2021</u>	<u>31/12/2020</u>
HK\$ 2.500.001 - HK\$ 3.000.000	—	3
HK\$ 3.500.001 - HK\$ 4.000.000	—	1
HK\$ 5.500.001 - HK\$ 1.500.000.000	4	—
Total number of employees	<u>4</u>	<u>4</u>

17. Other Operating Expenses

	<u>31/12/2021</u>	<u>31/12/2020</u>
Cost under-accruals	1,305	1,511
Settlement agreements	1,221	1,458
Taxes and fees other than income taxes	1,432	1,334
Memberships in trade associations	556	545
Advertising and promotional material	634	454
Re-billable costs	617	447
Losses on asset sales	405	335
Losses on receivables	95	—
Sundry operating costs	797	1,282
Total other operating expenses	<u>7,062</u>	<u>7,366</u>

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

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

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

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

“Sundry operating costs” includes mainly charitable contributions, gifts, fines, stamp duties, etc. This item also includes €68 thousand costs incurred by the Group in connection with the listing process and relating to advertising and promotional material.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. Provisions and Impairment

This item is shown net of utilisations and releases to income made during the year. Impairment losses in accordance with IFRS 9 are recognised separately in the income statement when the value is considered material.

	<u>31/12/2021</u>	<u>31/12/2020</u>
Allocations to the provision for product warranties	18,767	15,084
Provision for miscellaneous risks, net	(4,414)	1,558
Allocations to the provision for doubtful accounts	746	630
Total provisions and impairment	<u>15,099</u>	<u>17,272</u>

The increase in the item “Release of provisions for risks” refers mainly to the release of €5 million from a fund set aside in 2019 after the risk ceased to apply.

An analysis of the changes that occurred compared with the Financial Statements at 31 December 2020 is provided in Notes 26 and in Note 39.

19. Depreciation and Amortisation

	<u>31/12/2021</u>	<u>31/12/2020</u>
Depreciation of property, plant and machinery	35,045	30,782
Depreciation of rights-of-use assets	6,627	5,772
Amortisation of intangible assets	6,847	5,939
Total depreciation and amortisation	<u>48,519</u>	<u>42,493</u>

It should be noted that the results of the impairment test performed during the reporting period showed that no write-down was necessary.

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

20. Share of Loss of a Joint Venture

The item “Share of loss of a joint venture” amounted to €(24) thousand and referred to the accounting using the equity method of Restart S.p.A., a new company incorporated in 2021, as described in detail in Note 2.

21. Financial Income

	<u>31/12/2021</u>	<u>31/12/2020</u>
Interest income from banks	15	37
Interest and other financial income	209	96
Total financial income	<u>224</u>	<u>133</u>

22. Financial Expenses

	<u>31/12/2021</u>	<u>31/12/2020</u>
Interests paid to banks and other lenders	(4,566)	(5,975)
Interest on lease liabilities	(187)	(163)
Interest on provision for severance benefits and pensions	(10)	(29)
Other financial expenses	(1,177)	(730)
Total financial expenses	<u>(5,940)</u>	<u>(6,897)</u>

23. Foreign Exchange Losses

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

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. Income Tax

As shown in the table that follows, the “Income tax” balance was negative at €3,291 thousand, as detailed below:

	31/12/2021	31/12/2020
Corporate income tax (IRES)	—	—
Regional tax (IRAP)	(2,009)	(840)
Federal taxes	(1,566)	(683)
	(3,575)	(1,523)
Prior-year taxes	748	1,543
Deferred taxes	(464)	18,435
Total income tax	(3,291)	18,455

Within the framework of national tax consolidation, the Group has nil taxable income for IRES purposes due to the use of tax losses and deductible interest expenses carried forward.

The IRAP taxable base of several companies was positive, and therefore a provision was made for this tax based on the rate in force in the regions in which the value of production is calculated. The increase is attributable to the higher taxable income for the period.

For companies based in the United States, federal and state taxes of €1,566 thousand are due, up as a result of the greater taxable income during the period.

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

	31/12/2021	31/12/2020
Theoretical taxable base*	40,674	3,527
IRES 24%	(9,762)	(846)
IRAP 3.90%	(1,586)	(138)
Total theoretical tax	(11,348)	(984)
Credit used for ACE (Allowance for Corporate Equity)	1,715	—
Recognition of 2019 R&D receivable	—	1,637
Recognition of previously unrecognised tax losses	—	17,268
Utilisation of tax losses	6,250	—
Other differences	92	534
Effective tax recognised in the income statement	(3,291)	18,455

(*) Figure referred to the profit before tax.

NOTES TO THE MAIN ASSET ITEMS

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

CURRENT ASSETS

25. Cash and Cash Equivalents

	31/12/2021	31/12/2020
Bank and postal accounts	172,957	32,804
Cash and securities on hand	53	26
Total cash and cash equivalents	173,010	32,830

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

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

26. Trade and Other Receivables

Only for comparative purposes, the Group has reclassified the item “Trade and other receivables” as at 31 December 2020 net of the item “Trade and other payables” (Note 35) with the same counterparty in order to improve the comprehension for the readers of the financial statements.

	<u>31/12/2021</u>	<u>31/12/2020</u>
Trade receivables	9,124	12,250
Other receivables	<u>32,565</u>	<u>24,172</u>
Total trade and other receivables	<u>41,689</u>	<u>36,422</u>

Trade receivables

	<u>31/12/2021</u>	<u>31/12/2020</u>
Accounts receivable from customers	14,869	18,839
(Less) Provision for doubtful accounts	<u>(5,745)</u>	<u>(6,589)</u>
Total trade receivables	<u>9,124</u>	<u>12,250</u>

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

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

	<u>31/12/2021</u>	<u>31/12/2020</u>
Initial value	6,589	6,453
Impairment losses, net	746	630
Amount written off as uncollectible	<u>(1,590)</u>	<u>(494)</u>
Total provision for doubtful accounts	<u>5,745</u>	<u>6,589</u>

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

For an analysis of the ageing of trade receivables by the date of invoicing and net of the provision for doubtful accounts, refer to Note 6, Management of financial risks.

Other receivables

	<u>31/12/2021</u>	<u>31/12/2020</u>
Other tax receivables	16,825	9,877
Accruals, deferrals and other receivables	<u>15,740</u>	<u>14,295</u>
Total other receivables	<u>32,565</u>	<u>24,172</u>

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	31/12/2021	31/12/2020
Receivables owed by social security institutions	396	388
Advances, prepayments and sundry receivables from suppliers	8,287	6,253
Others	291	117
Accruals and deferrals	6,766	7,537
Total accruals, deferrals and other receivables	15,740	14,295

“Receivables owed by social security institutions” at 31 December 2021 refer mainly to receivables from the Italian workman’s compensation agency (INAIL) of €168 thousand, for advances and payments to employees, as well as, for the residual amount, advances against the Redundancy Fund paid to employees on behalf of the Italian social security administration (INPS), still to be refunded for €2 thousand.

The balance relating to “Advances, prepayments and sundry receivables from suppliers” at 31 December 2021 refers for €4,844 thousand to advances on commissions paid on the basis of interim receipts from customers, and for about €531 thousand to advances already paid for the main industry trade shows to be held in the first months of 2022, such as those in Miami, Dubai and Kuala Lumpur. The balance also includes several insurance indemnities requested during the current year, which will be paid in the following months, in addition to advances paid to suppliers for services that have not yet been completed or work progress payments for goods not yet delivered.

As at 31 December 2021, the loss allowance of other receivables was assessed to be minimal.

27. Contract Assets

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

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

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

	31/12/2021	31/12/2020
Gross value of contract assets	514,077	351,958
Advances collected	(402,283)	(175,921)
Total contract assets	111,794	176,037

28. Inventories

Only for comparative purposes, the Group has reclassified from the item “Inventories” as at 31 December 2020 net of the item “Advances on Inventories”.

	31/12/2021			31/12/2020		
	Gross value	Allowance for write-downs	Net amount	Gross value	Allowance for write-downs	Net amount
Raw materials and components inventory	52,534	(6,928)	45,606	34,706	(4,750)	29,956
Work in progress and semi-finished goods	62,919	—	62,919	53,886	—	53,886
New boats	20,931	(330)	20,601	62,809	(685)	62,124
Used boats	19,003	(3,742)	15,261	37,068	(6,093)	30,975
Total inventories	155,387	(11,000)	144,387	188,469	(11,528)	176,941

The “Raw materials and components inventory” is adjusted by an allowance for write-downs of €6,928 thousand at 31 December 2021 (€4,750 thousand at 31 December 2020) that reflects a prudential estimate of slow-moving and/or potentially obsolete inventory items.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The item “Used boats” refers to 5 used boats held in inventory, (8 boats at 31 December 2020 with a gross value of €37,068 thousand). The carrying amount of the used boats was adjusted by means of an allowance for write-downs of €3,742 thousand, in order to bring it down to its estimated realisable value.

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

	<u>31/12/2021</u>	<u>31/12/2020</u>
Within one year	139,470	156,906
Beyond one year	4,917	20,035
Total inventories	<u>144,387</u>	<u>176,941</u>

Advances on Inventories

The item “Advances on inventories” refers to the advances that the Group pays to its suppliers for purchases of raw materials.

29. Other Current Assets

The item “Other current assets” totalled €2,223 thousand at 31 December 2021 and regards the value of escrow accounts received by the subsidiary Allied Marine Inc. for its brokerage service. These funds, which are provided by customers upon the signing of an order, are held in escrow until the boat is delivered to the corresponding customer.

This item also includes the security deposit of €4 million paid in relation to participation in the auction. The amount receivable was collected in February 2022.

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

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NON-CURRENT ASSETS

30. Property, Plant and Equipment

Movements in this item in 2021 were as follows:

	Land and buildings	Plant, machinery and equipment	Other property, plant and equipment	Models and moulds	Total
At 1 January 2021					
Cost	190,298	53,200	37,982	255,476	536,956
Accumulated depreciation	(56,064)	(41,962)	(20,908)	(186,371)	(305,305)
Net carrying amount	<u>134,234</u>	<u>11,238</u>	<u>17,074</u>	<u>69,105</u>	<u>231,651</u>
At 1 January 2021, net of accumulated depreciation . . .	134,234	11,238	17,074	69,105	231,651
Additions – owned assets	26,769	6,141	2,851	30,650	66,411
Additions – right-of-use assets	1,896	537	223	—	2,656
Acquisition of subsidiaries	2,271	43	7	—	2,321
Disposals	(464)	(15)	(237)	(1,255)	(1,971)
Depreciation – owned assets	(6,148)	(2,411)	(2,575)	(23,911)	(35,045)
Depreciation – right-of-use assets	(5,475)	(274)	(878)	—	(6,627)
Reclassification	(131)	93	11	27	—
Exchange realignment	698	58	19	(317)	458
At 31 December 2021, net of accumulated depreciation	<u>153,650</u>	<u>15,410</u>	<u>16,495</u>	<u>74,299</u>	<u>259,854</u>

As at 31 December 2021, the net carrying amounts of land and buildings, plant, machinery and equipment, and other equipment and vehicles included right-of-use assets amounting to €18.068.768, €498.318, and €484.487, respectively.

Movements in this item in 2020 were as follows:

	Land and buildings	Plant, machinery and equipment	Other property, plant and equipment	Models and moulds	Total
At 1 January 2020					
Cost	159,010	51,510	34,797	226,088	471,405
Accumulated depreciation	(46,029)	(39,659)	(19,233)	(166,824)	(271,745)
Net carrying amount	<u>112,981</u>	<u>11,851</u>	<u>15,564</u>	<u>59,264</u>	<u>199,660</u>
At 1 January 2020, net of accumulated depreciation . . .	112,981	11,851	15,564	59,264	199,660
Additions – owned assets	13,019	2,682	10,770	29,389	55,860
Additions – right-of-use assets	14,825	70	428	—	15,323
Acquisition of subsidiaries	4,071	175	—	—	4,246
Disposals	(913)	(439)	(5,208)	—	(6,560)
Depreciation – owned assets	(4,691)	(2,453)	(4,090)	(19,548)	(30,782)
Depreciation – right-of-use assets	(4,745)	(96)	(931)	—	(5,772)
Reclassification	—	(433)	433	—	—
Exchange realignment	(313)	(119)	108	—	(324)
At 31 December 2020, net of accumulated depreciation	<u>134,234</u>	<u>11,238</u>	<u>17,074</u>	<u>69,105</u>	<u>231,651</u>

As at 31 December 2020, the net carrying amounts of land and buildings, plant, machinery and equipment, and other equipment and vehicles included right-of-use assets amounting to €21,664,000, €211,000 and €1,149,000, respectively.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Intangible Assets

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

	<u>Goodwill</u>	<u>Trademarks</u>	<u>Other intangible assets</u>	<u>Total</u>
At 1 January 2021				
Cost	1,631	243,840	51,169	296,640
Accumulated amortisation	—	—	(34,291)	(34,291)
Net carrying amount	<u>1,631</u>	<u>243,840</u>	<u>16,878</u>	<u>262,349</u>
At 1 January 2021, net of accumulated amortisation	1,631	243,840	16,878	262,349
Additions	—	138	3,204	3,342
Disposals	—	—	(693)	(693)
Amortisation	—	—	(6,847)	(6,847)
Exchange realignment	—	2	21	23
At 31 December 2021, net of accumulated amortisation	1,631	243,980	12,563	258,174
At 31 December 2021				
Cost	1,631	243,980	53,701	299,312
Accumulated amortisation	—	—	(41,138)	(41,138)
Net carrying amount	<u>1,631</u>	<u>243,980</u>	<u>12,563</u>	<u>258,174</u>

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

	<u>Goodwill</u>	<u>Trademarks</u>	<u>Other intangible assets</u>	<u>Total</u>
At 1 January 2020				
Cost	1,631	243,701	43,942	289,274
Accumulated amortisation	—	—	(28,711)	(28,711)
Net carrying amount	<u>1,631</u>	<u>243,701</u>	<u>15,231</u>	<u>260,563</u>
At 1 January 2020, net of accumulated amortisation	1,631	243,701	15,231	260,563
Additions	—	185	7,599	7,784
Amortisation	—	—	(5,939)	(5,939)
Exchange realignment	—	(46)	(13)	(59)
At 31 December 2020, net of accumulated amortisation	1,631	243,840	16,878	262,349
At 31 December 2020				
Cost	1,631	243,840	51,169	296,640
Accumulated amortisation	—	—	(34,291)	(34,291)
Net carrying amount	<u>1,631</u>	<u>243,840</u>	<u>16,878</u>	<u>262,349</u>

Goodwill

Goodwill amounted to €1,631 thousand and related to the investment in the subsidiary Zago S.p.A. and the subsidiary Ferretti Group (Monaco) S.a.M., as shown in the table below.

	<u>31/12/2021</u>	<u>31/12/2020</u>
Zago S.p.A.	332	332
Ferretti Group (Monaco) S.a.M.	1,299	1,299
Total goodwill	<u>1,631</u>	<u>1,631</u>

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Trademarks

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

	<u>31/12/2021</u>	<u>31/12/2020</u>
Ferretti Yachts	95,318	95,318
CRN	46,528	46,528
Custom Line	36,718	36,718
Riva	30,716	30,716
Wally	25,434	25,434
Pershing	8,609	8,609
Easy Boat	9	9
Costs for trademark protection	648	508
Total trademarks	<u>243,980</u>	<u>243,840</u>

Impairment test on indefinite useful life intangible assets

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

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

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

- the free cash flows used to determine value in use were those derived from the management’s most recent forecasts with a five-year time period;
- the impairment test was performed considering as the recoverable value of the cash generating units (CGUs) their value in use, which includes their terminal value, determined in accordance with the perpetuity criterion;
- the main criteria used to determine the value in use are summarised in the following table, and are the same for all the CGUs:

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

- the Group’s management adopted a discount rate in a configuration pre-tax effects that reflects current market valuations of the cost of money and the specific risk associated with each CGU. In the calculation of the terminal value, the Group uses a long-term growth rate of 2.0% after considering publicly available data and market perspective.

The impairment test results did not indicate any need to write down the intangible and tangible assets for the Group’s CGUs. The Group also carried out a second-level test, considering and verifying goodwill impairment at that level. The impairment test carried out did not show any need for write-downs.

The Group also conducted sensitivity analyses of the parameters applied in the base version of the test, increasing or decreasing the WACC discount rate and/or the g-rate.

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

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

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Other Intangible Assets

	<u>31/12/2021</u>	<u>31/12/2020</u>
Concessions	1,507	1,553
Intellectual property rights	9,595	13,610
Software	1,461	1,715
Total other intangible assets	<u>12,563</u>	<u>16,878</u>

This item includes:

- “Concessions” with a net book value of €1,507 thousand and referring chiefly to the costs incurred to acquire docking rights in a marina located in Cattolica within the framework of the Detailed Public Initiative Plan for Port Facilities in the Municipality of Cattolica. The docking rights will be valid until 2053. Besides the docking right in the marina Porto Mirabello, in the Gulf of La Spezia, the net value of the investment is €630 thousand; the right will be valid until 2067;
- “Intellectual property rights” with a net book value of €9,595 thousand include the costs of the projects carried out by the Group, which extended to the main business areas, in view of constant improvement and complete integration of the various Group companies operating in Italy and abroad, as part of the reorganisation of the Group initiated in previous years. This item also includes the design work to develop naval platforms for the construction of the CRN models. The Group conducted research and development on innovative solutions for each model to be applied to all units built. In particular, the projects being developed include: the creation of special gates, built on land before the steel boat structure arrives in the shipyard; standardisation of the plant processes; study of the installation of plastic pipes to optimise footprint; development of an engine room optimised for the passage of pipes and conduits; and the study and development of light-weight furnishings, with support from the Engineering Department.
- the residual value of the item “Other intangible assets” (€1,461 thousand) referred to the net value of licences for new IT applications and the net value of patents.

32. Other Non-Current Assets

A breakdown of this item is as follows:

	<u>31/12/2021</u>	<u>31/12/2020</u>
Equity investments designated at fair value through income statement	325	236
Investment in a joint venture	31	—
Other assets and deposits	4,833	2,783
Total other non-current assets	<u>5,189</u>	<u>3,019</u>

a) Equity investments

The balances mainly include equity investment in Nouveau Port Golf Juan which owns certain commercial premises currently occupied by a restaurant.

b) Other assets and deposits

The item “Other assets and deposits” chiefly refer to advances on commissions paid on the basis of interim receipts from customers for boats that will be delivered after the following year, prepaid expenses due after year-end and to security deposits.

33. Deferred Tax Assets

As at 31 December 2021 and 31 December 2020 deferred tax assets have been restated on the basis of the option afforded by IAS 12 net of deferred tax liabilities as they relate to Italian Group companies that are part of tax consolidation.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	Provisions	Inventory write-downs	Provision for doubtful accounts	Differences in depreciation and amortisation for reporting rather than tax purposes	Goodwill relevant for income tax purposes	Tax losses	Other sundry differences	Total
At 31 December 2020 and								
1 January 2021	11,422	2,859	1,565	8,310	1,407	62,128	374	88,065
Credited/(charged) to:								
profit or loss	(1,368)	(196)	(347)	1,215	(151)	(560)	126	(1,281)
other reserves	—	—	—	—	—	130	—	130
At 31 December 2021	10,054	2,663	1,218	9,525	1,256	61,698	500	86,914

	Depreciation of land and other assets valued at less than 516/k	Trademarks	Leases (IAS17)	Other	Total
At 31 December 2020 and 1 January 2021	1,324	61,045	5,701	1,646	69,716
Charged/(credited) to:					
profit or loss	(9)	(386)	(152)	(270)	(817)
other comprehensive income	—	—	—	39	39
Acquisition of a subsidiary	—	—	—	288	288
Exchange differences	—	—	—	28	28
At 31 December 2021	1,315	60,659	5,549	1,731	69,254

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

	Provisions	Inventory write-downs	Provision for doubtful accounts	Differences in depreciation and amortisation for reporting rather than tax purposes	Goodwill relevant for income tax purposes	Tax losses	Other sundry differences	Total
At 31 December 2019 and								
1 January 2020	12,441	1,733	1,584	7,562	1,444	44,860	374	69,998
Credited/(charged) to:								
profit or loss	(1,019)	1,126	(19)	748	(37)	17,268	—	18,067
At 31 December 2020	11,422	2,859	1,565	8,310	1,407	62,128	374	88,065

	Depreciation of land and other assets valued at less than 516/k	Trademarks	Leases (IAS17)	Other	Total
At 31 December 2019 and 1 January 2020	1,324	61,045	5,830	940	69,139
Charged/(credited) to:					
profit or loss	—	—	(129)	(239)	(368)
other comprehensive income	—	—	—	28	28
Acquisition of a subsidiary	—	—	—	951	951
Exchange differences	—	—	—	(34)	(34)
At 31 December 2020	1,324	61,045	5,701	1,646	69,716

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	31/12/2021	31/12/2020
Deferred tax assets	17,660	18,349
Deferred tax liabilities	—	—
Total deferred tax assets	17,660	18,349

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

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

The Company has tax assets from tax losses and surplus of financial interest expense (in Italy surplus of financial interest expenses is deductible only within the limits of 30% of gross operating income) arising from €84,294,000 and €78,044,000 as at 31 December 2020 and 2021 that are available without any time limit for offsetting against future taxable profits of the entities included in Group tax consolidation scheme in the limit of 80% of the income (the Italian tax regulations permits to deduce in future periods tax losses and surplus of financial deduct expense that were not deducted in the past). Deferred tax assets were recognized, consistently with IAS 12 requirements, only to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

The Group has certain deferred tax assets arising from tax losses and not deducted interest expense carried forward ("DTAs") that, in accordance with the related accounting standard, have not been recognized in prior years. In fact, as of 1 January 2020 the Group has DTAs for €85.3 million, of which €44.9 million recognized and €40.4 million not recognized, whilst as of 31 December 2021 the Group has DTAs for €78.0 million, of which €61.7 million recognized and €16.3 million not recognised.

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

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

NOTES TO THE MAIN LIABILITIES AND EQUITY ITEMS

CURRENT LIABILITIES

34. Bank and Other Borrowings

	31/12/2021			31/12/2020		
	Effective interest rate	Maturity	Amount	Effective interest rate	Maturity	Amount
	Euribor *			Euribor *		
Due to banks – secured	+ 1.5 - 2.9	2022	23,047	+ 2.6 - 3.0	2021	32,501
Due to banks – unsecured	1.8-9.2	2022	1,354	1.2-2.0	2021	10,648
Incidental borrowing costs			(1,275)			(1,532)
Due to banks net of incidental borrowing costs			23,126			41,617
Due for maturity factor			0	1.5	2021	29,639
Lease liabilities	1.7-4.7	2022	8,031	2.0-4.7	2021	7,768
Total short-term financial payables			31,157			79,024

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	31/12/2021			31/12/2020		
	Effective interest rate	Maturity	Amount	Effective interest rate	Maturity	Amount
Due to banks – secured	Euribor * + 1.5 - 2.9	2024	35,792	Euribor * + 2.6 - 3.0	2024	58,499
Incidental borrowing costs			(1,236)			(2,510)
Due to banks net of incidental borrowing costs			34,556			55,989
Lease liabilities	1.7-4.7	2031	22,770	2.0-4.7	2031	28,857
Total medium-/long-term financial payables			57,326			84,846
Total bank and other borrowings			88,483			163,870

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

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

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

- (a) an amortizing medium-to-long term line of credit with a total maximum amount of €70 million for the Company, to be repaid according to an amortisation schedule that calls for six half-yearly payments, starting on 31 December 2021, with maturity on 2 August 2024, to be used to finance, *inter alia*, industrial investments per its business plan, and substitute tax on the various lines of credit pursuant to the Loan Agreement (defined the “Term Loan Facility”);
- (b) a revolving medium-to-long term line of credit with a total maximum amount of €40 million for the Company, to be repaid on the final maturity date (i.e., 2 August 2024) (with an annual clean-down period, with a threshold of €1,000,000 for a minimum of three consecutive business days, it being understood that no fewer than three months may elapse between one clean-down period and another), to be used to finance its ordinary business activity (defined the “Revolving Credit Facility”);
- (c) a revolving medium-to-long term line of credit with a total maximum amount of €60 million for the Company, to be repaid on the final maturity date (i.e., 2 August 2024), and to be used to finance the ordinary activity relating to commercial contracts for a maximum amount of 90% of the value of the said commercial contracts (defined the “Revolving Pre-Finance Facility”).

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

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

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

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

With regard to the analysis of bank and other borrowings based on maturity, please refer to Note 6 “Financial risk management”.

All borrowings are denominated in Euro.

35. Trade and Other Payables

Only for comparative purposes, the Group has reclassified the item “Trade and other payables” as at 31 December 2020 net of the item “Trade and other receivables” (Note 26) with the same counterparty in order to improve the comprehension for the readers of the financial statements.

A breakdown of this item is as follows:

	<u>31/12/2021</u>	<u>31/12/2020</u>
Trade payables	238,687	195,112
Other payables	40,477	27,873
Total trade and other payables	<u>279,164</u>	<u>222,985</u>
Trade and other payables – current	278,809	222,476
Trade and other payables – non-current	355	509
Total trade and other payables	<u>279,164</u>	<u>222,985</u>

a. Trade payables

A breakdown of this item is as follows:

	<u>31/12/2021</u>	<u>31/12/2020</u>
Accounts payable to suppliers	238,687	195,112
Total trade payables	<u>238,687</u>	<u>195,112</u>

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

For an analysis of the ageing of trade payables, based on their maturity, please refer to Note 6 “Financial risk management”.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

b. Other payables

	31/12/2021	31/12/2020
Payables due to pension and social security institutions . .	11,781	8,551
Amounts payable to employees	17,824	11,534
Amounts payable to directors	1,255	1,389
Other income tax payable	5,190	3,392
Miscellaneous payables	3,468	1,226
Accrued expenses	432	522
Deferred income	172	750
Government authorisation fees	355	509
Total other payables	40,477	27,873

The item “Payables due to pension and social security institutions” reflects the amounts owed to these institutions at 31 December 2021 by Group companies and their employees for the December payroll and for accrued and deferred remuneration.

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

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

The item “Other income tax payable” chiefly refers to taxes withheld accrued that will be paid in January 2022.

The items “Accrued expenses and deferred income” consists mainly of insurance premiums and other transactions recognised on an accrual basis.

The item “Government authorisation fees”, totalling €355 thousand at 31 December 2021, relates mainly to prepayments of public grants received by the Group of €261 thousand authorised in favour of the former Riva S.p.A., now merged in Ferretti, as fully reported in Note 30 and €94 thousand authorised in favour of the former subsidiary CRN S.p.A., now also merged in Ferretti. Said deferred income was classified under “Non-current liabilities” for the portion due after the following year. These grants will be recognised in the Income Statement along with the amortisation periods of the corresponding assets once the underlying Framework Agreements expire.

The Group’s management believes that the carrying amount of “Total trade and other payables” is close to their fair value.

36. Contract Liabilities

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

37. Income Tax Payable

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

NON-CURRENT LIABILITIES

38. Bank and Other Borrowings

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

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. Provisions

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

	<u>Provision for product warranties</u>	<u>Provisions for miscellaneous risks</u>	<u>Total provisions</u>
Balance at 31 December 2019	15,949	32,404	48,353
Increases	15,084	6,178	21,262
Utilisations during the period	(15,775)	(9,150)	(24,925)
Total at 31 December 2020	<u>15,258</u>	<u>29,432</u>	<u>44,690</u>
	<u>Provision for product warranties</u>	<u>Provisions for miscellaneous risks</u>	<u>Total provisions</u>
Balance at 31 December 2020	15,258	29,432	44,690
Increases	18,767	7,346	26,113
Utilisations during the period	(15,158)	(15,206)	(30,364)
Total at 31 December 2021	<u>18,867</u>	<u>21,572</u>	<u>40,439</u>

a. Provision for product warranties

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

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

	<u>31/12/2021</u>	<u>31/12/2020</u>
Current portion	9,484	7,716
Non-current portion	9,383	7,542
Total provision for product warranties	<u>18,867</u>	<u>15,258</u>

b. Provisions for miscellaneous risks

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

	<u>31/12/2021</u>	<u>31/12/2020</u>
Legal proceedings and tax and employment law litigation	6,359	16,928
Dealer incentives	8,392	6,798
Provisions for completion of boats	1,512	1,808
Provisions for other risks	5,309	3,898
Total provisions for miscellaneous risks	<u>21,572</u>	<u>29,432</u>

Provisions for “Legal proceedings and tax and employment law litigation” refer, as far as the legal part is concerned, to potential liabilities arising from the Group’s core activity regarding current litigation involving actions for liability due to breach of contract in general and/or contractual liability arising from flaws in the product sold, and other actions concerning claims for compensation for damages by third parties. The decrease compared to the previous year relates to the settlement of a dispute, for which the provision of €2 million was used, and to the judgement in the second instance handed down with regard to a dispute, the amount of which was recognised among accounts payable pending payment to the counterparty.

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

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

40. Non-Current Employee Benefits

The breakdown of this item at 31 December 2021 and 31 December 2020 are as follows:

	<u>31/12/2021</u>	<u>31/12/2020</u>
Provision for employee benefits	6,609	6,849
Provision for leaving indemnity	897	945
Total non-current employee benefits	<u>7,506</u>	<u>7,794</u>

a. Employee benefits

Under IAS 19, employee benefits provided in accordance with Italian laws that govern the payment of employee severance indemnities should be treated as post-employment benefits provided under a defined-benefit plan and, consequently, should be valued in accordance with the Projected Unit Credit Method. However, in view of the new provisions introduced by the 2007 Budget Law (Law No. 296 of 27 December 2006), the entities authorised to provide a technical analysis of this issue (Abi, Assirevi and the National Board of Actuaries) concluded that the severance benefits that vest from 1 January 2007 on (or on the date that the option for employees who opted to pay into supplemental pension funds starts) and are invested in supplemental pension funds or deposited in the Treasury Fund maintained by the INPS should be treated as being part of a defined-contribution plan and, as such, are no longer subject to actuarial valuation. This system applies to companies with more than 50 employees (therefore, for the Italian companies, Ferretti, former C.R.N. S.p.A., and Zago S.p.A.). Ram Srl, consolidated in 2021, is not subject to this assessment as it has less than 50 employees; payables for severance benefits accrued at 31 December 2021 amounted to €251 thousand.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

- projection of vested severance indemnity benefits on the valuation date and of the benefits that will vest until the uncertain date when the employment relationship is terminated or payment of an advance on vested severance indemnity benefits;
- discounting at the valuation date of the expected cash flows that the Group will allocate to its employees in the future;
- in each valuation year, for each employee, the calculation of the annual severance pay increase was made net of the 17% substitute tax (on the annual revaluation amount of severance pay), as provided for in the 2015 Stability Law.

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

	<u>31/12/2021</u>	<u>31/12/2020</u>
Present value of the initial obligation	6,849	7,211
Change to the scope of consolidation	251	0
Interest cost	10	28
Service cost	—	—
Actuarial gains	(110)	(58)
Use for indemnities paid and advances	(391)	(332)
Present value of the final obligation	<u>6,609</u>	<u>6,849</u>

At 31 December 2021, the following assumptions were made:

Demographic Assumptions

- Probability of death of active employees (grouped by age and gender) obtained by reducing by 30% the death probabilities for the Italian population in 2019 (source: ISTAT);
- yearly probability of termination of employment for various reasons (resignation, dismissal), based on the experience for the population in the last five years and applied to all employees aged 65 or younger, equal to 4%;
- yearly probability of requests for payment of advances on vested severance indemnity benefits, based on the experience for the population in recent four years and applied to all employees with seniority of one year or more, of 1%;
- the frequency of employment termination due to resignation by employees achieving the right to receive an old-age or seniority-based pension was also conservatively assumed to be 100%. The requirements for obtaining an old-age or seniority-based pension were assumed to be the same as those set forth in the current regulations of the Italian Social Security Administration (INPS). At present, no employees have requested early retirement.

Financial Assumptions

- Annual inflation rate: 1.75% for the entire valuation period;
- annual revaluation rate of severance indemnity benefits: fixed at 1.5% for the entire valuation period plus 75% of the inflation rate;
- technical discounting rate applied to value defined-benefit plan obligations and the current service cost relating to 31 December 2021: 1%;

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- technical discounting rate for the valuation of financial charges for the period 1 January 2021 – 31 December 2021, equal to the discounting rates for valuations of the defined-benefit obligations at 31 December 2020 (interest cost): 0.3%;
- technical discounting rate at 31 December 2021, based on the yield of the iBoxx Euro 10+ AA Allstock Corporate Bond Index: 0.9852%.

In 2021, an actuarial gain amounting to €161 thousand, gross of fiscal effect, was recognised under the “Other equity reserves” item.

The amounts recognised in the Income Statement are summarised below:

	<u>31/12/2021</u>
	<i>(in thousand Euros)</i>
Interest cost	<u>10</u>
Total	<u>10</u>

b. Provision for leaving indemnity

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

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

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

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

At 31 December 2021, the following assumptions were made:

Demographic Assumptions

- Probability of death of active employees (grouped by age and gender) obtained by reducing by 30% the death probabilities for the Italian population in 2020 (source: ISTAT);
- probability of termination of employment for various reasons (resignation, dismissal), equal to 4% annually for all employees aged 65 or younger;
- the frequency of employment termination due to resignation by employees achieving the right to receive an old-age or seniority-based pension was also assumed to be 100%. The requirements for obtaining an old-age or seniority-based pension were assumed to be the same as those set forth in the current regulations of the Italian Social Security Administration (INPS). In this regard, it should be borne in mind that no employees have requested early retirement at the present moment.

Financial Assumptions

- Technical discounting rate applied to value defined-benefit obligations and the current service cost relating to 31 December 2021: 1.0%;
- technical discounting rate for the valuation of financial charges for the period 1 January 2021 – 31 December 2021, equal to the discounting rates for valuations of the defined-benefit obligations at 31 December 2020 (interest cost): 0.3%;

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The provision for indemnities payable upon termination of employment, which had a balance of €417 thousand at 31 December 2021, is attributable to Zago S.p.A.

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

	<u>Increase / (decrease) of the interest rate of %</u>	<u>Increase / (decrease) of profit before tax</u>
31 December 2021		
Euro	25	130
Euro	(25)	(134)

SHARE CAPITAL AND RESERVES

Equity amounted to €498,066 thousand at 31 December 2021, down compared to the previous year, net of the result for the year, by about €3.5 million, following the dividend payout approved by the General Shareholders' Meeting held on 11 May 2021, as discussed below together with the main components of "Share capital and reserves".

41. Share Capital

	<u>31/12/2021</u>	<u>31/12/2020</u>
Issued and fully paid	<u>250,735</u>	<u>250,735</u>

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

42. Reserves

A share premium reserve of €281,296 thousand was created through a cash payment disbursed on 3 July 2012, which was equal to the amount paid for the share capital increase and its amount rose through the capital increases occurred in 2019.

The legal reserve set up pursuant to applicable laws, amounting to €7,110 thousand.

The translation Reserves, amounting to €4,329 thousand at 31 December 2021, reflects the foreign exchange differences that arise from the conversion of the equity opening balances and Income Statement of the US And UK subsidiaries of the Company, which are translated into euros at the U.S. dollar exchange rate in force at 31 December 2021 and at the average exchange rate for the period, respectively. During the period, the reserve changed by €746 thousand, as reported in the Consolidated Comprehensive Income Statement.

The item "Other reserves", at €(45,189) thousand at 31 December 2021, mainly includes:

- the overall effect of the income/(loss) on defined-benefit plans: the reserve amounting to €(99) thousand at 31 December 2021 was set up in accordance with IAS 19 — Employee Benefits; during the period the amount of the reserve changed by €122 thousand, net of the tax effect, as reported in the Consolidated Comprehensive Income Statement;
- the remaining part is mainly referred to accumulated earnings /(losses).

Dividends

	<u>31/12/2021</u>	<u>31/12/2020</u>
Dividends	3,510	6,582

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The General Shareholders' Meeting convened on 11 May 2021, authorised a dividend payout for €3,510 thousand, equal to €1.40 cents per share, made on 10 June 2021. The General Shareholders' Meeting convened on 16 March 2020 had authorised a dividend payout for €6,582 thousand, equal to €2.625 cents per share, paid on 25 March 2020.

43. Non-Controlling Interests

Non-controlling interests are represented by 25% of Sea Lion S.r.l.'s shares and 20% of Ram S.r.l.'s shares.

44. Earnings Per Share Attributable to Shareholders of the Company Basic and diluted

Earnings per share were calculated as the ratio of net profit for the year to the number of shares outstanding at the date of approval of these financial statements, as indicated in the table below, and coincides with the earnings per share diluted due to the absence of partially dilutive instruments.

	<u>31/12/2021</u>	<u>31/12/2020</u>
Profit attributable to shareholders of the company (in thousand Euros)	37,545	22,006
Number of ordinary shares at the reporting date	<u>250,734,954</u>	<u>250,734,954</u>
Earnings per share attributable to shareholders of the company basic and diluted (in Euros)	<u>0.15</u>	<u>0.09</u>

45. Business Combinations

2021

On 7 May 2021, the Group acquired an 80% interest in Ram S.r.l. through a cash payment of €720 thousand.

Ram – Revisione Assistenza Motoscafi is the first Riva Boat Service, created by Carlo Riva in 1957, located on the lakeshore next to the Riva di Sarnico shipyard.

	Fair value recognised at acquisition date
Cash and cash equivalents	1
Trade and other receivables	292
Other current assets	1,280
Property, plant and equipment	2,321
Other non-current assets	37
Current liabilities	(2,372)
Deferred taxes	(288)
Non-current employee benefits	(284)
Other non-current assets	<u>(267)</u>
Total net assets at fair value	<u>720</u>
Payment made	720

Below is an analysis of the cash flows relating to the acquisition of Ram S.r.l.:

Payment of the consideration	(720)
Cash available at acquisition date	<u>1</u>
Cash outflows for the investment	<u>(719)</u>

Since acquisition, Ram S.r.l. has contributed €628 thousand to the Group's net revenue and a loss of €499 thousand to consolidated profit for the year ended 31 December 2021. If the combination had occurred at the beginning of the year, the revenue of the Group's continuing operations and the profit for the year would have been 899,049 thousand and €37,882 thousand, respectively.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2020

On 13 October 2020, the Group acquired 100% equity interest of Michelini & C S.r.l., a company active in shipbuilding that operates in areas belonging to the La Spezia port state maritime domain bordering the state maritime domains used by Ferretti. Negotiations for the acquisition had started in 2019, in order to achieve the objectives of expanding the production capacity of the La Spezia shipyard. The purchase consideration and transaction cost for the acquisition was in the form of cash, amounting to €3,460,000.

	Fair value recognised at acquisition date
Cash and cash equivalents	145
Trade and other receivables	160
Property, plant and equipment	4,246
Other non-current assets	79
Current liabilities	(217)
Deferred tax liabilities	(951)
Non-current liabilities	(2)
Total net assets at fair value	<u>3,460</u>
Payment made	3,460

Below is an analysis of the cash flows relating to the acquisition of Michelini & C S.r.l.:

Payment of the consideration	(3,460)
Cash available at acquisition date	<u>145</u>
Cash outflows for the investment	<u>(3,315)</u>

Since the acquisition, Michelini & C S.r.l. contributed €34,000 to the Group's revenue and loss of €14,000 to the consolidated profit for the year ended 31 December 2020.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been €638,613,000 and €20,763,000, respectively.

46. Cash Flows

Group's main non-monetary transactions

During the years ended 31 December 2020 and 2021, the Group had non-cash additions to rights-of-use assets and lease liabilities of €15,323 thousand and €2,820 thousand, respectively.

Changes in liabilities arising from financing activities

Bank and other borrowings <i>(excluding lease liabilities)</i>	31/12/2021	31/12/2020
At the beginning of the period	127,245	97,727
Changes in financing activities:		
New utilisations	57,682	114,008
Reimbursements	(127,245)	(84,490)
Total at the end of the period	<u>57,682</u>	<u>127,245</u>
Lease liabilities	31/12/2021	31/12/2020
At the beginning of the period	36,625	27,836
Changes in financing activities:		
New utilisations	2,820	13,772
Interest	187	163
Reimbursements	(8,831)	(5,146)
Total at the end of the period	<u>30,801</u>	<u>36,625</u>

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Total cash outflows for leasing

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

	<u>31/12/2021</u>	<u>31/12/2020</u>
Operating activities	4,003	3,779
Financing activities	8,831	5,146

47. Related Party Transactions

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

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

The tables below provide a breakdown of the financial and capital arrangements with the Related Parties.

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

	<u>Trade and other receivables</u>	<u>Trade and other payables</u>
Fellow subsidiaries:		
Weichai Power Co., Ltd	484	(516)
Shandong Weichai Import & Export Co., Ltd ..	3,150	—
Other related companies:		
HPE S.r.l.	—	(100)
Wally S.A.M.	—	(29)
Ferrari S.p.A.	—	(13)
CoEnergetica S.a.s.	—	(15)
Other related parties	28	(147)
Total related parties at 31 December 2020 ..	<u>3,662</u>	<u>(820)</u>

	<u>Trade and other receivables</u>	<u>Trade and other payables</u>
Fellow subsidiaries:		
Weichai Power Co., Ltd	484	(645)
Shandong Weichai Import & Export Co., Ltd ..	3,150	—
Other related companies:		
HPE S.r.l.	—	(50)
Wally S.A.M.	297	(25)
Ferrari S.p.A.	—	(5)
PEH S.r.l.	—	(21)
CoEnergetica S.a.s.	—	(15)
Other related parties	33	(216)
Total related parties at 31 December 2021 ..	<u>3,964</u>	<u>(977)</u>

The balance of trade and other payables to Weichai Power Co., Ltd amounting to €484 thousand at 31 December 2021 refers wholly to the agreements on the right to sponsor the "Riva" brand on the Ferrari single-seater helmet during the FIA Formula One championship.

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

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The balance of trade and other payables to other related parties amounting to €216 thousand at 31 December 2021 mostly refers to the costs incurred by the Company for legal services amounting to €145 thousand and other services provided by related parties under arm's length conditions.

A breakdown of the Group's financial transactions with related parties for the periods ended 31 December 2020 and 31 December 2021 is set out below:

		Costs for the use of raw materials, services, rentals and leases
Weichai Power Company Co., Ltd		(355)
HPE S.r.l.		(200)
Wally S.A.M.		(29)
Ferrari S.p.A.		(14)
CoEnergetica S.a.s.		(15)
Other related parties		(774)
Total related parties at 31 December 2020		(1,387)
	Net revenue	Costs for the use of raw materials, services, rentals and leases
Weichai Power Co., Ltd		(129)
HPE S.r.l.	—	(200)
Wally S.A.M.	4	(241)
Ferrari S.p.A.	—	(5)
PEH S.r.l.	—	(164)
CoEnergetica S.a.s.	—	(15)
Other related parties	—	(997)
Total related parties at 31 December 2021	4	(1,751)

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

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

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

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

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

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

The costs to other related parties amounting to €997 thousand at 31 December 2021 mostly refer to the costs incurred by the Company for legal services and other consulting services tied to the development of the FSD division and Wally trademark development, provided by related parties under arm's length conditions.

Compensation of key management personnel of the Group

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

48. Fees paid to Directors, Statutory Auditors, members of the Supervisory Body and Independent Auditors

The remuneration paid to Ferretti S.p.A.'s Directors is provided below:

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

Fees are broken down as follows (in thousand Euros):

2021

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

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2020

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

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

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

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

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

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

<u>Company</u>	<u>Post held</u>	<u>Fees and Compensation for post held</u>
EY SpA	Fees for the auditing of accounts	207
EY SpA	Fees for other services	732
Ernst & Young	Fees for other services	321
Total		1,260

49. Contingent Liabilities

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

50. Mortgages on Properties

As at 31 December 2020 and 2021, the Group's bank loans were secured by mortgages on properties of €73,606 thousand and €85,486 thousand, respectively.

51. Commitments

As at 31 December 2021 and 31 December 2020 no commitments were reported.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

52. Guarantees Provided to / Received from Third Parties

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

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

Ferretti S.p.A.:

- a surety policy issued by Atradius for the benefit of the Marche Revenue Agency in the amount of €2,274 thousand and for the benefit of the Emilia Romagna Revenue Agency in the amounts of €28 thousand and €77 thousand, respectively, in order to avoid the administrative block against the 2013 VAT refund;
- a surety policy for a total amount of €113 thousand issued by Liberty Specialty Markets Assicurazioni for the benefit of the Emilia Romagna Revenue Agency in connection with the Group VAT credit rebate for 2018;
- a surety policy for a total amount of €3,018 thousand issued by Liberty Specialty Markets Assicurazioni for the benefit of the Emilia Romagna Revenue Agency in connection with the Group VAT rebate for 2020;
- a surety policy for a total amount of €1,471 thousand issued by Liberty Specialty Markets Assicurazioni for the benefit of the Emilia Romagna Revenue Agency in connection with the Group VAT credit rebate for 2019;
- a surety policy for a total amount of €752 thousand issued by Elba Assicurazioni for the benefit of the Emilia Romagna Revenue Agency in connection with the VAT offsetting for 2019;
- an insurance policy for €25 thousand issued by Vittoria Assicurazioni for the benefit of the Sarnico municipal administration in connection with urban development projects;
- an insurance policy issued by Reale Mutua Assicurazioni for the Iseo, Endine and Moro Lake Authority for concession charges of €53 thousand;
- a surety policy for a total amount of €797 thousand issued by Elba Assicurazioni as a guarantee for contractual obligations associated with the supply of several patrol boats to the Carabinieri Corps;
- a surety policy for a total amount of €91 thousand, issued by Coface, as a guarantee for the offsetting landscaping works on public green space on Via San Bartolomeo in La Spezia;
- a surety policy for €1083 thousand issued by Elba Assicurazioni for the benefit of the La Spezia Customs Agency for a boat temporarily imported for the performance of warranty work;
- guarantees totalling €1.1 million issued by various banks in favour of certain suppliers, following negotiated supply conditions;
- guarantees totalling €46.2 million issued by various banks in favour of customers for the construction of several boats;
- a bank guarantee for €250 thousand issued by Cassa di Risparmio de La Spezia to the Port System Authority of the Eastern Ligurian Sea to secure the performance of obligations arising under a government concession;
- a bank guarantee issued in relation to the process awarding the Wally brand.
- a surety policy of €30 thousand received from Unipol Assicurazioni in favour of the Ancona Customs Agency for excise incentives on diesel used in engine tests;
- a surety policy of €40 thousand received from Axa Assicurazioni in favour of the Ancona Port Authority for the granting of use of public land;
- a surety policy of €3,222 thousand received from Liberty Specialist Market Assicurazioni for the benefit of the Ancona Revenue Agency as a guarantee for offsetting the VAT credit for 2019;
- a surety policy of €103 thousand, received from Liberty Mutual Assicurazioni for the benefit of the Italian Customs and Monopolies Agency of Ancona — seafront for a global guarantee (tax relief measures);
- sureties totalling €91 million issued by various banks to customers as a guarantee of the advances paid for the construction of boats.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Zago S.p.A.:

- sureties of €4,291 thousand issued by several insurance companies for the benefit of a customer in connection with advances received or as guarantee on furnishing and fixture.

Ram Srl:

- a surety policy of €21 thousand received from Liberty Specialist Market Assicurazioni for the benefit of the Ancona Customs Agency for the temporary import of boats.

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

- a first-degree deed of mortgage on the properties owned by Ferretti S.p.A. The Company has also committed to granting a mortgage on the docks under concession in La Spezia, Sarnico and Ancona, once consent is provided by the competent public land authorities;
- deed of special lien pursuant to Article 46 of the Consolidated Banking Act on the bridge cranes and other cranes owned by Ferretti S.p.A.;
- deed of pledge on four current accounts (the minimum balance required for these accounts is €2 thousand);

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

53. Fair Value

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

<u>Financial statement line item</u>	<u>31 December 2021</u>	<u>31 December 2020</u>
	<u>Carrying amount</u>	
Other current assets	8,731	3,592
	<u>31 December 2021</u>	<u>31 December 2020</u>
	<u>Fair value</u>	
Other current assets	8,731	3,592
	<u>31 December 2021</u>	<u>31 December 2020</u>
	<u>Carrying amount</u>	
Bank and other borrowings	57,326	84,846
Total bank and other borrowings – non-current ..	57,326	84,846
	<u>31 December 2021</u>	<u>31 December 2020</u>
	<u>Fair Value</u>	
Bank and other borrowings	57,326	84,846
Total bank and other borrowings – non-current	57,326	84,846

The fair values of other financial assets and liabilities are largely similar to their carrying amounts as these instruments mature in the near term.

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

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

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

54. Significant events after 31 December 2021

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

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

- To the best knowledge of our Directors, as of the date of the financial statements, the Group was not engaged in any sales or had any pending orders to Russian oligarchs;
- During the period from 2018 to 2021, sales to Russian and Ukraine purchasers accounted for less than 3% of our total revenue for the same period. Therefore, Russian and Ukraine sales are deemed immaterial to our business, results of operations and financial condition as a whole. Furthermore, in the event of a customer default, we are able to freely resell the yacht to another customer. Due to the nature and uniqueness of the luxury industry, we did not experience in the past, nor do we expect to face in the future, any material difficulty in reselling our yachts to other customers;
- Ferretti will cease entering into new sales contracts with Russian and Ukraine purchasers; and
- on the supply side, we are not sourcing, and do not plan to source in the future, any raw materials and components from any Russian or Ukraine supplier.

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

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

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 March 2022.

**CONSOLIDATED FINANCIAL STATEMENTS
OF FERRETTI S.P.A. AS AT AND FOR THE YEAR ENDED
DECEMBER 31, 2020**

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010
(Translation from the original Italian text)

To the Shareholders of
Ferretti S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Ferretti S.p.A. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of December 31, 2020, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity 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 December 31, 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.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

EY S.p.A.
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Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. 250904
P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have 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.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities 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.

We have 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 identify during our audit.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated January 27, 2010

The Directors of Ferretti S.p.A. are responsible for the preparation of the Report on Operations¹ of the Group at December 31, 2020, including its consistency with the related consolidated financial statements and its compliance with the applicable laws and regulations.

¹ The Report on Operations of the Group at December 31, 2020 is not included in this Prospectus.



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, with the consolidated financial statements of the Group at December 31, 2020 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the consolidated financial statements of the Group at December 31, 2020 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated January 27, 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Bologna, April 15, 2021

EY S.p.A.

Signed by: Marco Mignani, Auditor

This report has been translated into the English language solely for the convenience of international readers.

Consolidated Income Statement

	<u>Note No.</u>	<u>31/12/2020</u>	<u>31/12/2019</u>
		(€ thousand)	
Revenues from sales and services		638,194	678,165
Commissions and other costs related to revenues		(26,839)	(28,914)
Revenue from contracts with customers	7	611,355	649,251
Change in inventory of work-in-process, semi-finished and finished goods	8	(21,727)	331
Own work capitalised	9	34,076	35,834
Other revenues and income	10	15,027	12,991
OPERATING EXPENSES			
Raw materials and consumables used	11	291,768	335,559
Services used	12	91,604	93,860
Costs for trade shows, events and advertising	13	9,446	11,668
Other service costs	14	69,837	70,852
Rentals and leases	15	5,582	6,671
Personnel costs	16	92,454	96,446
Other operating costs	17	7,368	11,327
Allocations to provisions and write-downs	18	17,272	20,857
Total operating expenses		585,329	647,240
EBITDA		53,402	51,166
Depreciation, amortisation and write-downs	19	42,493	38,155
EBIT		10,909	13,011
Investment income (expense)		0	(0)
Financial income	20	133	236
Financial expenses	21	(6,897)	(6,608)
Foreign exchange gains (losses)	22	(618)	(209)
PROFIT (LOSS) BEFORE TAXES		3,527	6,430
Income taxes for the year	23	18,455	20,169
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		21,982	26,599
NET PROFIT (LOSS) FOR THE YEAR		21,982	26,599
Attributable to:			
<i>Shareholders of the parent company</i>		22,006	26,628
<i>Minority shareholders</i>		(23)	(29)
Basic and diluted earnings per share (euro)	51	0.09	0.11

Consolidated Comprehensive Income Statement

	<u>Note No.</u>	<u>31/12/2020</u>	<u>31/12/2019</u>
		(€ thousand)	
NET PROFIT (LOSS) FOR THE YEAR		21,982	26,599
Other items on the comprehensive income statement not to be reclassified to profit or loss in subsequent periods			
Profit/(loss) on defined benefit plans	48	116	(268)
Tax effect on profit / (loss) on defined benefit plans	48	(28)	112
Other items on the comprehensive income statement to be reclassified to profit or loss in subsequent periods			
Gains/(losses) from the translation of financial statements of foreign companies and currency transactions	49	(1,489)	1,330
Total other gains / (losses), net of tax effect		<u>(1,401)</u>	<u>1,173</u>
COMPREHENSIVE PROFIT (LOSS) FOR THE YEAR		20,581	27,772
Attributable to:			
Shareholders of the parent company		20,605	27,801
Minority shareholders		<u>(23)</u>	<u>(29)</u>

Consolidated Statement of Financial Position

	<u>Note No.</u>	<u>31/12/2020</u>	<u>31/12/2019</u>
		(€ thousand)	
CURRENT ASSETS			
Cash and cash equivalents	24	32,830	39,164
Trade and other receivables	25	61,756	52,114
Assets for contract work in process	26	176,037	155,130
Inventories	27	192,080	202,930
Equity investments and other financial assets	28	3,592	1,519
		466,295	450,855
NON-CURRENT ASSETS			
Land and buildings	29	134,234	112,981
Plant, machinery and equipment	30	11,238	11,851
Other property, plant and equipment	31	17,074	15,564
Models and moulds	32	69,105	59,264
Goodwill	33	1,631	1,631
Trademarks	34	243,840	243,701
Other intangible assets	35	16,878	15,231
Shareholdings and other fixed financial assets	36	3,019	6,748
Deferred tax assets	37	88,065	69,998
		585,084	536,969
TOTAL ASSETS		1,051,379	987,824

	<u>Note No.</u>	<u>31/12/2020</u>	<u>31/12/2019</u>
		(€ thousand)	
CURRENT LIABILITIES			
Accounts payable to shareholders		—	—
Financial payables	38	79,024	89,310
Provisions for risks and charges	44	37,148	38,788
Trade and other payables	39	242,304	236,285
Customer advances	40	55,704	45,810
Taxes payable	41	3,467	4,511
		417,647	414,703
NON-CURRENT LIABILITIES			
Accounts payable to shareholders		—	—
Financial payables	42	84,846	36,253
Provision for employee severance indemnities and provisions for pensions	43	7,794	8,176
Provisions for risks and charges	44	7,542	9,565
Trade and other payables	45	508	661
Deferred tax liabilities	46	69,716	69,139
		170,407	123,795
Total liabilities		588,054	538,498
SHARE CAPITAL AND RESERVES			
Share capital	47	250,735	250,735
Share premium reserve	48	281,293	281,293
Other reserves	48	(94,430)	(114,565)
Translation reserves	49	3,771	5,260
Net profit (loss) for the year		22,006	26,628
Equity attributable to shareholders of the controlling company		463,374	449,351
Minority interest in equity	50	(50)	(26)
Total equity		463,325	449,325
TOTAL LIABILITIES AND EQUITY		1,051,379	987,823

Consolidated Cash Flow Statement

	<u>31/12/2020</u>	<u>31/12/2019</u>
OPERATING ACTIVITIES:		
Profit (Loss) before taxes	3,527	6,430
Minority interest	(23)	(29)
<i>Adjustments of non-monetary costs and revenues</i>		
Depreciation, amortisation, write-downs and reversals of write-downs of fixed assets	42,493	38,155
Increase (Decrease) in employee severance indemnities	(266)	(379)
Increase (Decrease) in provisions for risks and charges	(3,664)	(1,273)
Financial income	(133)	(236)
Financial expenses	6,897	6,608
<i>Changes in Net Working Capital:</i>		
(Increase) Decrease in inventories	10,849	(5,855)
(Increase) Decrease in assets for contract work in process, net of advances	(11,013)	2,248
(Increase) Decrease in trade and other payables	(9,642)	(21,714)
Increase (Decrease) in trade and other payables	12,551	31,135
Change in other operating liabilities and assets	(106)	6,564
Income taxes paid	0	(7,278)
Cash flow from operating activities (A)	51,469	54,376
INVESTING ACTIVITIES:		
Investments in property, plant and equipment and intangible assets	(85,652)	(86,282)
Divestments in property, plant and equipment and intangible assets	5,526	5,121
Other changes in property, plant and equipment and intangible assets	1,415	97
Net (additions to)/disposals of investments in associates and other financial assets	(4,361)	(53)
Interest Income collected	133	236
Cash flow from (used in) investing activities (B)	(82,938)	(80,880)
FINANCING ACTIVITIES:		
Share capital increases	0	40,000
Dividends and reserve distribution	(6,582)	0
Changes in share capital and reserves of minority interests		(26)
Incidental borrowing costs and costs related to capital	0	(12,015)
Assumption of new bank loans	40,078	5,210
Interest paid	(6,897)	(6,753)
Cash flow from (used in) financing activities (C)	26,599	26,416
Net cash flow for the fiscal year (D=A+B+C)	(4,870)	(89)
NET CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FISCAL YEAR (E)	39,164	38,503
Effect of exchange rates on net cash (F)	(1,464)	750
NET CASH AND CASH EQUIVALENTS AT THE END OF THE FISCAL YEAR (G=D+E+F)	32,830	39,163
Reconciliation to the data in the financial statements:		
Cash and cash equivalents	32,830	39,163
Net cash and cash equivalents at the end of the fiscal year	32,830	39,163

Consolidated Statement of Changes in Equity

	Share capital	Legal reserve	Share premium reserve	Other reserves	Net result	Translation reserves	Equity attributable to the shareholders of the parent company	Minority interest in equity	Total equity
Balance at 1 January									
2019	<u>180,239</u>	<u>2,629</u>	<u>100,119</u>	<u>(139,656)</u>	<u>30,720</u>	<u>3,930</u>	<u>177,982</u>	<u>—</u>	<u>177,982</u>
Disposal of 25% interest in Sea Lion S.r.l.				(3)			(3)	3	—
Allocation of the previous year's result		1,725		28,995	(30,720)		—		—
Waiver of the shareholders' loan	59,291		152,379	(961)			210,709		210,709
Share capital increase ...	11,204		28,796	(7,137)			32,863		32,863
Other changes for the period							—		—
Comprehensive profit (loss) for the year				(157)	26,628	1,330	27,801	(29)	27,772
Balance at 31 December									
2019	<u>250,735</u>	<u>4,354</u>	<u>281,293</u>	<u>(118,919)</u>	<u>26,628</u>	<u>5,260</u>	<u>449,351</u>	<u>(26)</u>	<u>449,325</u>
Balance at 1 January									
2020	<u>250,735</u>	<u>4,354</u>	<u>281,293</u>	<u>(118,919)</u>	<u>26,628</u>	<u>5,260</u>	<u>449,351</u>	<u>(26)</u>	<u>449,325</u>
Allocation of the previous year's result		1,465		25,163	(26,628)		—		—
Dividend distribution				(6,582)			(6,582)		(6,582)
Comprehensive profit (loss) for the year				88	22,006	(1,489)	20,605	(23)	20,581
Balance at 31 December									
2020	<u>250,735</u>	<u>5,819</u>	<u>281,293</u>	<u>(100,250)</u>	<u>22,006</u>	<u>3,771</u>	<u>463,374</u>	<u>(50)</u>	<u>463,325</u>

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. PROFILE AND OPERATIONS OF THE GROUP

The Ferretti Group, a leading Italian manufacturer with a portfolio of prestigious, exclusive brands including Wally, Ferretti Yachts, Pershing, Itama, Riva, Mochi Craft, CRN and Custom Line, is at the forefront of the luxury boating industry at the global level (source: CNA Nautica – *Dinamiche e Prospettive di mercato della filiera nautica da diporto*, May 2019; Allied Market Research “*Global Luxury Yacht Market*”, April 2019). The Group, which operates in the design, construction and marketing of yachts and recreational boats, has a substantially unique competitive positioning and a track record of more than 50 years and iconic and historic brands, including the Riva which boasts a history of more than 170 years. In particular, production quality and technical performance (comfort, speed or other features, depending on the brands) are distinctive characteristics that have allowed the Ferretti Group to establish itself on the market and create customer loyalty.

Its product line includes original, one-of-a-kind vessels appreciated by owners and enthusiasts alike. Based on their size and product type, the yachts produced and marketed by the Ferretti Group are intended for various types of customers, with a particular focus on HNWI and UNHWI (*High Net Worth Individuals* – individuals with a net worth exceeding 1 million dollars and *Ultra Net Worth Individuals* – individuals with a net worth exceeding 30 million dollars) customers for the largest products. The Ferretti Group believes that it may be regarded as a model for the industry in terms of excellence, prestige and innovation. This positioning has been made possible by a constant search for cutting-edge solutions, combined with an iconic design also based on frequent collaboration with internationally renowned architects.

After approximately three decades of organic growth, in the late Nineties the Group led a process of consolidation in the industry through a series of acquisitions of historical shipyards and brands in the luxury pleasure craft sector. These acquisitions made it possible to offer various types of vessels (including open, flybridge and sportfly designs), with the product range thus covering almost the entire market. One of the Group’s key factors is represented by its ability to ensure innovation in its product line-up to accommodate market needs by proposing innovative solutions. The Group introduced several innovative solutions for the nautical industry: for example, it has developed hybrid propulsion and, more recently, added joysticks to its Pershing models along with an integrated helm station.

In addition to boat design, production and marketing, the Group’s strategy also covers complementary activities to the core business, such as: (i) production and assembly of wood products and fittings through Zago S.p.A.; (ii) sale of pre-owned yachts; (iii) brokerage, yacht chartering and yacht management through the company Allied Marine (USA); (iv) after-sales services; and (v) design and development of crafts for international, territorial and coastal water security and patrols through FSD (Ferretti Security Division).

The Group’s boats and yachts are produced at six shipyards, as illustrated below: Ferretti Yachts, Itama, Mochi Craft and Wally (from 44 to 74ft) in Forlì; Riva (from 27 to 66ft) in Sarnico; Riva (from 67 to 110ft) in La Spezia; Ferretti Yachts (from 75 to 100ft) in Cattolica; Pershing and Itama (from 50 to 115ft) in Mondolfo; steel- and aluminium-hull CRN, Riva and Pershing models and Custom Line with composite material hull (from 30 to 95m) are produced within the Superyachts Division in Ancona.

At 31 December 2020, Ferretti S.p.A. had a workforce of 1,165 people, while workforce of the Ferretti Group amounted to 1,545 people.

2. DRAFTING CRITERIA

These consolidated accounts have been drafted in accordance with the IAS and IFRS issued or revised by the IASB and approved by the EU. The acronym “IAS/IFRS” also refers to all of the interpretations published by the International Financial Reporting Interpretations Committee (“IFRIC”), formerly known as the Standing Interpretations Committee (“SIC”).

The consolidated accounts have been drafted on the basis that the Group can operate as a going concern and include the Statement of Financial Position, the Income Statement, the Comprehensive Income Statement, the Cash Flow Statement, the Statement of Changes in Equity and Notes of Ferretti and its Italian and foreign subsidiaries, collectively referred to as “Ferretti Group”.

The consolidated accounts have been drafted in euros and prepared on the basis of the draft accounts for the year ended 31 December 2020 (1 January-31 December), of the companies within the consolidation perimeter, as approved by the Boards of Directors.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All the companies included in the consolidation area closed their financial statements on the same date as the Parent Company (31 December 2020).

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

3. CONSOLIDATION AREA AND CONSOLIDATION PRINCIPLES

These financial statements have been prepared by consolidating the financial statements of the Company and its subsidiaries at the reporting dates indicated.

Pursuant to IFRS 10, control arises when the Group is exposed, or has rights, to variable returns from its involvement with the investee and at the same time has the ability to influence those returns through its power over the said investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e., existing rights that give the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee;
- ability to exert power over the investee to influence the amount of the investor's returns.

It is generally presumed that the majority of voting rights implies control. In support of this assumption, where the Group holds less than the majority of voting rights (or similar rights), the Group considers all facts and circumstances relevant to determining whether it controls the investee, including:

- contractual agreements with other vote-holders;
- rights under contractual agreements;
- the Group's actual and potential voting rights.

The Group reconsiders whether it controls an investee if the facts and circumstances indicate that there have been changes in one or more of the three factors relevant to determining control. A subsidiary begins to be consolidated when the Group obtains control of it and ceases to be consolidated when the Group loses control. The assets, liabilities, revenues and costs of a subsidiary acquired or disposed of during the year are included in the Consolidated Financial Statements from the date the Group obtains control until the date the Group no longer controls the company.

The main consolidation criteria applied in preparing the consolidated financial statements are reviewed below:

- a) assets and liabilities and revenues and expenses in the financial statements of companies that are consolidated line by line are included in the Group's financial statements, irrespective of the percentage interest held;
- b) the carrying amount of investments in associates held by Ferretti or by other companies included in the consolidation area is offset by the interest in the equity upon recognition of the assets and liabilities of the subsidiary companies. The amount by which the carrying value of the investment in an associate exceeds the corresponding interest in the underlying equity at the time of acquisition is offset against the incremental value attributable to assets and liabilities. Any residual amount is recognised as goodwill. In accordance with IFRS 3, the Group changed the accounting principles it applies to goodwill prospectively as of the date of transition to the IFRS. Consequently, starting on that date, the Group no longer amortises goodwill, but it does test it for impairment;
- c) where a negative difference emerges, IFRS 3 does not require the recognition of badwill. In this case, the Group again verifies whether it has properly identified all assets acquired and liabilities assumed and revises the procedures used to determine the amounts to be recognised at the acquisition date. If the new assessment continues to indicate that the fair value of the net assets acquired exceeds their consideration, the difference (gain) is taken to the income statement;

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- d) the profit or loss of any company acquired or sold during the year is recognised in the consolidated Income Statement from the actual date of acquisition up to the actual date of sale;
- e) material transactions between consolidated companies are eliminated. The same process is also used for debit and credit entries. Specifically, unrealised gains from transactions between Group companies that on the reporting date are reflected in the valuation of inventories or non-current assets, net of any tax effect, are eliminated.

The interest held by minority shareholders in the net assets of consolidated subsidiaries is shown separately from Group interest in equity. The minority interest is determined based on the interest held by minority shareholders in the fair value of assets and liabilities recognised on the original date of acquisition and in subsequent changes in equity. Subsequently, any losses attributable to the minority shareholders in excess of their interest in the underlying equity are charged against Group interest in equity, unless the minority shareholders have a binding obligation to cover those losses and have the resources to do so.

There are minority interests at 31 December 2020, related to the shareholders that own 25% of the share capital of the subsidiary Sea Lion S.r.l.

During the period from 1 January 2020 to 31 December 2020 and in the year ended 31 December 2019, the Ferretti Group did not hold investments in associates (associate companies in which the Group holds at least 20% of voting rights or exercises a significant influence, but not control or joint control, over financial and operating policies) or joint ventures (defined as a contractual agreement whereby two or more parties undertake a business operation subject to joint control pursuant to IFRS 11).

The tables below show the names, registered offices and interests in capital held directly and indirectly by the Company in subsidiaries at 31 December 2020.

SUBSIDIARIES

(consolidated line by line, with an indication of the percentage of share capital)

Name	Registered office	Currency	Share capital (in units)	% controlling interest	
				Direct	Indirect
C.R.N. S.p.A.	Cattolica (Rimini)	Euro	8,624,200	100%	
Zago S.p.A.	Scorzé (Venice)	Euro	120,000	100%	
Sea Lion S.r.l.	Forlì (Forlì-Cesena)	Euro	10,000	75%	
Michelini & C. S.r.l.	La Spezia (SP)	Euro	110,604	100%	
Allied Marine Inc.	Fort Lauderdale (USA)	US Dollar	10	100%	
Ferretti Group of America Holding Company Inc.	Delaware (USA)	US Dollar	10	100%	
BY Winddown Inc.	Miami (USA)	US Dollar	10		100%
Ferretti Group of America Llc.	Fort Lauderdale (USA)	US Dollar	100		100%
Ferretti Group Asia Pacific Ltd.	Hong Kong (China)	Hong Kong Dollar	100,000	100%	
Ferretti Group (Monaco) S.a.M.	Principality of Monaco	Euro	150,000	99.4% *	
Ferretti Group UK Limited	United Kingdom	Pound sterling	1	100%	

* The investment of 0.6% is owned by the three directors of Ferretti Group (Monaco) S.a.M. for their role, as provided for by the Bylaws.

In the year ended at 31 December 2020 the Group included in its consolidation scope the company Michelini & C. S.r.l., a shipbuilder that operates in an area of the publicly owned port facilities of La Spezia adjacent to those used by Ferretti. The transaction was finalised on 13 October 2020 with the full acquisition by Ferretti Michelini & C. S.r.l.'s

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

share capital. Negotiations for the acquisition had begun in 2019 in order to achieve goals relating to expansion of the La Spezia shipyard's production capacity, the Company signed a framework agreement proposal for the purchase of 100% of the equity of Michelini & C. S.r.l.

Through the acquisition, the Group obtained a concession to use the body of water adjacent to it, a parking concession subject to automatic renewal, the facilities located on the areas subject to the concession, and a travel lift.

The company was included in the consolidation area at acquisition date, and the difference from the purchase price and the equity of the company, at acquisition date, was recognized amongst the Group's real estate, as gain on the already existing building. The higher value recognized compared to book value is supported by a valuation made by an independent expert.

Ferretti Asia Pacific Zhuhai Limited, headquartered in Hengqin (Zhuhai), aimed at developing the commercial and marketing operations of the Group in the Asia-Pacific area, is 100%-owned by the parent company Ferretti, and has not been consolidated as it did not trade during the period of reference.

These consolidated financial statements are denominated in Euros, as this is the currency in which most of the Group's operations are conducted. The separate financial statements of each company in the Group are prepared in the currency of their primary economic environment (functional currency), while for the purposes of the consolidated accounts the financial statements of each foreign entity are denominated in euros.

The assets and liabilities of foreign subsidiaries with functional currencies other than the Euro are translated into Euros at the exchange rate in force at the end of the year. The Income Statement is translated at the average rate for the year. Any resulting translation differences are recognised in the equity under "Reserve for currency translation", which is part of the financial statements. This reserve is recognised in the Income Statement as a gain or a loss in the year when the subsidiary involved is sold.

Translation of the Financial Statements of Foreign Companies into Euros

The Consolidated Financial Statements for the year ending 31 December 2020 have been presented in Euros, which is the functional and presentation currency adopted by Ferretti. Each Group company defines its functional currency, which is used to measure the items in the individual financial statements. The Group uses the direct consolidation method. The profit or loss reclassified to the income statement at the time of sale of an international subsidiary represents the amount resulting from the use of this method.

Group Companies

The assets and liabilities of Group companies are translated into Euros at the spot exchange rate at the reporting date, and the revenues and costs in each separate comprehensive income statement of income statement are translated at the spot exchange rates at the transaction date. The foreign exchange differences resulting from this translation are taken to the comprehensive income statement. Upon the disposal of a foreign operation, the part of the comprehensive income statement relating to such foreign operation is taken to the income statement.

Goodwill on the acquisition of a foreign operation and adjustments to the fair carrying amounts of assets and liabilities arising from the acquisition of a foreign operation are accounted for as assets and liabilities of that foreign operation. They are therefore presented in the functional currency of the foreign operation and translated at the spot exchange rate at year-end.

The conversion into euros of the financial statements of the non-EU subsidiaries of Ferretti (located in the USA), consolidated line by line, was done adopting the current exchange rate at the date of the Financial Statements (1 EURO equal to USD 1.2271) for the Statement of Financial Position, and for the Income Statement items by applying the average exchange rate of the period of reference (1 EURO equal to USD 1.14220). Similarly, the conversion in Euro of the financial statements of the subsidiary located in the United Kingdom, also consolidated line by line, was done adopting the current exchange rate at the reporting date 31 December 2020 (1 EURO equal to GBP 0.89903) for the Statement of Financial Position, and for the Income Statement items by applying the average exchange rate of the period (1 EURO equal to GBP 0.88970).

The Group does not have any assets or liabilities in currencies of hyperinflationary economies.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. ACCOUNTING STANDARDS

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

Business Combinations

Business combinations are recognised in accordance with the acquisition method. The cost of an acquisition is determined as the sum of the consideration transferred, measured at fair value on the acquisition date, and the amount of the non-controlling interest in the acquiree. For each business combination, the Group decides whether to measure the non-controlling interest in the acquiree at fair value or in proportion to the share of the non-controlling interest in the acquiree's net identifiable assets. Acquisition costs are expensed and classified under administrative costs.

When the Group acquires a business, it classifies or designates the financial assets acquired or liabilities assumed in accordance with the contractual terms, economic conditions and other pertinent conditions in place on the acquisition date. This includes checking whether an incorporated derivative has to be separated from the primary contract.

The assets, liabilities and identifiable contingent liabilities of the acquired company that meet the criteria for recognition set forth in IFRS 3 are recognised at their fair values on the date of acquisition, except for non-current assets (or disposal groups) that are classified as being held for sale (in accordance with IFRS 5). These assets are recognised at fair value, less costs to sell.

The acquiree measures contingent consideration at fair value at acquisition date. The contingent consideration classified in equity is not remeasured and its subsequent payment is recognised with a counterentry in equity. The change in fair value of contingent consideration classified as an asset or liability, in that it is a financial instrument falling within the scope of IFRS 9 — *Financial Instruments*, must be recognised in profit or loss in accordance with IFRS 9. The contingent consideration not covered by IFRS 9 is valued at fair value at the reporting date and the changes in fair value are recognised through profit or loss.

Goodwill is initially recognised at cost, as the difference of the aggregate of the value of the consideration transferred and the amount attributed to minority interests compared to net identifiable assets acquired and liabilities assumed by the Group. If the fair value of net acquired assets exceeds the total consideration paid, the Group verifies again whether it correctly identified all the assets acquired and all the liabilities incurred and reviews the procedures used to determine the amounts to be recognised at the acquisition date. If the review again identifies a fair value of net acquired assets exceeding the consideration, the difference (profit) is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any impairment losses. For the purposes of impairment testing, goodwill acquired in a business combination is allocated from the acquisition date to each of the Group's cash-generating units that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree have been assigned to those units.

Transactions Between Parties Under Common Control

The mandatory adoption of IFRS 3 does not apply to business combinations involving entities or businesses under common control.

In the absence of references to specific IFRS principles or interpretations with regard to these transactions, IAS 1.13 requires in general terms that the financial statements provide a reliable and truthful presentation of the effects of such transactions and of other events and conditions, in accordance with the definition and recognition criteria of the IFRS Framework for assets, liabilities, costs and revenues. In addition, IAS 1.15 determines an obligation to select, in accordance with the order of priority provided in IAS 8, accounting principles that are suitable for achieving the overall objective of a reliable and truthful presentation.

Because the IFRS do not specifically address transactions of this type, the choice of the most suitable accounting principle must be guided by the general guidelines provided for in IAS 8.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

In seeking an accounting treatment that is conceptually consistent with the IFRS Framework and meets the requirements of IAS 8.10, the critical element is the fact that the accounting principle chosen to present transactions between parties under common control must reflect the substance of the transactions, irrespective of their legal form and without taking into account the concept of the separate identity of legal entities.

The substance must be the creation of value added for all parties involved (e.g., increased revenues, cost savings, realization of synergies) that results in significant differences between the pre-transaction and post-transaction cash flows generated by the transferred assets and, consequently, makes the determination as to whether the price paid is adequate for the economic value of the acquired asset irrelevant. With this approach, the type of legal structure used to execute the transaction is not particularly relevant.

This notion of economic substance is similar to the one mentioned in IAS 16 and IAS 38 with regard to the “commercial” substance of exchanges.

Based on the consideration provided above, the choice of the accounting treatment of transactions between parties under common control must be based on whether there is evidence that the transaction will have a significant impact on the future cash flows of the net assets transferred between the entities involved.

Transactions that do not have a significant impact on the future cash flows of the transferred net assets — The principle of the continuity of values

The adoption of the principle of the continuity of value results in the recognition on the Statement of Financial Position of values that are the same as those that would be used if the companies that are parties to the combination had always been combined. Consequently, the acquired net assets must be recognized at the book values at which they were carried in the respective accounting records before the transaction. In principle, subsequent accounting entries should continue to bring forward the values used for the previous entry.

Therefore, if the transfer values are higher than the historical values:

- the buyer/recipient of the transferred assets must make a reversing entry for the amount of the surplus and adjust downward its equity by a charge to a reserve, whether or not the goodwill paid has economic value;
- the seller/conveyor of the assets must recognise in equity — rather than through profit or loss — any difference between the transaction price and the pre-existing carrying amount of the transferred assets.

Transactions that have a significant impact on the future cash flows of the transferred net assets

In this case, the transaction is recognized based on the new values determined by the transaction.

Recognition of revenue from contracts with customers

The Group generates revenue by selling goods and providing services within its core business. Revenue is stated net of value-added tax, discounts and allowances, and after eliminating sales to Group companies.

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

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

- the parties to the contract have approved the contract and undertaken to perform their respective obligations;
- the rights of each of the parties in respect of the goods or services to be transferred may be identified;
- the terms of payment for the goods or services to be transferred may be identified;
- the contract has commercial substance;
- it is probable that the consideration for the goods sold or services transferred will be received.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

The Ferretti Group adopted IFRS 15 on 1 January 2016 and has applied the full retrospective approach to the contracts that had not yet been completed as at 1 January 2016. The application of the new standard had no impact on the Group’s Equity at 1 January 2016.

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

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

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

When it is likely that total contract costs will exceed total contract revenues, the expected total loss is recognised immediately as a decrease in revenues in the period in which there is evidence of that fact.

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

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

Government Grants

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

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

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Interest Income and Expense

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

Income Taxes

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

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

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

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

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

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

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

Cash and Cash Equivalents

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

Trade and other receivables and assets for contract work in process

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

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

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

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For detailed information on receivables and assets for contract work in process, reference should be made to section “Financial Instruments: recognition and measurement” here below.

Inventories

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

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

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

Financial Instruments: recognition and measurement

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

Financial Assets

- *Initial recognition and measurement*

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

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

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

- *Subsequent measurement*

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

- financial assets at amortised cost (debt instruments);
- financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses (debt instruments);
- financial assets at fair value through other comprehensive income without recycling of cumulative gains and losses upon derecognition (equity instruments);
- financial assets at fair value through profit or loss.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows

and

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

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

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

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

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

Financial liabilities

- Initial recognition and measurement

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

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

The Company’s financial liabilities extend to trade and other payables and payable related to shareholders’ loans.

- Subsequent measurement

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

- *Financial liabilities at fair value through profit or loss*

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

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- *Loans and receivables*

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

• Derecognition

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

Offsetting of financial instruments

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

Property, Plant, Machinery and Equipment

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

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

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

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

Buildings

Buildings	3.0%-6.0%
Prefabricated structures	10%
Leasehold improvements	based on the duration of the lease

Plant, machinery and equipment

Manufacturing plants and automated machines	11.5%-15.0%
Manufacturing and distribution equipment	25.0%-40.0%

Models and moulds

Models and moulds	based on useful life
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Other property, plant and equipment

Office furniture and machines	12.0%
Electronic machines	40.0%
Vehicles	25.0%

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

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

IFRS 16 – Leases

The Group has leases for a series of activities mainly related to the lease of real estate, plant, machinery, vehicles and other equipment. Before adopting IFRS 16, at the inception of the lease the Group (as lessee) classified each of its leases as a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all the risks and rewards incident to ownership of the leased asset to the Group. All other leases were classified as operating leases. At commencement of the lease term, finance leases were capitalised at the lower of the fair value of the leased asset or the present value of the minimum lease payments.

Assets held under finance leases are recognized as Group assets at their fair value on the date the lease is executed or at the present value of the minimum payments due under the lease, whichever is lower. The liability toward the lessor is included in the Statement of Financial Position as a liability for finance leases. Finance lease payments were apportioned between the finance charge (recognised as financial expenses) and the principal, as a reduction of the outstanding liability. For operating leases, the leased asset was not capitalised and the lease payments were recognised as an expense in the income statement over the lease term on a straight-line basis.

All advances paid and the portion regarding lease payments were classified in trade and other payables, respectively.

Interest expense is charged directly to income in the year it is incurred.

The depreciation of these assets is recognized in the annual consolidated financial statements in accordance with the same criteria used for property, plant and equipment.

Lease payments made under operating leases are recognized on a straight line over the lives of the leases. Benefits received or receivable as incentives to enter into operating leases are also recognized on a straight line over the lives of the leases.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all the leases where the Group was a lessee, except for short-term leases (duration less than 12 months) and low-value leases (comprehensive value of the agreement less than Euro 5 thousand). The standard provides for transition requirements and practical expedients that were applied by the Group.

Leases previously classified as finance leases

The Group did not modify the initial carrying amount of the lease assets and liabilities recognised at the date of initial application for the contracts previously classified as finance leases (rights-of-use assets and lease liabilities are exactly the same amounts of the lease assets and liabilities recognised under IAS 17). IFRS 16 requirements have been applied to the above-mentioned leases effective 1 January 2019, through the use of the modified retrospective approach.

Leases previously classified as operating leases

The Group recognised the rights-of-use assets and lease liabilities related to all contracts previously classified as operating leases, excluding short-term leases and leases related to low-value assets. For some lease contracts, the

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

right-of-use assets were recognised based to the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued expenses on lease payments previously recognised. Lease liabilities were recognised at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of first time application.

The Group also applied the practical expedients available whereby summarised:

- It applied a single discounting rate of 2.75% to a portfolio of leases with reasonably similar nature;
- It relied on its assessment of whether leases were onerous immediately before the date of initial application;
- It used hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

The Group's basis of preparation upon adoption of IFRS 16 are as follows:

Rights-of-use assets

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

Lease liabilities

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

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

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

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

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

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

Goodwill

Goodwill and other assets that have an indefinite useful life (trademarks) or are not available for use are not amortized on a regular basis. Instead, their recoverable value is tested annually for impairment at the level of the cash generating unit to which management allocated the goodwill. Once recognised, write-downs of these assets may not be subsequently reversed.

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When a subsidiary, joint venture or business unit is sold, the goodwill attributable to the subsidiary, joint venture or business unit is included in the computation of the gain or loss generated by the sale.

Intangible Assets Generated Internally – Research and Development Costs

Research and development costs are charged to the Income Statement in the period in which they are incurred. Intangible assets generated internally, mainly in connection with the development of models and moulds and intellectual property, are recognized as assets only if the following conditions are satisfied:

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

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

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

Other Intangible Assets

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

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

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

Contingent consideration for the purchase of intangible assets is not governed by IAS 38. In the absence of references to specific international standards or interpretations for such transactions, the Group has adopted the policy of recognising the executory payments at the time of the subsequent payment and not including them in the initial value of the intangible assets acquired.

Impairment of Assets

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

Intangible assets with an indefinite useful life (goodwill and trademarks, potentially even those inherent within shareholdings) are tested annually for impairment, whether there are indications that their value has been impaired or not.

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

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Equity investments

Affiliated companies

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

Instruments Representative of Equity

Securities representative of equity issued by the Group are classified in accordance with the substantive conditions of the agreements under which they were generated, consistent with the respective definitions of securities representative of equity. These have been defined as contracts that convey a right to benefit from any residual interest in the Group's assets after deducting its liabilities.

Instruments representative of equity issued by the Group are recognised based on the proceeds collected, less direct issue costs. As at December 31, 2020 the Group has not issued Instruments Representative of Equity.

Post-employment Employee Benefits

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

In the case of defined-benefit plans (which include the employee severance benefit plans of Italian Group companies), the cost of benefits provided is determined in accordance with the projected unit credit method by making actuarial valuations at the end of each year. The new standard re-organises the information disclosures which must be provided in relation to benefits granted to employees and introduces the obligation to book actuarial gains and losses in the comprehensive income statement, thereby eliminating the possibility of adopting the corridor method. Actuarial gains and losses booked in the comprehensive income statement are not subsequently booked within the Income Statement. The relative cost of post-employment benefits is recognized immediately to the extent that the benefits are already vested or it is amortized on a straight line over the average benefit vesting period.

Provisions for Risks and Charges

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

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

Basic and diluted earnings per share

Accounting standard IAS 33 – *Earnings per Share* regulates the calculation and disclosure of information to be provided to users of financial statements regarding basic and diluted earnings per share. The classes of financial instruments identified by the standard that have to be considered when calculating the aforesaid indicators are options, warrants, instruments convertible to shares (e.g. convertible bonds) and similar.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Basic earnings per share are calculated based on earnings for the year divided by the ordinary shares outstanding at the reporting date.

Diluted earnings per share are calculated based on diluted earnings for the year attributable to shareholders, divided by the number of ordinary shares outstanding amended by the number of potentially dilutive ordinary shares.

The Company has no potentially dilutive financial instruments and so the two indicators are the same.

Use of estimates and assumptions

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

Impairment of non-financial assets

An impairment loss occurs when the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, which is the greater of its fair value less costs to sell and its value in use. The carrying amount of non-current assets is assessed periodically whenever circumstances or events require a more frequent assessment. Goodwill and trademarks are assessed at least annually; these recoverability assessments are carried out in accordance with the criteria specified in IAS 36 and described in more detail in Note 34. The recoverable value of a non-current asset is based on estimates and assumptions used to determine cash flows and the discounting rate applied.

Taxes

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

Provisions for Risks and Charges

Provisions are based on evaluations and estimates based on historic experience and assumptions that from time to time are considered reasonable and realistic based on the specific circumstances. For further details, reference should be made to Note 44.

Revenue from contracts with customers for contract work in process

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

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Significant judgment in determining the lease term of contracts that contain an extension option

The Group determines the lease term as the non-cancellable period of the lease to which both the periods covered by the lease extension option are added, if there is reasonable certainty of exercising this option, and the periods covered by the lease option of termination of the lease if there is reasonable certainty not to exercise this option.

Segment Report

The Group's management has chosen not to include in the separate accounts the sector information (IFRS 8) and the earnings per share (basic and diluted) in accordance with IAS 33, as the company's shares are not listed on any securities exchange.

The operating segment in which the Group operates is identified based on the provisions of IFRS 8 – *Operating Segments*. The IASB issued a set of amendments on 12 December 2012 that made changes to the above standard. This required disclosure of the assessments made by internal management when aggregating operating segments, describing the segments that have been aggregated and the economic indicators that have been assessed to determine that the aggregated segments have similar economic characteristics.

This standard states that an operating segment consists of a group of distinctly identifiable activities and operations providing a number of related products and services, subject to different risks and benefits from those of other business segments. For operating purposes, the activity carried out by the Company has been grouped in a single Strategic Business Unit (hereunder "SBU") within which the whole business is conducted. This composition stems from the fact that the only activity carried out consists of the design, construction and marketing of boats, more specifically motor yachts and pleasure boats, to which all the following aspects relate:

- a. Similar nature of the products and services;
- b. Similar nature of the production process;
- c. Similar type and class of customer for their products and services;
- d. Similar methods used to distribute their products or provide their services; and
- e. Similar nature of the regulatory context.

The Company's management monitors and evaluates together the results achieved by the single SBU, in order to take decisions regarding resource allocation and performance verification.

Standards issued but not yet effective

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

<u>Description</u>	<u>Date of entry into force of the standard (IASB)</u>
IFRS 17 — <i>Insurance Contracts</i>	1 January 2021
Amendments to References to the Conceptual Framework in IFRS Standards	
Amendment to IFRS 3 — <i>Business Combinations</i>	1 January 2022
Amendments to IAS 16 — <i>Property, Plant and Equipment: Proceeds before Intended Use</i>	1 January 2022
Amendments to IAS 37 — <i>Onerous Contracts — Costs of Fulfilling a Contract</i>	1 January 2022
IFRS 1 — <i>First-time Adoption of International Financial Reporting Standards — Subsidiary as a First-time Adopter</i>	1 January 2022
IFRS 9 — <i>Financial Instruments — Fees in the "10 per Cent" Test for Derecognition of Financial Liabilities</i>	1 January 2022
Amendments to IAS 1 — <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. ACCOUNTING STATEMENTS

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

Specifically, the Income Statement includes the following intermediate items, which are not defined as accounting measurement tools by the IFRS but which, in the opinion of management, provide meaningful information for the purpose of assessing the Group's operating performance during the period:

- Revenue from contracts with customers: this comprises the sales revenues and the revenues from orders in progress, net of the commissions accrued during the year on the sales realised and of any other costs related to sales;
- Gross Operating Profit: this item is equal to the net profit for the period before taxes, financial income/expense, investment income/expense, profits/losses of affiliated companies, and depreciation, amortisation and write-downs of fixed assets;
- Operating Profit: this item is made up of the net profit, gross of taxes, financial income/expense, investment income/expense, and profits/losses of affiliated companies;
- Pre-tax profit: this item is equal to the net profit before the deduction of taxes.

Management believes that these intermediate results are important parameters to measure the Group's performance. These parameters, as defined above, are not identified as accounting measurement tools in the IFRS. Therefore, they should not be viewed as alternative gauges to assess the changes in the Group's performance. Moreover, the criteria adopted by the Group to compute these intermediate results could be different from those used by other groups and, consequently, it is possible that the resulting data may not be comparable.

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

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

- there is an expectation that it will be realized/settled or will be sold or used during the Group's regular operating cycle;
- it is owned primarily for trading purposes; or
- the Group expects to sell it/settle it within 12 months of the closing date of the financial statements.

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

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

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

6. FINANCIAL RISK MANAGEMENT

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

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Fair Value Measurement Hierarchy

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

- Level 1 – prices quoted in an active market for the assets or liabilities that are being measured;
- Level 2 – inputs other than the quoted prices of Level 1 but which are directly (prices) or indirectly (derived from prices) observable in the market;
- Level 3 – inputs that are not based on observable market data.

The table below lists the assets and liabilities valued at fair value at 31 December 2020, based on the hierarchical ranking of their fair value measurement. All the Group's financial assets and liabilities are classified Level 2, except for values related to Cash and cash equivalents.

Financial statement line item	31/12/2020				31/12/2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	32,830			32,830	39,164			39,164
Financial assets		3,592		3,592		1,519		1,519
Financial payables		(163,870)		(163,870)		(125,563)		(125,563)

Liquidity Risk

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

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

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

The table below, which is designed to provide a quantitative analysis of the liquidity risk, shows a breakdown of future financial flows based on the financial liabilities outstanding at 31 December 2020 and at the end of the previous fiscal year, with a breakdown of the Group's financial payables by contractually stipulated due dates:

	Balance at 31 December 2020	Future financial flows					Total financial flows
		0 to 3 months	3 to 9 months	9 to 12 months	1 to 5 years	More than 5 years	
Loans payable (including leases) . . .	(163,870)	(38,074)	(29,891)	(13,631)	(85,228)	(6,347)	(173,171)
Trade payables	(195,112)	(136,863)	(46,606)	(11,643)		0	(195,112)
Total	(358,982)	(174,937)	(76,497)	(25,274)	(85,228)	(6,347)	(368,283)

	Balance at 31 December 2019	Future financial flows					Total financial flows
		0 to 3 months	3 to 9 months	9 to 12 months	1 to 5 years	More than 5 years	
Loans payable (including leases) . . .	(125,563)	(68,062)	(21,250)	(1,335)	(31,620)	(7,732)	(129,999)
Trade payables	(213,415)	(147,542)	(54,231)	(11,642)	0	0	(213,415)
Total	(338,978)	(215,604)	(75,481)	(12,977)	(31,620)	(7,732)	(343,414)

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

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Market and Interest Rate Risk

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

- currency risk (the risk that the value of financial instruments may fluctuate due to changes in foreign exchange rates);
- interest rate risk (the risk that the value of financial instruments may fluctuate due to changes in market interest rates);
- price risk (the risk that the value of financial instruments may fluctuate due to changes in market prices).

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

The Group is primarily exposed to exchange rate risk in relation to the US Dollar. As at 31 December 2020, there are no forward sales outstanding hedging future cash flows.

The interest risk is the risk that the value of future financial flows could fluctuate due to changes in market interest rates.

Credit Risk

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

In light of the type of customers targeted by the Group's products and services and the commercial policies it has adopted — which envisage, in most of transactions, that the balance of the contract amount, net of advances collected, is paid before or concurrently with the delivery of the boat — the Group believes that its credit risk is not material. The payment of advances is associated with both the defined contractual due dates and the achievement of production milestones.

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

The table below reports residual amounts — i.e., already net of any write-downs — which even if expired at the reporting date (31 December 2020) are considered fully recoverable:

	Balance at 31 December 2020	Not due	Past due			
			30 days	30-60	60-90	Beyond
Cash and cash equivalents	32,830	32,830	0	0	0	0
Financial assets	3,592	3,592				
Trade receivables	35,470	25,988	292	662	103	8,426
Total at 31 December 2020	71,891	62,409	292	662	103	8,426

(*) Net of the allowance for doubtful accounts of €6,589 thousand.

	Balance at 31 December 2019	Not due	Past due			
			30 days	30-60	60-90	Beyond
Cash and cash equivalents	39,164	39,164	—	—	—	—
Financial assets	1,519	1,519	—	—	—	—
Trade receivables*	20,729	12,140	951	105	83	7,450
Total at 31 December 2019	61,411	52,822	951	105	83	7,450

(*) Net of the allowance for doubtful accounts of €6,453 thousand.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE MAIN COMPONENTS OF THE INCOME STATEMENT

The following notes provide a review of the individual components of the Income Statement for the fiscal year ended 31 December 2020, compared with those in the Income Statement for the fiscal year ended 31 December 2019.

7. Revenue from contracts with customers

The following table provides the breakdown of the item Revenue from contracts with customers for 2020, compared with the same item for 2019:

	<u>31/12/2020</u>	<u>31/12/2019</u>	<u>Change</u>
Revenues from the sale of new boats	608,623	639,867	(31,244)
Revenues from the sale of used boats	40,607	43,551	(2,944)
Revenues from the sale of boats	649,229	683,418	(34,189)
Revenues from work in progress on orders related to boats and carpentry products and services	(39,157)	(38,496)	(661)
Revenues from sales and provision of carpentry products and services	9,521	18,669	(9,148)
Revenues from boat brokerage	6,247	6,325	(77)
Revenues from the provision of services and sales of replacement parts, merchandise and other goods	5,955	5,414	541
Other revenues	6,398	2,836	3,562
Revenues from work in progress, provision of services and other revenues	(11,036)	(5,253)	(5,783)
Total Revenues	638,194	678,165	(39,971)
<i>Commission and other costs related to revenues</i>	<i>(26,839)</i>	<i>(28,914)</i>	<i>2,076</i>
Total Revenue from contracts with customers	<u>611,355</u>	<u>649,251</u>	<u>(37,896)</u>

In the year ended 31 December 2020, revenue from contracts with customers amounted to €611,355 thousand, down a slight 6% compared to €649,251 thousand for the same period ended 31 December 2019. In the financial year ended 31 December 2020, due to the Covid-19-related world health emergency, the Group experienced a two-month halt of production, which however did not particularly impact the Group's turnover compared to that reported at 31 December 2019, which was higher by about 5%.

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

- Sale of yachts to order;
- Sale of used boats.

Regarding the sale of yachts to order, the Group considers that the only performance obligation contained in the sales contracts is the building of the vessel, with no significant accessory services or further activities.

Revenues for the sale of boats related to the delivery of 166 units (of which 142 new boats manufactured by the Group and 24 used boats) in 2020. During the same period of the previous year, 184 boats were delivered (of which 163 were new boats and 21 were used boats).

When boat sales are invoiced directly to end customers, the commissions earned by dealers are recognised as a deduction from revenues because, from a substantive standpoint, they are akin to a sales discount. When a sale is made to a dealer, it is recognised at an amount that is already net of earned commissions.

The item "Revenues from work in progress on orders related to boats" refers to the total amount of the revenues recognised in respect of shipbuilding contracts in progress as at the reporting date, for which the production cycle is still underway at the reporting date. They are transferred in the course of the period in which the boat is built and are measured on the basis of the revenues accrued in respect of the stage of completion of the contract activity as at the reporting date. This item reported a negative balance as a result of the delivery of boats in 2020.

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“Revenues from sales and provision of carpentry products and services” relate entirely to subsidiary Zago S.p.A., concerning assembly works and wooden furnishings for yachts of over 100 feet produced by third-party sites, and cruise ships.

“Revenues from boat brokerage” refer to the activity related to yacht brokerage and yacht charters performed by the U.S. subsidiary Allied Marine.

“Revenues from the provision of services and sales of replacement parts, merchandise and other goods” partly refer to the refit activity that the subsidiary CRN carried out in the previous years, and partly regard the sale of replacement parts and assistance services rendered in Italy and worldwide on boats previously sold. In addition, the Group continued to sell Riva brand luxury accessories in 2020, as part of the Riva Brand Experience project.

The breakdown of Revenues by geographical area was as follows:

	<u>31/12/2020</u>	<u>31/12/2019</u>	<u>Change</u>
EMEA	361,678	376,731	(15,054)
AMAS	205,053	240,980	(35,927)
APAC	71,463	60,454	11,009
Total Revenues	<u>638,194</u>	<u>678,165</u>	<u>(39,971)</u>

8. Change in Inventory of Work-in-Process, Semi-finished and Finished Goods

The change in inventory was negative and amounted to €21,727 thousand as a result of lower production volume due to the two-month halt in production caused by the health emergency.

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

9. Increases in Own Work Capitalised

This item, amounting to €34,076 thousand, consists mainly of costs incurred for labour, materials and manufacturing overhead that were capitalised under the item “Models and moulds”. These costs were incurred primarily for the internal production of models and moulds used to build fiberglass-reinforced plastic forms which constitute the hull and other structural elements of the boats classified in this item as per industry practice.

10. Other Revenues and Income

	<u>31/12/2020</u>	<u>31/12/2019</u>	<u>Change</u>
Contingent assets	4,791	3,092	1,699
Damage settlements	2,101	2,747	(646)
Gains on sales of assets	1,822	48	1,774
Contributions from suppliers	1,780	1,221	559
Rental income	641	244	397
Rebiling of miscellaneous costs to customers and dealers	256	1,281	(1,026)
Other	3,636	4,357	(721)
Total other revenues and income	<u>15,027</u>	<u>12,991</u>	<u>2,036</u>

The item “Contingent assets” mainly refers to differences on cost forecasts recorded in the previous years for the supplies of services and raw materials, whose final account proved to be lower.

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

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The item “Contributions from suppliers” regards the discounts received from suppliers which co-operate with the Group, and the Company in particular, in accordance with the sales agreements entered into in the reporting period.

The item “Other” includes, in addition to revenues of approximately €1,369 thousand for invoices to suppliers due to non-compliance of materials received, proceeds from sundry activities not directly connected with shipbuilding such as: income from promotional, marketing and co-branding agreements entered into with other internationally-renowned firms. This item also includes the €105 thousand reimbursement received from Fondimpresa and Fondirigenti for the training financed in 2020 and about €69 thousand Government grants for the tax credit accrued for sanitisation and purchase of protection devices as per Article 125 of Legislative Decree No. 34 of 19 May 2020.

11. Raw Materials and Consumables Used

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

The costs of raw materials during the year ended 31 December 2020 amounted to €291,768 thousand, down compared to €335,559 thousand in the year ended 31 December 2019. This is attributable to the attention paid by the Group to cost containment, as well as to two-month production stoppages as a result of the health emergency as previously illustrated.

During the year, the Group incurred costs of over €618 thousand to adapt its working environment to the health and hygiene legislation rules required to comply with the prescriptions and measures designed to contain the spread of the SARS-CoV-2 virus. The Group played an active part in adapting its spaces and working conditions, putting workers’ safety first. To do so, it purchased protective equipment and sanitising materials and gave its employees the option of taking serology tests and/or swabs.

12. Services Used

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

13. Costs for Trade Shows, Events and Advertising

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

During the year said costs sharply decreased, by over 19% going from €11,668 thousand at 31 December 2019 to €9,446 thousand for financial year ended 31 December 2020. In fact, although the Group continued to invest in advertising and image, it was unable to participate in the trade fairs that were cancelled due to the global health emergency.

Despite the limitations imposed by the global health emergency caused by Covid-19, the Group sought to continue to invest in activities aimed at conveying its values, strengthening the image of its brands and increasing customer loyalty. From this perspective, customers are engaged through brand awareness, marketing and communications activities (participation in trade fairs, product launches and other events) and digital interactions (via the corporate site, individual brand sites and presences on social media channels).

The most important industry trade fairs were cancelled the world over in 2020, but this did not prevent the Group from consolidating its identity and image.

The Group could take part only in boat shows and events organised in the first part of the year, namely in Europe in Düsseldorf and in North America in Miami.

These events, together with the brands, volume growth and diversification of the models offered, are functional to building customer loyalty.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. Other Service Costs

	<u>31/12/2020</u>	<u>31/12/2019</u>	<u>Change</u>
Transportation and customs clearing costs	13,753	15,299	(1,546)
Technical consulting	13,355	11,782	1,573
Tax, legal and administrative consulting services	5,699	5,263	435
Insurance	4,106	3,703	404
Utilities	3,865	4,011	(146)
Fees paid to members of corporate governance bodies . . .	3,402	2,316	1,086
Maintenance	2,952	2,789	163
Recruiting and training costs	2,051	2,318	(268)
Travel and per diem expenses	1,700	4,239	(2,539)
Entertainment expenses	1,507	3,574	(2,066)
Other	17,447	15,559	1,888
Total other service costs	<u>69,837</u>	<u>70,852</u>	<u>(1,015)</u>

Total other service costs went from €70,852 thousand at 31 December 2019 to €69,837 thousand at 31 December 2020, thus decreasing by over €1 million.

Despite the greater costs incurred during the period to adapt the premises to the established anti-Covid legislation, management continued to carefully monitor and contain costs.

The item “Technical consulting” amounting to €13,355 thousand, refers to consultancy on production issues and services rendered by engineering firms and designers with regard to the design of boats and new models of vessels, interiors and other studies and research bearing on the shipbuilding process. It also includes the costs of certifications or services from other entities of a technical nature. This item increased during the year because of higher investments in pursuit of constant improvement of new products.

The item “Tax, legal and administrative consulting services” mainly included €1,669 thousand for legal advice and notaries’ fees and €1,202 thousand relating to administrative consulting, including accounts auditing, and tax assistance, also with regard to the audits and resolution of disputes during the year. Moreover, €285 thousand referred to IT consulting.

In the fiscal year ended 31 December 2020, “Fees paid to members of corporate governance bodies” included €3,167 thousand for fixed and variable compensation, benefits and remuneration paid to Directors, as well as €132 thousand in fees paid to Statutory Auditors and €104 thousand for the Supervisory Body.

With regard to the Note “Fees paid to Directors, Statutory Auditors, members of the Supervisory Body and Independent Auditors” see the schedule relating to the fees received by the Group’s corporate bodies.

The item “Recruiting and training costs” mainly refers to the costs incurred by Group companies for the company canteen and meal vouchers (as provided for contractually), as well as remuneration for project workers and the costs of training.

The item “Other” consists mainly of costs incurred for third-party services of various types, such as security services, janitorial services, etc.

The increase for the year, pertaining to item “Other”, is attributable to higher costs incurred amounting to approximately €1,357 thousand for adapting to Covid-19 legislation adopted by the Group and chiefly concerning workplace sanitisation costs and plant inspection. Moreover, the Group entered into, for all its employees, an insurance policy hedging the risks connected with the Covid-19 pandemic.

15. Rentals and leases

Following the adoption by the Group of IFRS 16 – *Leases*, the item “Rentals and leases” showed a balance of €5,582 thousand in the year ended 31 December 2020 compared to a balance of €6,671 thousand for the year ended 31 December 2019. As previously described in Note 4, to which the reader is referred, the Group

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

recognised the right-of-use assets and the lease liabilities related to all contracts previously classified as operating leases, excluding short-term leases related to low-value assets. The right-of-use assets of most lease contracts were recognised based on the carrying amount, discounted using the incremental borrowing rate. For some lease contracts, the right-of-use assets were recognised based to the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease previously recognised. Lease liabilities were recognised at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of first time application. Therefore, the Group recognised lower costs (a total of €5,937 thousand) for rentals and leases associated with contracts falling within the scope of application of IFRS 16 for the year ended 31 December 2020.

This item includes the royalties paid by Group companies amounting to €1,803 thousand, paid to architects for designing the boats.

The remaining part of this item includes the amounts related to leases and rentals, which do not fall within the scope of application of IFRS 16 as they are short-term and/or of low value.

16. Personnel costs

	<u>31/12/2020</u>	<u>31/12/2019</u>	<u>Change</u>
Wages and salaries	65,540	69,192	(3,652)
Social security contributions	22,438	22,866	(428)
Employee severance indemnities and other allocations . .	4,476	4,388	88
Total personnel costs	<u>92,454</u>	<u>96,446</u>	<u>(3,992)</u>

Personnel costs decreased compared to the previous year following the halting of production activities due to the Covid-19 pandemic and accordingly for employees was activated the Ordinary Redundancy Fund Procedure.

The following table shows the average number of employees in the two periods, broken down by category:

	<u>31/12/2020</u>	<u>31/12/2019</u>	<u>Change</u>
Executives	24	25	(1)
Office staff and middle managers	549	521	29
Workers	966	971	(5)
Total number of employees	<u>1,539</u>	<u>1,517</u>	<u>23</u>

17. Other Operating Expenses

	<u>31/12/2020</u>	<u>31/12/2019</u>	<u>Change</u>
Contingent liabilities	1,511	2,457	(946)
Settlement agreements	1,458	3,730	(2,271)
Taxes and fees other than income taxes	1,334	1,081	253
Memberships in trade associations	545	469	76
Advertising and promotional material	454	694	(240)
Re-billable costs	447	2,119	(1,672)
Losses on asset sales	335	0	335
Losses on receivables	0	66	(66)
Sundry operating costs	1,283	710	573
Total other operating expenses	<u>7,368</u>	<u>11,327</u>	<u>(3,959)</u>

“Contingent liabilities” referred mainly to the higher costs incurred during the financial year in excess of the provisions recognised in the financial year ended 31 December 2019 for supplies pertaining to the previous years.

The item “Settlement agreements” related to several private agreements entered into in the course of 2020.

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The item “Taxes and fees other than income taxes” includes the cost of IMU (municipal property tax), stamp duty, Tari (waste tax), Tosap (tax on the use of public spaces and areas) and other minor taxes.

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

18. Allocations to Provisions and Write-downs

This item is shown net of utilisations and releases to income made during the year. Impairment losses in accordance with IFRS 9 are recognised separately in the income statement when the value is considered material.

“Allocations to provisions” for the year ended 31 December 2020 amounted to €17,272 thousand (€20,857 thousand at 31 December 2019) and referred mainly to the following items:

- €15,085 thousand regarding the effects arising from adjustments of the provision for product warranties, which was calculated on the basis of an estimate of the expected requests for repairs for the yacht fleet, and usually including products sold during the current and previous fiscal periods for which there is a statutory warranty obligation;
- €1,557 thousand relating to other changes in provisions for risks and charges and the provision for legal risks; this item is stated net of utilisations and releases during the year.

An analysis of the changes that occurred compared with the Financial Statements at 31 December 2019 is provided in Note 44.

The provision for doubtful accounts amounted to €630 thousand, as described in further detail in Note 25.

19. Depreciation, Amortisation and Write-downs

This item includes amortisation and depreciation on the respective classes of intangible assets and property, plant and equipment, amounting €42,493 thousand.

Moreover, the overall amount of the amortisation and depreciation recognised for the year rose by €5,774 thousand as a result of the application of IFRS 16 — *Leases* by the Ferretti Group.

The results of the impairment test performed during the year showed that no write-down was necessary.

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

20. Financial Income

The item “Financial income”, totalling €133 thousand, mainly includes interest accruing on bank accounts held by Group companies and commercial interest income.

21. Financial Expenses

	<u>31/12/2020</u>	<u>31/12/2019</u>	<u>Change</u>
Bank interest expenses	(3,748)	(1,236)	(2,513)
Amortisation of incidental borrowing costs	(1,359)	(744)	(615)
Interests payable to other lenders	(868)	(559)	(309)
Charges paid on loans and other facilities	(665)	(759)	94
Financial expenses arising on the application of IFRS 16	(163)	(108)	(55)
Interest costs on provision for severance benefits and provision for pensions	(29)	(55)	26
Charges for paying taxes and social security contributions in instalments	(13)	(9)	(4)
Shareholders interest expenses	0	(3,027)	3,027
Other financial expenses	(51)	(111)	60
Total financial expenses	<u>(6,897)</u>	<u>(6,608)</u>	<u>(289)</u>

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The increase in “Financial expenses” reflects the higher interest expenses arising on the increase of the net financial position due to higher investments made in 2020.

The items “Incidental borrowing costs” and “Charges paid on loans and other facilities” include the commitment fee accrued on the new medium-/long-term loan that the Parent Company finalised in August 2019, as described in further detail in Note 38.

22. Foreign exchange gains (losses)

In 2020, the Group did not enter into any exchange rate risk hedging contracts; as a result, creditor and debtor balances denominated in foreign currency are subject to changes on the basis of the exchange rates in force at 31 December 2020.

In the reporting year, as at the end of the previous year, the Group was subject to the depreciation of the dollar against the euro, and recorded exchange losses.

23. Income taxes for the year

As shown in the following table, the income tax balance was positive at €18,455 thousand, as detailed below:

	<u>31/12/2020</u>	<u>31/12/2019</u>	<u>Change</u>
Corporate income tax (IRES)	(0)	(10)	10
Regional tax (IRAP)	(840)	(502)	(337)
Federal taxes	(683)	(456)	(227)
Total current taxes	(1,522)	(968)	(554)
Prior-year taxes	1,542	2,419	(878)
Deferred taxes	18,436	18,718	(281)
Total income taxes for the year	<u>18,455</u>	<u>20,169</u>	<u>(1,713)</u>

In accordance with the Group’s national fiscal consolidation regime, the Group had a negative corporate income tax base. Therefore, there was no IRES payable. The IRAP taxable base of several companies was positive, and therefore a provision was made for this tax based on the rate in force in the regions in which the value of production is calculated. This item includes income associated with the adjustment of taxes of prior periods, for an overall positive effect of €1,542 thousand, mainly due to the recognition of the 2019 R&D credit, as commented on in Note 25.

The impact on the income statement of deferred taxes in the period ended 31 December 2020 was positive at €18,436 thousand, mainly as a result of prepaid taxes recognised on previous tax losses in light of the profit for tax purposes that the Group expects to generate in the forthcoming years, also based on the positive forecasts made by the Group’s management. Please refer to the tables concerning deferred tax assets and liabilities for the details of such changes.

The following table provides a reconciliation between the nominal and effective tax rate of the Group for 2020 and 2019:

<u>Tax</u>	<u>Theoretical taxable base*</u>	<u>Tax rate</u>	<u>Total tax</u>
Corporate income tax (IRES)	3,527	24.0%	(846)
Regional tax (IRAP)	3,527	3.90%	(138)
		Total theoretical tax	(984)
Recognition of previously unrecognised tax losses			17,268
Recognition of 2019 R&D receivable			1,637
Other differences			535
	Effective tax recognised in the income statement		<u>18,455</u>

(*) Figure referred to the pre-tax profit

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

<u>Tax</u>	<u>Theoretical taxable base*</u>	<u>Tax rate</u>	<u>Total tax</u>
Corporate income tax (IRES)	6,430	24.0%	(1,543)
Regional tax (IRAP)	6,430	3.90%	(251)
		Total theoretical tax	(1,794)
Recognition of previously unrecognised tax losses			18,718
Recognition of the credit for investments in research and development			2,390
Other differences			854
		Effective tax recognised in the income statement	20,169

(*) Figure referred to the pre-tax profit

The effective tax rate for both 2020 and 2019 mainly resulted on the recognition of previously unrecognised tax losses.

NOTES TO THE MAIN ASSET ITEMS

The following Notes provide a breakdown of the individual components of the Consolidated Statement of Financial Position for the fiscal year ended 31 December 2020 compared with 31 December 2019.

CURRENT ASSETS

24. Cash and Cash Equivalents

	<u>31/12/2020</u>	<u>31/12/2019</u>	<u>Change</u>
Bank and postal accounts	32,804	39,134	(6,330)
Cash and securities on hand	25	29	(4)
Total cash and cash equivalents	32,830	39,164	(6,334)

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

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

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

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

25. Trade and Other Receivables

	<u>31/12/2020</u>	<u>31/12/2019</u>	<u>Change</u>
Trade receivables	35,470	20,729	14,741
Other receivables	26,286	31,385	(5,099)
Total trade and other receivables	61,756	52,114	9,642

Trade receivables

	<u>31/12/2020</u>	<u>31/12/2019</u>	<u>Change</u>
Accounts receivable from customers	42,059	27,182	14,877
(Less) Provision for doubtful accounts	(6,589)	(6,453)	(136)
Total trade receivables	35,470	20,729	14,741

“Accounts receivable from customers” at 31 December 2020 relate primarily to sales and services other than boat sales, for which the balance is generally received before delivery based on the contractual terms and conditions in

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

force. Therefore, they refer to paid after-sales services, sales of material and spare parts, merchandising and provision of joinery works. These are considered to be receivable within one year.

The increase compared to the previous year chiefly regards the orders of two yachts from the FSD division, which are being delivered. At the reporting date, invoices had been issued to enable the shipping and exportation operation, whereas the balance will be paid when the yachts are inspected and delivered, in accordance with the contractual provisions. One of these boats was delivered, and payment received, in early January 2021, for €569 thousand.

Moreover, the balance at 31 December 2020 includes several contracts invoiced by the subsidiary Zago S.p.A. to a customer which has already paid all its debt positions at the beginning of February for €1,221 thousand.

The provision for doubtful accounts, calculated by the Group in compliance with IFRS 9, changed as follows:

<i>Provision for doubtful accounts</i>	
Balance at 31 December 2019	6,452
Increases	630
Utilisations	(494)
Balance at 31 December 2020	<u>6,589</u>

The Group is mainly exposed to the credit risk only for the amount of trade receivables. On the basis of the analyses performed, the Group deems it is not exposed to significant credit risk associated with “Contract assets”.

The Group’s credit risk is concentrated on a limited number of entities, which have a credit exposure diversified over a relatively large number of counterparties and customers.

Other receivables

	<u>31/12/2020</u>	<u>31/12/2019</u>	<u>Change</u>
Tax receivables	11,991	14,496	(2,505)
Accounts receivable from others	6,758	10,961	(4,203)
Accruals and deferrals	7,537	5,927	1,610
Total other receivables	<u>26,286</u>	<u>31,385</u>	<u>(5,099)</u>

The movement in the “Tax receivables” item between 31 December 2020 and 31 December 2019 is due primarily to the decrease in VAT receivable and the lower IRAP paid.

It should be noted that a VAT settlement procedure is underway between CRN S.p.A. and the Parent company, pursuant to Article 73, last paragraph, of the Presidential Decree No. 633/1972 and Article 3 of the Ministerial Decree dated 13 December 1979. Zago S.p.A., Sea Lion S.r.l., and the company Michellini & C. S.r.l., acquired during the year, which do not take part in said procedure, had an overall balance of €297 thousand.

In 2020 as well, the Parent Company — Ferretti S.p.A., tax code 04485970968 — applied, in accordance with European legislation governing “State aid in favour of research, development and innovation (2014/C 198/01)”, for reimbursement of the expenses incurred for research and development in 2019 to bring new products to the market. The benefit calculated by the Company and certified with a sworn appraisal of an independent expert was €1,637,423.41. This receivable was used as an offsetting item in December 2020 to pay other taxes and social security contributions.

That statement was made pursuant to Law No. 124/2017, Article 1, paragraphs 125-129, as amended.

During the year ended 31 December 2020, the main Group companies applied for the “Tax credit for the adaptation of work environments and sanitisation/purchase of protective equipment” for a total of €69 thousand. This credit was recognised following the application filed with the Italian Agency of Revenue in July 2020, as provided for in Article 125 of Decree-Law No. 34 of 19 May 2020, converted, with amendments, by Law No. 77 of 17 July 2020, which grants a tax credit equal to 60% of the expenses incurred in 2020 for the sanitisation of the environments and tools used and for the purchase of personal protective equipment and other equipment designed to ensure the health of workers and users.

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The remainder mainly relates to foreign VAT for which payment is awaited.

The item “Accounts receivable from others” can be broken down as follows:

	<u>31/12/2020</u>	<u>31/12/2019</u>	<u>Change</u>
Receivables owed by social security institutions	388	438	(50)
Advances, prepayments and sundry receivables from suppliers	6,253	10,497	(4,244)
Other	118	26	91
Total accounts receivable from others	<u>6,758</u>	<u>10,961</u>	<u>(4,203)</u>

“Receivables owed by social security institutions” at 31 December 2020 refer mainly to receivables from the Italian workman’s compensation agency (INAIL) of €242 thousand, for advances and payments to employees, as well as, for the residual amount, advances against the Redundancy Fund paid to employees on behalf of the Italian social security administration (INPS), still to be refunded for €2 thousand.

The balance relating to “Advances, prepayments and sundry receivables from suppliers” at 31 December 2020 refers for €773 thousand to advances on commissions paid on the basis of interim receipts from customers, and for about €646 thousand to advances already paid for the main industry trade shows to be held in the first months of 2021, such as those in Düsseldorf and Dubai. The balance also includes several insurance indemnities requested during the current year, which will be paid in March 2021, in addition to advances paid to suppliers for services that have not yet been completed or work progress payments for goods not yet delivered.

The item “Accruals and Deferrals” can be broken down as follows:

	<u>31/12/2020</u>	<u>31/12/2019</u>	<u>Change</u>
Total accruals	29	17	12
Prepaid expenses:			
Insurance	689	383	305
Rent and government authorisation fees	97	200	(103)
Advertising and trade show costs	94	0	94
Rentals and lease payments	108	204	(96)
Other	6,521	5,123	1,398
Total deferrals	<u>7,508</u>	<u>5,911</u>	<u>1,597</u>
Total accruals and deferrals	<u>7,537</u>	<u>5,927</u>	<u>1,610</u>

The Group’s management believes that the carrying amount of trade and other receivables is close to their fair value, as they are short-term receivables at arm’s length.

26. Contract assets

Contract assets consist of the amount payable by customers for contract works completed at the end of this accounting period, stated net of payments on account already received.

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

The following table provides the breakdown of contract assets underway at 31 December 2020, compared to those at 31 December 2019.

	<u>31/12/2020</u>	<u>31/12/2019</u>	<u>Change</u>
Contract assets	351,958	389,561	(37,603)
Advances received	(175,921)	(234,431)	58,510
Total contract assets	<u>176,037</u>	<u>155,130</u>	<u>20,908</u>

As at December 31, 2020 the Group’s net backlog is equal to €336 million.

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27. Inventories

	31/12/2020			31/12/2019			Change
	Gross value	Allowance for write-downs	Net amount	Gross value	Allowance for write-downs	Net amount	
Raw materials and components							
inventory	34,706	(4,750)	29,956	30,928	(4,948)	25,980	3,976
Inventory advances	15,139	0	15,139	15,570	0	15,570	(431)
Work in progress and semi-finished goods	53,886	0	53,886	77,452	0	77,452	(23,566)
New boats	62,809	(686)	62,124	68,583	(1,109)	67,474	(5,350)
Used boats	37,067	(6,092)	30,975	19,037	(2,583)	16,454	14,521
Total inventories	203,608	(11,528)	192,080	211,570	(8,640)	202,930	(10,849)

The “Raw materials and components inventory” is adjusted by a write-down provision of €4,750 thousand at 31 December 2020 (€4,948 thousand at 31 December 2019) that reflects a prudential estimate of slow-moving and/or potentially obsolete inventory items.

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

The item “New boats”, amounting to €62,809 thousand at 31 December 2020, refers to boats not covered by orders, whose production had been completed at the closing date of the reporting period. The carrying amount of finished boats not covered by orders was adjusted by means of an allowance for write-downs of €686 thousand in order to bring it down to the lower of the cost or estimated realisable value.

The item “Used boats” refers to 8 used boats held in inventory, valued at €37,067 thousand (14 boats at 31 December 2019 with a gross value of €19,037 thousand). The carrying amount of the used boats was adjusted by means of an allowance for write-downs of €6,092 thousand, in order to bring it down to estimated realisable value.

28. Equity Investments and Other Financial Assets

The item “Equity investments and other financial assets” totalled €3,592 thousand at 31 December 2020 and regards the value of escrow accounts received by the subsidiary Allied Marine Inc. for its brokerage service. These funds, which are provided by customers upon the signing of an order, are held in escrow until the boat is delivered to the corresponding customer.

NON-CURRENT ASSETS

Property, Plant and Equipment

Movements in this item in 2020 were as follows:

	Land and buildings	Plant, machinery and equipment	Property, plant and equipment	Models and moulds	Total
Historical cost	159,010	51,510	34,797	226,088	471,406
Accum. depreciation	(46,030)	(39,660)	(19,233)	(166,824)	(271,748)
Balance at 31 December 2019	112,981	11,851	15,564	59,264	199,658
Change to the consolidation area - Historical cost	4,851	204			5,055
Change to the consolidation area - Accumulated depreciation	(780)	(29)			(809)
Increases	13,019	2,682	10,770	29,389	55,860
Increases in rights-of-use assets (IFRS 16)	14,825	70	428	0	15,323
Decreases in the historical cost	(495)	(281)	(8,556)	0	(9,332)
Decreases in rights-of-use assets (IFRS 16)	0	0	0	0	0
Reclassifications	(600)	(867)	433	0	(1,035)

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	Land and buildings	Plant, machinery and equipment	Property, plant and equipment	Models and moulds	Total
Delta exchange rates and other historical cost changes	(311)	(119)	110		(320)
Decreases in the accumulated depreciation	182	276	3,348	0	3,806
Amortisation of the rights-of-use assets (IFRS 16) for the year	(4,745)	(96)	(932)	0	(5,774)
Deprec. expense for the year	(4,691)	(2,453)	(4,090)	(19,547)	(30,780)
Balance at 31 December 2020	134,234	11,238	17,074	69,105	231,652

29. Land and Buildings

The item “Land and buildings” can be broken down as follows:

Description	Location	Company	31/12/2020			31/12/2019
			Total investment	Land	Buildings	Total investment
Office building and industrial building at via Costiera 27/C	Forlì	Ferretti	3,324	450	2,874	1,685
Industrial building at via Ansaldo 4	Forlì	Ferretti	943	385	558	982
Office building and industrial building at via Ansaldo 9	Forlì	Ferretti	3,362	739	2,623	2,936
Production facility at via Ansaldo 10	Forlì	Ferretti	3,029	414	2,615	3,140
Industrial building at via Ansaldo 11	Forlì	Ferretti	617	137	481	613
Industrial building at via I. Bandiera 62	Cattolica (Rimini)	Ferretti	4,730	1,954	2,776	4,936
Warehouse and office building at via Caboto	Cattolica (Rimini)	Ferretti	627	225	402	650
Ground leases of two commercial buildings	Porto di Lavagna (Genova)	Ferretti	126	0	126	134
Production facility at Viale J.J. Pershing, 1	Mondolfo (Pesaro-Urbino)	Ferretti	8,736	1,934	6,802	9,200
Industrial building at via Predore 30	Sarnico (Bergamo)	Ferretti	3,652	1,093	2,560	3,789
Office building and industrial building at via San Bartolomeo 380	La Spezia	Ferretti	12,668	0	12,668	10,411
VTR industrial building	Ancona	Ferretti	247	0	247	268
Office building and industrial buildings at via Mattei 26	Ancona	CRN	54,974	2,975	51,999	53,497
VTR industrial building	La Spezia	Michelini Ferretti	4,037		4,037	0
Show room, offices and other commercial buildings	USA	Group of America	5,181	0	5,181	3,775
Improvements on leased buildings		Group	2,535	0	2,535	2,278
Prefabricated structures		Group	2,273	0	2,273	1,487
Trade show booths		Group	1,524	0	1,524	1,614
Rights-of-use assets		Group	21,648	0	21,648	11,584
Total			134,234	10,305	123,929	112,981

The increase in the item “Land and buildings” is attributable to the improvements made to plants already owned by the Group, as well as to the change to the scope of consolidation. The process of acquiring Michelini & C. S.r.l., as further described in Note 3, was completed on 13 October 2020, and this entailed the recognition of the property located at Via San Bartolomeo 384 in La Spezia within this item

The property located in the port area of the Municipality of La Spezia has a surface area of 2,885 square metres. In front of the building there is a water surface that the Port Authority allows the company to occupy. The

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

industrial building included among the Group's properties takes account of the valuation performed by an independent expert, which presents a value of €4 million, gross of deferred tax liabilities on the greater value ascribed compared to accounting values.

Moreover, the item "Land and Buildings" includes the following components:

- the office building and industrial building at Via Costiera 27/C in Forlì, the purchase of which was closed on 2 December 2019, consisting of an industrial structure with a parking area and an attached open-air courtyard, occupying the ground floor with offices, facilities and service areas. The land over which the building was built has a net book value of €450 thousand; The industrial complex, acquired to expand and develop production capacity, was subject to expansion and improvement during the year and has hosted the production of Wally branded vessels since October 2020;
- the industrial site at Forlì, Via Ansaldo 4, which covers an area of 2,400sq m and whose residual net book value at 31 December 2020 was €558 thousand. The land over which the building was built has a net book value of €385 thousand; on 29 January 2016, the Group inaugurated the new centre of excellence for the production of fibreglass. The site is strategically important as it marks the Group's return to in-house production of the material used to make its boats;
- a facility at Via Ansaldo 9, in Forlì, consisting of an office building and an industrial building, whose net book value was €2,623 thousand at 31 December 2020. The land over which the building was built has a net book value of €739 thousand. In 2020, the Group completed the revamping of the office building started at the end of 2019 in order to improve its capacity and efficiency;
- a production facility in Via Ansaldo 10, in Forlì, used by the Group's Models and Moulds Division. A finance lease for this building was signed in March 2006 with Intesa Leasing S.p.A. (now Mediocredito Italiano S.p.A.). On 19 November 2007, this lease was amended to cover a portion of the building delivered at a later date, which caused the buyout of the entire property to be postponed until the expiration date of the amended lease. At 31 December 2020, the net book value of the building was about €2,615 thousand. The net book value of the land over which the building has been built amounted to €414 thousand;
- an industrial building at Via Ansaldo 11, in Forlì, purchased in 1987, whose net book value amounted to €481 thousand at 31 December 2020. The land over which the building was built has a net book value of €137 thousand;
- the Cattolica shipyard, that had a net book value of €2,776 thousand at 31 December 2020. The site covers an area of 13,000sq m and its net book value was €1,954 thousand;
- a production site comprising office buildings, two industrial buildings and a painting centre, located in Centocroci di Mondolfo (Pesaro-Urbino), whose net book value at 31 December 2020 was €6,802 thousand. The land over which the buildings are built has a net book value of €1,934 thousand;
- a building located in Sarnico with a residual net book value of €2,560 thousand at 31 December 2020. This building is owned by the former subsidiary Riva S.p.A. and is used for production purposes. The land over which the building was built has a net book value of €1,093 thousand. Construction work was done in 2020 to improve the production unit;
- the new plant in La Spezia, formerly owned by Riva S.p.A. and used for production purposes. It had a net book value of €8,206 thousand at 31 December 2020. This plant was built on state-owned territory for which a thirty-year authorization is being applied for (expiration date: 23 May 2031) and is therefore depreciated on the basis of the duration of this license. In addition, €4,462 thousand were invested in improvements to the building erected on land held under a government concession. Specific structural improvements relating to building and design costs and including the renovation of an office building with annexed employee cafeteria, a warehouse, employee locker rooms, boiler room, transformer room, compressor room, quays and floating docks, continued. The total investment in this project amounts to about €24 million;
- the shipyard where C.R.N. S.p.A. is based, located in Ancona, which has a residual net book value of €52 million. It has been undergoing significant expansion and modernisation work since 2017. Said work continued in the reporting year and the about €4 million increases for the year chiefly refer to revamping of the production areas and the office building's layout, quay and slipway refurbishment and modernisation works. In particular, during the year the subsidiary CRN S.p.A. continued the construction of a new plant, the revamping of an office building to cope with the new production needs, as well as quay refurbishment and extension works. The net book value of the land on which the buildings stand is approximately €3 million;

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- through its U.S. subsidiaries, the Group owns some properties in Fort Lauderdale and Stuart, in Florida, U.S.A., which it uses for its commercial activities. In 2009, the book value of the U.S. facilities was written off following the impairment test carried out, with the exception of the Fort Lauderdale showroom that represents the Group's U.S. Flagship store, in which the Group continued to invest also in 2020 for its renovation;
- the improvements made to leased buildings mainly refer to the Group's showrooms and representation offices; The increase in 2020 was mainly due to the Parent Company, which in January 2020 inaugurated a new head office and reception area in Milan in a prestigious historical building that was renovated and modernised to improve the utility of the spaces;
- light constructions valued at €2,273 thousand, mainly attributable to the Company for €1,965 thousand and to CRN S.p.A. for €288 thousand;
- the trade fair booths, amounting to €1,524 thousand, refer primarily to those used by Group companies at major industry fairs.

Following the application of IFRS 16 — *Leases*, the Group recognised, at 31 December 2020, right-of-use assets for €21,648 thousand relating to agreements that meet the requirements set forth in said Standard in this category, and referring entirely to rental contracts for properties, partly intended for industrial use and partly referring to some apartments that are used by the Group's employees.

30. Plant, Machinery and Equipment

This category includes equipment, consisting of production tools, valued at €2,161 thousand, as well as generic and specific plant systems valued at €7,651 thousand and machinery carried at €1,191 thousand.

The increase recorded in the period ended 31 December 2020 can be attributed primarily to improvements to existing plants in the Group's various production facilities, such as works to expand and adapt LED lighting, dust extraction and alarm systems. It also includes the work on the new climate-control system in the MO5 building at the Ancona shipyard, the purchase and installation, at the Group's main facilities, of thermal imager, systems for measuring the body temperature of people entering the facilities using automatic detection systems. In other workplace safety initiatives, the Parent Company purchased and installed lifelines on all its plants' cranes to manage work at height safely. A system for enabling all woodworking machines at Ferretti shipyards was also implemented on the basis of the current employee badge and external firms. Accordingly, only personnel appropriately authorised through the control software, and on the basis of their specific duties and training, may activate and use the machines.

In addition, new equipment and machinery were also acquired in replacement of these deemed obsolete and thus scrapped, and small-and-medium tools used in production were purchased.

Following the application of IFRS 16 — *Leases*, right-of-use assets in a net total amount of €235 thousand were recognised in this category.

31. Other property, plant and equipment

"Other property, plant and equipment" includes mainly €1,230 thousand for electronic and accounting office equipment, €3,157 thousand regarding furniture and fixtures, and €1,940 thousand for transportation equipment and vehicles.

Following the application of IFRS 16 — *Leases*, right-of-use assets in a net total amount of €1,140 thousand were recognised in this category, mainly referring to car rental agreements.

The increase during the period is mainly due to the recognition of a vessel used for company demonstration purposes with a net book value of €7,870 thousand. The vessel is subject to depreciation on the basis of its expected useful life. During the year the demo boat capitalised in the previous year was sold. The sale generated a €1,806 thousand net capital gain, which was recognised among other sales revenues.

The remaining part of investments made in 2020 was attributable to new servers, computers, phone devices and furniture used for the setting up of new workstations and revamping of offices, as well as to the purchase of furniture used on the occasion of industry nautical shows or the ongoing upgrade of showrooms.

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32. Models and Moulds

This asset category reflects primarily the value of moulds used to manufacture fiberglass boat components. Most of the models and moulds are produced internally in connection with special product development research projects. The renewal of the boat product line continued during 2020 requiring the production of moulds valued at over €29 million.

This item also includes moulds under construction (or otherwise not yet utilized), net of write-downs.

The results of the impairment test, for which reference is made to Note 34, performed during the current year showed that no write-down was required.

Intangible Assets

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

	<u>Goodwill</u>	<u>Trademarks</u>	<u>Other intangible assets</u>	<u>Total</u>
Balance at 31 December 2019	<u>1,631</u>	<u>243,701</u>	<u>15,231</u>	<u>260,563</u>
Increases		185	7,599	7,784
Decreases			0	0
Exchange gains and losses and reclassifications		(46)	(14)	(60)
Amortisation expense for the period			(5,939)	(5,939)
Balance at 31 December 2020	<u>1,631</u>	<u>243,840</u>	<u>16,878</u>	<u>262,348</u>

33. Goodwill

Goodwill amounted to €1,631 thousand and related to the investment in the subsidiary Zago S.p.A. and the subsidiary Ferretti Group (Monaco) S.a.M.

With reference to the impairment tests performed, please refer to Note 34.

34. Trademarks

A breakdown of the value of “Trademarks” at 31 December 2020 is as follows:

	<u>31/12/2020</u>	<u>31/12/2019</u>	<u>Change</u>
Ferretti Yachts	95,318	95,318	0
CRN	46,528	46,528	0
Custom Line	36,718	36,718	0
Riva	30,716	30,716	0
Wally	25,434	25,409	25
Pershing	8,609	8,609	0
Easy Boat	9	9	0
Costs for trademark protection	508	394	114
Total trademarks	<u>243,840</u>	<u>243,701</u>	<u>138</u>

The increase in the year ended 31 December 2020 was mainly due to the expenses incurred by the Group companies to renew the filing of the individual trademarks in the various countries.

Impairment test on indefinite useful life intangible assets

On 31 December 2020, the Group carried out impairment tests on these assets.

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

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

- the free cash flows used to determine value in use were those resulting from managements' analyses for the 2021 budget and for the following years they were derived from the Industrial Plan approved by the Board of Directors on 31 July 2019, with a five-year time period until 31 December 2025;
- the impairment test was performed considering as the recoverable value of the cash generating units (CGUs) their value in use, which includes their terminal value, determined in accordance with the perpetuity criterion;
- the main criteria used to determine the value in use are summarised in the following table, and are the same for all the CGUs:

	<u>31/12/2020</u>	<u>31/12/2019</u>
Cost of debt before tax benefits (EURIRS 10 years + Spread)	2.60%	3.02%
Interest rate for riskless assets	1.12%	2.00%
Discount rate (net of tax benefits) WACC	6.00%	6.70%
Perpetuity growth rate (perpetuity g-rate)	2.00%	2.00%

- The Group's management adopted a discount rate (WACC) in a configuration net of tax effects that reflects current market valuations of the cost of money and the specific risk associated with each CGU. As at the date of each test, at the end of 2020 the Group, with the support of its financial advisors, also updated the individual parameters used to calculate the WACC, referring to the same benchmark of comparable companies of reference used in 2019 and the changed market risk and Group conditions. In the calculation of the terminal value, the Group uses a 2% long-term growth rate (g-rate), in line with the previous year, considering the forecasts relating to long-term growth rate inferred from external databases, also in light of the indications of growth and stability of the sector in 2020 reported by Confindustria Nautica and the estimates regarding the UNWIs contained in the *Global Wealth Report 2020* prepared by *Credit Suisse*. In light of the market prospects for the industry as updated after the outbreak of the pandemic, it was not deemed appropriate to change the long-term growth rate.

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

The Group also carried out a second-level test, considering and verifying goodwill impairment at that level. The impairment test carried out did not show any need for write-downs.

The Group also conducted sensitivity analyses of the parameters applied in the base version of the test, increasing or decreasing the WACC discount rate and/or the growth rate (g-rate). The findings of this analysis confirmed that the results were reasonable and thus that the amounts carried in the financial statements were recoverable. The Group will continue to monitor the performance of the individual CGUs carefully in order to verify that actual performance coincides with forecasts.

35. Other Intangible Assets

This item includes:

- "Concessions" with a net book value of €1,553 thousand and referring chiefly to the costs incurred to acquire docking rights in a marina located in Cattolica within the framework of the Detailed Public Initiative Plan for Port Facilities in the Municipality of Cattolica. The docking rights will be valid until 2053. Besides the docking right in the marina Porto Mirabello, in the Gulf of La Spezia, the value of the investment is €641 thousand; the right will be valid until 2067;
- "Intellectual property rights" with a net book value of €13,610 thousand include the costs of the projects carried out by the Group, which extended to the main business areas, in view of constant improvement and complete integration of the various Group companies operating in Italy and abroad, as part of the reorganisation of the Group initiated in previous years. In addition, in 2020 the Group continued to invest in design work to develop naval platforms for the construction of the CRN models, as well as a new platform for the construction of boats from 60 to 75m. These investments will be

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

amortised over their useful lives of three or five years. The Group conducted research and development on innovative solutions for each model to be applied to all units built. In particular, the projects being developed include: the creation of special gates, built on land before the steel boat structure arrives in the shipyard; standardisation of the plant processes; study of the installation of plastic pipes to optimise footprint; development of an engine room optimised for the passage of pipes and conduits; and the study and development of light-weight furnishings, with support from the Engineering Department;

- the residual value of the item “Other intangible assets”, €1,715 thousand, referred to the net value of licences for new IT applications and the net value of patents. In July, the Parent company entered again into a new lease contract for SAP software licences for a total amount of €402 thousand since the previous contract had expired as described more in detail in Note 38.

“Other intangible assets” (as for “Other property, plant and equipment”) were included among assets subjected to impairment tests, see Note 34, and no write-downs resulted.

36. Equity investments and Other Fixed Financial Assets

A breakdown of this item is as follows:

	<u>31/12/2020</u>	<u>31/12/2019</u>	<u>Change</u>
Equity investments	236	236	0
Other financial assets	<u>2,782</u>	<u>6,512</u>	<u>(3,730)</u>
Total equity investments and other fixed financial assets	<u>3,019</u>	<u>6,748</u>	<u>(3,730)</u>

a) Equity investments

	<u>31/12/2020</u>	<u>31/12/2019</u>	<u>Change</u>
Subsidiaries	120	120	0
Other companies	<u>117</u>	<u>117</u>	<u>0</u>
Total equity investments	<u>236</u>	<u>236</u>	<u>0</u>

At 31 December 2020, the Group held equity investments in the following companies:

Subsidiaries

As described in Note 3, on 14 August 2013 Ferretti Asia Pacific Zhuhai Limited was incorporated, based in Hengqin (Zhuhai). It will develop the commercial and marketing operations of the Group in the Asia Pacific region.

Other companies

	<u>31/12/2020</u>	<u>31/12/2019</u>	<u>Change</u>
Nouveau Port Golf Juan	114	114	0
Sundry investments	<u>2</u>	<u>2</u>	<u>0</u>
Total other companies	<u>117</u>	<u>117</u>	<u>0</u>

The equity investment in Nouveau Port Golf Juan, which is valued at €114 thousand, represents the right to use certain commercial premises currently occupied by a restaurant.

These investments are valued at cost, less any impairment losses.

b) Other financial assets

The item “Other financial assets” chiefly refer to advances on commissions paid on the basis of interim receipts from customers for boats that will be delivered due after the following year, prepaid expenses due after year-end and to security deposits.

The decrease in item “Other financial assets”, compared to the previous year, was attributable to the finalisation in October 2020 of the acquisition of the company Michellini & C. S.r.l. which was included in the consolidation

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area. In 2019, in order to achieve the production capacity expansion objectives set for the La Spezia plant, the Company had underwritten a draft framework agreement for the purchase of full equity ownership of Michellini & C. S.r.l., a shipbuilder that operates in an area of the publicly owned port facilities adjacent to those used by Ferretti. For further details, reference should be made to Note 3.

37. Deferred Tax Assets

The following table provides a breakdown of deferred tax assets at 31 December 2020 and 31 December 2019.

	31/12/2020			31/12/2019		
	Amount of timing differences	Tax rate (average) %	Tax effect	Amount of timing differences	Tax rate (average) %	Tax effect
· Provisions for risks and charges	41,198	27.73%	11,423	44,856	27.74%	12,441
· Inventory write-downs	10,208	28.01%	2,859	6,172	28.08%	1,733
· Provision for doubtful accounts	6,521	24.00%	1,565	6,601	24.00%	1,584
· Other sundry differences	1,552	24.00%	372	1,552	24.00%	372
· Differences in depreciation and amortisation for reporting rather than tax purposes	34,621	24.00%	8,310	31,507	24.00%	7,562
· Goodwill relevant for income tax purposes	5,023	28.02%	1,407	5,156	28.01%	1,444
· Past tax losses		24.11%	62,128		24.15%	44,860
Total deferred tax assets			88,065			69,998

The increase in 2020 prepaid taxes compared to the previous year, whose effect has been credited to the income statement, is primarily due to the recognition of a deferred tax asset for tax losses and interest expenses that can be carried forward without expire time, that the Parent company considers to use to reduce its taxable income and the Consolidated taxable income over five years based on the Industrial Plan forecasts.

NOTES TO THE MAIN LIABILITIES AND EQUITY ITEMS

CURRENT LIABILITIES

38. Financial Payables

	31/12/2020	31/12/2019	Change
Due to banks	43,149	61,231	(18,082)
Incidental borrowing costs	(1,532)	(509)	(1,023)
Due to banks net of incidental borrowing costs	41,617	60,722	(19,105)
Due for maturity factor	29,639	23,768	5,870
Lease liabilities	7,768	4,820	2,948
Total short-term financial payables	79,024	89,310	(10,286)
	31/12/2020	31/12/2019	Change
Due to banks	58,499	15,000	43,499
Incidental borrowing costs	(2,510)	(1,763)	(748)
Due to banks net of incidental borrowing costs	55,989	13,237	42,751
Lease liabilities	28,857	23,015	5,842
Total medium/long-term financial payables	84,846	36,253	48,593
Total financial payables	163,870	125,563	38,307

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

- an amortizing medium-to-long term line of credit with a total maximum amount of €70 million for the Company and its subsidiary CRN, to be repaid according to an amortisation schedule that calls for six half-yearly payments,

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

starting on 31 December 2021, with maturity on 2 August 2024, to be used to finance, inter alia, industrial investments per its business plan, and substitute tax on the various lines of credit pursuant to the Loan Agreement (defined the “Term Loan Facility”);

- (b) a revolving medium-to-long term line of credit with a total maximum amount of €40 million for the Company, to be repaid on the final maturity date (i.e., 2 August 2024) (with an annual clean-down period, with a threshold of €1,000,000 for a minimum of three consecutive business days, it being understood that no fewer than three months may elapse between one clean-down period and another), to be used to finance its ordinary business activity (defined the “Revolving Credit Facility”);
- (c) a revolving medium-to-long term line of credit with a total maximum amount of €60 million for the Company and its subsidiary CRN, to be repaid on the final maturity date (i.e. 2 August 2024), and to be used to finance the ordinary activity relating to commercial contracts for a maximum amount of 90% of the value of the said commercial contracts (defined the “Revolving Pre-Finance Facility”).

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

Due to the suspension of business as a result of the pandemic lockdown period, which resulted in the deferral of payments from customers and project progress, in July the Group obtained a waiver from the banks of the parameters of the covenant as at 30 June, as it was fulfilled in the following month.

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

At 31 December 2020 all covenants had been fulfilled.

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

The interest rate applicable to the Loan is equal to the sum of the relevant spread (290 basis points per annum for the Term Loan Facility and Revolving Pre-Finance Facility and 300 basis points per annum for the Revolving Credit Facility) and Euribor. The spread may also decline according to the level of the leverage ratio.

Ferretti S.p.A. and CRN are “Guarantors” under the Loan Contract, meaning that, inter alia, they guarantee, jointly and severally, to the Lenders prompt, full compliance by each borrower of all the related payment obligations for the borrower under the Loan Contract and other financial documents. Please refer to section “Guarantees provided to third parties”.

The item “Lease liabilities” includes the payables related to leases, and, since 2019, it has been increased of a large portion in accordance with IFRS 16. The short term Payables for finance leases at 31 December 2020 were broken down as follows:

	31/12/2020				31/12/2019
	Maturity (in years)				
	Total	Within 1 year	From 1 to 5 years*	Over 5 years*	Total
Real estate leases	11,329	1,195	4,016	6,117	12,489
Leased vehicle and other leases	2,273	647	1,626	0	1,872
Total payables for finance leases	13,602	1,843	5,642	6,117	14,361
Amount due within one year	1,843				1,587
Amount due after one year	11,759				12,774

* The portion of “Total payables for finance leases” that is due after one year was reclassified to the relevant item of “Non-current liabilities”.

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This item was included in the table above to provide a clearer presentation of the Group's exposure to leasing companies.

In 2020, the Parent Company agreed a finance contract with the company BNP Paribas Leasing solutions, relating to the renewal of SAP software licences. The new contract has a term of 3 years from inception, with interest expenses accruing at fixed rate of 4.709%.

In addition, it entered into a new financial lease-back contract with the company Alba Leasing S.p.A. relating to a series of moulds for Wally brand yachts. The new contract has a term of 3 years from inception, with interest expenses accruing at index-linked rate of 2.20%.

Payables for finance leases refer in their entirety to buildings that the Group acquired under finance leases. All contracts are denominated in each company's currency of account and the fair value of the finance leases stipulated by the Group is close to the book value. "Payables for finance leases" are secured for the benefit of the lessor by means of rights on the leased assets.

Description/User company/Location	Leasing company/ Start date	Purchase value	Depreciation for the period	Value of asset at 31/12/2020	Financial expense for fiscal year	Payable at 31/12/2020				
						Total	Maturity in years			Payable at 31/12/2019
							Within 1 year	From 1 to 5 years	Over 5 years	
Buildings:										
Production facility and offices	Mediocredito Italiano S.p.A.	4,833	135	2,873	(3)	319	270	49	—	575
Via Ansaldo, 10 – Forlì (FC)	19/11/2007									
MO3 production facility	MPS Leasing & Factoring S.p.A.	2,868	86	2,590	39	1,494	129	553	812	1,619
Via Mattei, 26 - Ancona (AN)	13/10/2017									
MO1 production facility	MPS Leasing & Factoring S.p.A.	4,848	151	4,429	56	2,619	257	1,092	1,270	2,870
Via Mattei, 26 - Ancona (AN)	06/02/2018									
Office and crew building	Alba Leasing S.p.A.	1,650	50	1,575	26	1,223	96	415	712	1,318
Via Mattei, 26 - Ancona (AN)	17/01/2019									
VTR4 production facility	Alba Leasing S.p.A.	6,050	182	5,777	92	4,228	329	1,418	2,481	4,550
Via Mattei, 26 - Ancona (AN)	17/01/2019									
“Warehouse” plant	Alba Leasing S.p.A.	1,950	59	1,862	31	1,446	114	490	842	1,557
Via Mattei, 26 - Ancona (AN)	17/01/2019									
Other assets:										
Painting cab	Credit Agricole Leasing Italia S.r.l.	834	96	642	8	382	126	256	—	507
La Spezia - Ferretti S.p.A.	18/12/2018									
Trolley	Credit Agricole Leasing Italia S.r.l.	230	46	138	2	112	37	75		148
Mondolfo - Ferretti S.p.A.	18/12/2018									
Boat hoist	Credit Agricole Leasing Italia S.r.l.	1,691	347	969	18	970	188	783	—	1,155
Ancona - CRN S.p.A.	15/11/2018									
SAP licences - Ferretti S.p.A.	BNP Paribas Lease Group 02/07/2020	402	60	342	5	370	129	241	—	—
Wally mould - Ferretti S.p.A.	Alba Leasing S.p.A.13/11/2020	530	71	459	1	412	142	270	—	—
Vehicles - Ferretti Group of America	Various contracts					25	25		—	63
Total amounts			1,283	21,655	275	13,602	1,843	5,642	6,117	14,361

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. Trade and Other Payables

A breakdown of this item is as follows:

	<u>31/12/2020</u>	<u>31/12/2019</u>	<u>Change</u>
Trade Payables	195,112	213,415	(18,303)
Other payables	47,192	22,870	24,323
Total trade and other payables	<u>242,304</u>	<u>236,285</u>	<u>6,020</u>

a. Trade payables

A breakdown of this item is as follows:

	<u>31/12/2020</u>	<u>31/12/2019</u>	<u>Change</u>
Accounts payable to suppliers	195,112	213,415	(18,303)
Total trade payables	<u>195,112</u>	<u>213,415</u>	<u>(18,303)</u>

“Accounts payable to suppliers” relate to the amount due to suppliers for ordinary commercial supplies of services and materials, at arm’s length. The decrease of the period is mainly due to the lower volumes of goods and services purchased by the Group during the 2020 financial year as illustrated in the previous notes and to the careful payment policy put in place by the Group in order to support the Group’s suppliers in the difficult situation due to the spread of the pandemic.

b. Other payables

	<u>31/12/2020</u>	<u>31/12/2019</u>	<u>Change</u>
Payables due to pension and social security institutions	8,551	8,469	83
Amounts payable to employees	11,534	11,537	(3)
Amounts payable to directors	1,389	1,355	34
Miscellaneous payables	1,226	898	327
Accrued expenses and deferred income	24,492	610	23,882
Total other payables	<u>47,192</u>	<u>22,870</u>	<u>24,323</u>

“Payables due to pension and social security institutions” reflects the amounts owed to these institutions at 31 December 2020 by Group companies and their employees for the December payroll and for accrued and deferred remuneration.

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

The item “Amounts payable to directors” refers to remuneration which has accrued but was not yet paid as of 31 December 2020.

The item “Accruals and Deferrals” is broken down as follows:

	<u>31/12/2020</u>	<u>31/12/2019</u>	<u>Change</u>
Accrued expenses:			
Insurance	522	436	86
Other	0	4	(4)
Total accruals	<u>522</u>	<u>440</u>	<u>83</u>
Deferred income	23,970	170	23,800
Total accruals and deferrals	<u>24,492</u>	<u>610</u>	<u>23,882</u>

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

This item consists mainly of insurance premiums and other transactions recognised on an accrual basis.

The increase for the period refers to the orders of two yachts from the FSD division, which are being delivered. Therefore, at the reporting date the invoices relating to the dispatch and exportation had been issued, but with revenues from sales had been suspended since the latter will be recognised concurrently to inspection and delivery of said yachts.

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

40. Customer Advances

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

41. Taxes Payable

The item "Taxes payable" as of 31 December 2020 is broken down as follows:

	<u>31/12/2020</u>	<u>31/12/2019</u>	<u>Change</u>
Income Taxes	75	561	(486)
Employee taxes withheld	3,352	3,950	(598)
Other taxes	41	0	41
Total tax payables	<u>3,467</u>	<u>4,511</u>	<u>(1,043)</u>

NON-CURRENT LIABILITIES

42. Financial Payables

See Note 38 above for a description of this item.

43. Employee Severance Indemnities and Provisions for Pensions

A breakdown of this item at 31 December 2020 is as follows:

	<u>31/12/2020</u>	<u>31/12/2019</u>	<u>Change</u>
Provision for employee severance indemnities	6,849	7,211	(363)
Provision for leaving indemnity	<u>946</u>	<u>965</u>	<u>(19)</u>
Total employee severance indemnities and provisions for pensions	<u>7,794</u>	<u>8,176</u>	<u>(382)</u>

a. Employee Severance Indemnities

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

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Group has also adopted IAS 19 (amended by IFRS 2). From the year ended 31 December 2013 and with retroactive effect on the comparison periods, this resulted in a change to the recognition of the costs deriving from the actuarial valuation. The new standard has introduced an obligation to record actuarial gains and losses net of the fiscal effect on the Comprehensive Income Statement.

The actuarial gains and losses booked in the Comprehensive Income Statement are not subsequently booked within the Income Statement.

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

The process of determining the Group's obligations toward its employees, which was carried out by an independent actuary with the same procedure followed at 31 December 2019, involved the following steps:

- projection of vested severance indemnity benefits on the valuation date and of the benefits that will vest until the uncertain date when the employment relationship is terminated or payment of an advance on vested severance indemnity benefits;
- discounting at the valuation date of the expected cash flows that the Group will allocate to its employees in the future;
- in each valuation year, for each employee, the calculation of the annual severance pay increase was made net of the 17% substitute tax (on the annual revaluation amount of severance pay), as provided for in the 2015 Stability Law.

The following table provides the movements in the item Employee severance indemnities and provisions for pensions at 31 December 2020:

Present value of the obligation at 1 January 2020	8,176
Interest cost	29
Service cost	12
Actuarial (gains)/losses	(88)
Use for indemnities paid and advances	(335)
Present value of the obligation at 31 December 2020	7,794

At 31 December 2020, the following assumptions were made:

Demographic Assumptions

- probability of death of active employees (grouped by age and gender) obtained by reducing by 30% the death probabilities for the Italian population in 2019 (source: ISTAT);
- yearly probability of termination of employment for various reasons (resignation, dismissal), based on the experience for the population in the last five years and applied to all employees aged 65 or younger, equal to 4%;
- yearly probability of requests for payment of advances on vested severance indemnity benefits, based on the experience for the population in the last four years and applied to all employees with seniority of one year or more, of 1.5%;
- the frequency of employment termination due to resignation by employees achieving the right to receive an old-age or seniority-based pension was also conservatively assumed to be 100%. The requirements for obtaining an old-age or seniority-based pension were assumed to be the same as those set forth in the current regulations of the Italian Social Security Administration (INPS). At present, no employees have requested early retirement.

Financial Assumptions

- Annual inflation rate: 1% for the entire valuation period;

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- annual revaluation rate of termination indemnity benefits: fixed at 1.5% for the entire valuation period plus 75% of the inflation rate;
- technical discounting rate applied to value defined-benefit plan obligations and the current service cost relating to 31 December 2020: 0.3%;
- technical discounting rate for the valuation of financial charges for the period 1 January 2020 – 31 December 2020, equal to the discounting rates for valuations of the defined-benefit obligations at 31 December 2019 (interest cost): 0.8%;
- technical discounting rate at 31 December 2020, based on the yield of the iBoxx Euro 10+ AA Allstock Corporate Bond Index: 0.3475%.

In 2020, an actuarial gain amounting to €116 thousand, gross of fiscal effect, was recognised under the “Other equity reserves” item.

The amounts recognized in the Income Statement are summarised below:

	<u>31/12/2020</u> (€ thousand)
Service cost	12
Interest cost	<u>29</u>
Total	<u>41</u>

b. Seniority bonus

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

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

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

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

At 31 December 2020, the following assumptions were made:

Demographic Assumptions

- probability of death of active employees (grouped by age and gender) obtained by reducing by 30% the death probabilities for the Italian population in 2019 (source: ISTAT);
- probability of termination of employment for various reasons (resignation, dismissal), equal to 4% annually for all employees aged 65 or younger;
- the frequency of employment termination due to resignation by employees achieving the right to receive an old-age or seniority-based pension was also assumed to be 100%. The requirements for obtaining an old-age or seniority-based pension were assumed to be the same as those set forth in the current regulations of the Italian Social Security Administration (INPS). In this regard, it should be borne in mind that no employees have requested early retirement at the present moment.

Financial Assumptions

- Technical discounting rate applied to value defined-benefit obligations and current service cost relating to 31 December 2020: 0.3%;

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- technical discounting rate for the valuation of financial charges for the period 1 January 2020 – 31 December 2020, equal to the discounting rates for valuations of the defined-benefit obligations at 31 December 2019 (interest cost): 0.8%;
- technical discounting rate at 31 December 2019, based on the yield of the iBoxx Euro 10+ AA Allo stock Corporate Bond Index: 0.3475%.

The actuarial valuations performed in accordance with the method explained above shows that the provision had a value of €548 thousand at 31 December 2020, including the respective contributions.

The provision for indemnities payable upon termination of employment, which had a balance of €397 thousand at 31 December 2020, is attributable to Zago S.p.A.

44. Provisions for risks and charges

The composition of provisions for risks and charges is as follows:

	<u>31/12/2020</u>	<u>31/12/2019</u>	<u>Change</u>
Provision for product warranties	15,258	15,949	(690)
Provisions for miscellaneous risks	29,432	32,405	(2,973)
Total provisions for risks and charges	44,690	48,354	(3,664)
Less current portion	(37,148)	(38,788)	1,641
Total provisions for risks and charges – non-current portion	<u>7,542</u>	<u>9,565</u>	<u>(2,023)</u>

The table below shows the changes that occurred in the “Provisions for risks and charges” during the fiscal years:

	<u>31/12/2019</u>	<u>Additions</u>	<u>Utilisations</u>	<u>31/12/2020</u>
Provision for product warranties	15,949	15,085	(15,775)	15,258
Provisions for miscellaneous risks	32,405	6,176	(9,150)	29,432
Total provisions for risks and charges	48,354	21,261	(24,925)	44,690

a. Provision for product warranties

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

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

b. Provisions for miscellaneous risks

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

	<u>31/12/2020</u>	<u>31/12/2019</u>	<u>Change</u>
Legal proceedings and tax and employment law litigation	16,928	16,502	426
Dealer incentives	6,798	8,670	(1,872)
Provision for completion of boats	1,808	1,528	280
Provisions for other risks	3,897	5,704	(1,807)
Total provisions for miscellaneous risks	<u>29,432</u>	<u>32,405</u>	<u>(2,973)</u>

Provisions for “Legal proceedings and tax and employment law litigation” refer, as far as the legal part is concerned, to potential liabilities arising from the Group’s core activity regarding current litigation involving

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actions for liability due to breach of contract in general and/or contractual liability arising from flaws in the product sold, and other actions concerning claims for compensation for damages by third parties.

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

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

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

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

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

A detailed analysis of these provisions showed that the "provisions for miscellaneous risks" qualify as current liabilities.

45. Trade and Other Payables

This item, totalling €508 thousand at 31 December 2020, relates mainly to prepayments of public grants received by the Group of €328 thousand authorised in favour of the former Riva S.p.A., now merged in Ferretti, as fully reported in Note 29 and €180 thousand authorised in favour of the subsidiary CRN S.p.A. These amounts were classified under "Non-current liabilities" under the item "Trade and other payables" for the amount due after the following year. The amounts deferred by up to one year were classified as "Current liabilities" and posted to "Trade and other payables". The deferral of these items is for more than one year. These grants will be recognized in the Income Statement along with the amortization periods of the corresponding assets once the underlying Framework Agreements expire.

46. Deferred-tax Liabilities

The item "Deferred tax liabilities" reflects the impact of deferred taxes with respect to components of the Statement of Financial Position and the Income Statement.

This item also reflects the effect of consolidation adjustments booked to eliminate entries made exclusively for tax purposes.

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A breakdown of the balance at 31 December 2020 is as follows:

	31/12/2020			31/12/2019		
	Amount of timing differences	Tax rate %	Tax effect	Amount of timing differences	Tax rate %	Tax effect
· Depreciation of land and other assets valued at less than 516/k	4,715	28.08%	1,324	4,715	28.08%	1,324
· Deferred taxes on allocation of Ferretti trademarks ..	170,895	27.90%	47,680	170,895	27.90%	47,680
· Deferred taxes on allocation of trademarks to other Group companies	46,521	28.73%	13,365	46,521	28.73%	13,365
· leases (IAS17)	20,351	28.02%	5,702	20,812	28.01%	5,830
· Other adjustments	6,114	26.89%	1,644	3,599	26.10%	939
Deferred tax liabilities			<u>69,716</u>			<u>69,139</u>

The increase in 2020 in deferred tax assets compared to the previous year was primarily due to the rise in the amount of the timing differences relating to finance leases and other minor adjustments. The related effect was recognised through profit or loss, in addition to the deferred tax liability related to the higher value recognised for the building of Michelini & C. S.r.l. in the first consolidation year and equal to €950 thousand.

SHARE CAPITAL AND RESERVES

Equity amounted to €463,325 thousand at 31 December 2020, down compared to the previous year, net of the result for the year, by about €6.6 million, following the dividend payout approved by the General Shareholders' Meeting held on 16 March 2020, as discussed below together with the main components of "Share capital and reserves".

A reconciliation of the Parent Company's equity at 31 December 2020 and the result for the year ended on the same date to the corresponding consolidated data, is provided below, with amounts in thousands of euros:

	Net profit (Loss) for the year	Impact on Equity at 31 December 2020
Amounts in the Separate Financial Statements of Ferretti S.p.A., the Group's Parent Company	25,826	573,378
Effect of unrealised earnings from intercompany transactions	(313)	(1,859)
Difference between the carrying amount of equity investments and their valuation by the line-by-line consolidation method	(6,054)	(110,883)
Other secondary effects of the tax effect	2,523	2,687
Minority interest in equity	23	50
Amounts attributed to the Group in the Consolidated Financial Statements	<u>22,006</u>	<u>463,374</u>

47. Share capital

The share capital, fully subscribed and paid up, is formed of 250,734,954 ordinary shares with a nominal value of €1.00.

48. Other Reserves of Equity

A share premium reserve of €281,293 thousand was created through a cash payment disbursed on 3 July 2012, which was equal to the amount paid for the share capital increase and its amount rose through the capital increases following the resolution dated 31 July 2019.

The item "Other reserves", negative at €(94,430) thousand at 31 December 2020, mainly includes:

- a legal reserve set up pursuant to applicable laws, amounting to €5,819 thousand;

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- the overall effect of the income/(loss) on defined benefit plans: the reserve amounting to €(221) thousand at 31 December 2020 was set up in accordance with IAS 19 — *Employee Benefits*; during the period the amount of the reserve changed by €88 thousand, net of the tax effect, as reported in the Consolidated Comprehensive Income Statement;
- the remaining part is referred to earnings (losses).

49. Translation Reserves

This item, amounting to €3,771 thousand at 31 December 2020, reflects the foreign exchange differences that arise from the conversion of the equity opening balances and Income Statements of the U.S. and UK subsidiaries of the Company, which are translated into euros at the U.S. dollar exchange rate in force at 31 December 2020 and at the average exchange rate for the period, respectively.

The exchange rates used for the conversions in the Financial Statements for the year ended 31 December 2020 were the following: the spot rate on the closing date for the Statement of Financial Position 1 EURO equal to USD 1.22710 and GBP 0.89903, whereas for the Income Statement items by applying the average rate for the period, 1 EURO equal to USD 1.14220 and GBP 0.88970.

During the period the reserve changed for €1,489 thousand, as reported in the Consolidated Comprehensive Income Statement.

50. Minority Interest in Equity

Equity attributable to minority-interest shareholders is represented by of 25% of Sea Lion S.r.l. shares.

Following the transfer for payment of Sea Lion S.r.l. shares at the nominal share capital value, occurred on 3 April 2019, with the Wally brand acquisition the Group proceeded to call up the share of the minority shareholders. In the period, the share was €(23) thousand.

51. Basic and diluted earnings per share

Earnings per share were calculated as the ratio of net profit for the year to the number of shares outstanding at the date of approval of these financial statements, as indicated in the table below, and coincides with the earnings per share diluted due to the absence of partially dilutive instruments.

	<u>31/12/2020</u>	<u>31/12/2019</u>
Net profit for the year (€)	22,006,000	26,628,000
Number of ordinary shares at the reporting date . .	<u>250,734,954</u>	<u>250,734,954</u>
Basic and diluted earnings per share (€)	<u>0.09</u>	<u>0.11</u>

52. Related Party Transactions

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

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

The tables below provide a breakdown of the financial and capital arrangements with the Related Parties.

The breakdown of the Group's capital arrangements with Related Parties at 31 December 2020 is set out below:

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	Trade and other receivables	Trade and other payables
Weichai Holding Group Company Co, Ltd (indirect parent company)	0	0
Weichai Power Co Ltd (indirect parent company) . . .	484	(516)
Shandong Weichai import (indirect parent company)	3,150	0
HPE S.r.l. (Third-party company)	0	(100)
Ferrari S.p.A. (Third-party company)	0	(13)
CoEnergetica S.a.s. (Third-party company)	—	(15)
Other related parties	28	(147)
Total other related parties	3,662	(791)
Total consolidated	61,756	(242,304)
Ratio%	5.93%	0.33%

The balance of trade and other payables to Weichai Power Co. Ltd amounting to €516 thousand at 31 December 2020 refers wholly to the agreements with the parent company on the right to sponsor the “Riva” brand on the Ferrari single-seater helmet during the FIA Formula One championship.

The balance of trade and other receivables from Shandong Weichai Import amounting to €3.2 million at 31 December 2020 refers wholly to the sale of a yacht.

The balance of Trade and other payables to HPE S.r.l. amounting to €100 thousand at 31 December 2020 refers wholly to the last instalment in 2020, based on the agreement entered into on 1 January 2017 and relating to the supply of services such as design, simulation, calculation, development, implementation and launch on the market of new concepts and style for the Company’s products.

The balance of Trade and other payables to Ferrari S.p.A. amounting to €13 thousand at 31 December 2020 refers wholly to the purchase of merchandising by the Company.

The balance of Trade and other payables to other related parties amounting to € 147 thousand at 31 December 2020 mostly refers to the costs incurred by the Company for legal services amounting to €131 thousand and other services provided by related parties under arm’s length conditions.

A breakdown of the Group’s financial transactions with Related Parties for the period ended 31 December 2020 is set out below:

	Revenue from contracts with customers	Other revenues and income	Costs for the use of raw materials, services, rentals and leases
Weichai Power Company Co, Ltd (subsidiary)		0	(355)
HPE S.r.l. (Third-party company)	0		(200)
Ferrari S.p.A. (Third-party company)	0		(14)
CoEnergetica S.a.s. (Third-party company)	—		(15)
Other related parties	—		(574)
Total other related parties	0	0	(1,159)
Total consolidated	611,355	15,027	(468,236)
Ratio%	0.00%	0.00%	0.25%

The costs with regard to Weichai Power Company Co. Ltd amounting to €355 thousand for 2020 relate to the partial charge-back of the costs incurred on sponsoring the “Riva” brand on the Ferrari single-seater helmets and to the social security contributions for associate company employees who provide a service for the Company.

The costs with regard to HPE S.r.l. amounting to €200 thousand for 2020 refer primarily to the supply of services such as design, simulation, calculation, development, implementation and launch on the market of new concepts and style for the Company’s products.

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The costs with regard to Ferrari S.p.A. amounting to €14 thousand for 2020 relate primarily to the purchase of merchandising by the Company.

In application of IFRS 16, costs paid to two companies considered related parties, relating to the rent for the production facility in Scorzè and for the Hong Kong offices, have not been considered.

53. Fees paid to Directors, Statutory Auditors, members of the Supervisory Body and Independent Auditors

The table below shows the remuneration and other benefits paid to Directors, Auditors and Supervisory Body. The fees, including all related expenses, paid to the independent auditors in relation to the auditing of the Financial Statements for the year ended 31 December 2020 are shown below.

<u>Company</u>	<u>Post held</u>	<u>Fees and Compensation for post held (€ thousand)</u>
Ferretti S.p.A.	Directors	2,407
Other Group Companies	Directors	760
Ferretti S.p.A. and other Group companies	Statutory Auditors	132
Ferretti S.p.A. and other Group companies	Supervisory Body	104
Ferretti S.p.A. and other Group companies	Key management personnel	1,841
Ferretti S.p.A. and other Group companies	Independent auditors	312
Total		5,555

54. Guarantees provided to / received from third parties

For purposes of comprehensive disclosure, the following paragraphs provide a detail of the guarantees provided and the commitments undertaken by the Group as at 31 December 2020.

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

Ferretti S.p.A.:

- a surety policy for a total amount of €1,480 thousand issued by Atradius for the benefit of the Emilia Romagna Revenue Agency in connection with the Group VAT rebate for 2013. In addition to this surety policy, in December 2018 three more surety policies were issued, also by Atradius, for the benefit of the Marche Revenue Agency in the amount of €2,274 thousand and for the benefit of the Emilia Romagna Revenue Agency in the amounts of €28 thousand and €77 thousand, respectively, in order to avoid the administrative block against the 2013 VAT refund;
- a surety policy for a total amount of €3,184 thousand issued by Liberty Specialty Markets Assicurazioni for the benefit of the Emilia Romagna Revenue Agency in connection with the Group VAT credit rebate for 2016;
- a surety policy for a total amount of €5,655 thousand issued by Liberty Specialty Markets Assicurazioni for the benefit of the Emilia Romagna Revenue Agency in connection with the Group VAT offsetting for 2017;
- a surety policy for a total amount of €113 thousand issued by Liberty Specialty Markets Assicurazioni for the benefit of the Emilia Romagna Revenue Agency in connection with the Group VAT credit rebate for 2018;
- a surety policy for a total amount of €1,471 thousand issued by Liberty Specialty Markets Assicurazioni for the benefit of the Emilia Romagna Revenue Agency in connection with the Group VAT credit rebate for 2019;
- a surety policy for a total amount of €752 thousand issued by Elba Assicurazioni for the benefit of the Emilia Romagna Revenue Agency in connection with the VAT offsetting for 2019;

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- an insurance policy for €25 thousand issued by Vittoria Assicurazioni for the benefit of the Sarnico municipal administration in connection with urban development projects;
- an insurance policy issued by Reale Mutua Assicurazioni for the Iseo, Endine and Moro Lake Authority for concession charges of €53 thousand;
- a surety policy for a total amount of €797 thousand, issued by Elba Assicurazioni, as a provisional guarantee for taking part in the tender called by the Carabinieri Corps for the supply of several patrol boats;
- a surety policy for €308 thousand issued by Elba Assicurazioni for the benefit of the Bergamo Customs Agency for a boat temporarily imported for the performance of warranty work;
- a surety policy for €1,083 thousand issued by Elba Assicurazioni for the benefit of the Bergamo La Spezia Agency for a boat temporarily imported for the performance of warranty work;
- guarantees totalling €3.6 million issued by various banks in favour of certain suppliers, following negotiated supply conditions;
- guarantees totalling €34.8 million issued by various banks in favour of customers for the construction of several boats;
- a bank guarantee for €250 thousand issued by Cassa di Risparmio de La Spezia to the Port System Authority of the Eastern Ligurian Sea to secure the performance of obligations arising under a government concession;
- a bank guarantee issued in relation to the process awarding the Wally brand.

CRN S.p.A.:

- a surety policy of €30 thousand received from Unipol Assicurazioni in favour of the Ancona Customs Agency for excise incentives on diesel used in engine tests;
- a surety policy of €40 thousand received from Axa Assicurazioni in favour of the Ancona Port Authority for the granting of use of public land;
- a surety policy of €533 thousand received from Liberty Specialist Market Assicurazioni for the benefit of the Ancona Customs Agency securing the Group VAT credit for 2017;
- a surety policy of €3,222 thousand received from Liberty Specialist Market Assicurazioni for the benefit of the Ancona Customs Agency offsetting the VAT credit for 2019;
- sureties totalling €41.4 million issued by various banks to customers as a guarantee of the advances paid for the construction of boats.

Zago S.p.A.:

- sureties of €3,268 thousand issued by several insurance companies for the benefit of a customer in connection with advances received for the construction of some vessels.

Michellini & C. S.r.l.:

- a surety policy totalling €37 thousand issued by several insurance companies to the Port System Authority of the Eastern Ligurian Sea to secure the performance of obligations arising under a government concession.

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

- a first-degree deed of mortgage on the properties owned by Ferretti S.p.A. and CRN S.p.A. These companies have also committed to grant a mortgage on the docks under concession in La Spezia, Sarnico and Ancona, once consent is provided by the competent public land authorities;
- deed of special lien pursuant to Article 46 of the Consolidated Banking Act on the bridge cranes and other cranes owned by Ferretti S.p.A. and CRN S.p.A.;

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- deed of pledge on two current accounts held by the Parent Company and two current accounts held by CRN S.p.A. (the minimum balance required for these accounts is €2 thousand);
- In addition, with regard to the Revolving Pre-Finance Facility only, each disbursement is contingent on the signing of a deed of assignment of receivables as security, under which the receivables from the commercial agreement in respect of which the financing was applied for are assigned to the lending institutions as security.

55. Significant events after 31 December 2020

The Group received numerous awards in early 2021, including one at the Motor Boats Awards and as many as six in Asia. In a complicated year, Ferretti Group succeeded once again in standing apart with its exclusive yachts, which were in a class of their own in the yacht sector. A successfully completed challenge that propelled the Group even higher in the increasingly competitive, strategic Asian market.

The Pershing 8X, the *X Generation* masterpiece, triumphed in the “Custom Yachts” category at the “Motor Boat Awards 2021”: a prestigious award assigned by experts and boat-testers on the basis of the characteristics of innovation and technical and stylistic criteria, organised by Motor Boat & Yachting, which assesses the boats selected solely on the basis of their concept, design, capabilities and performance. This important recognition once again confirms that Pershing is a unique brand appreciated worldwide thanks to its increasing focus on design and technological innovation.

Following in the footsteps of this cutting-edge Pershing design and technology, one year after the presentation of Project TØ the announced new line of vessels 25 to 40 metres in length, bound to change the concept of sporting yacht forever, is about to become a reality. In keeping with shipyard scheduling, work began on the hull of the first exemplar, a 35-metre vessel, which will reach the Mondolfo facility in summer 2021. Its official debut is scheduled for 2022, when this new production line, designed to combine the infinite pleasure of the sea with the distinct Pershing identity, will thus take its place alongside the celebrated X Generation.

Ferretti also triumphed once again at the *Oceanway China Yacht Annual Awards* held last 11 December in Zhuhai, China, attended by famous industry experts. Four yachts received important awards recognising them for their design, technological features and unconventional style.

In particular, the Ferretti Yachts 500 prevailed in the category “Best Exterior Design (50ft-80ft)” due to its streamlined, aerodynamic contours; the Riva 50 Metri was recognised in the category “Best Yacht of the Year (40-70m)” as a masterpiece of steel and aluminium naval engineering; the Riva Dolceriva, the innovative open yacht made in the historic Sarnico shipyard, in the category “Best Yacht of the Year (30ft-50ft)”; and the CRN Mimtee, the fully-custom 79 m megayacht, received the award in the category “Best Exterior Design (over 70m)”, which garnered appreciation for the streamlined contours so effectively traced by the hulls gentle curves.

The Robb Report China brought further satisfaction on 25 December in Beijing, when it named the Riva 88’ Folgore “Best of the Best” in the category “Yacht of the Year 2020 (below 100ft)”. The new Riva sport-fly was appreciated as a distillation of the innovative vision and stylistic vocabulary of the legendary Riva, keeping its place as an exceptional model that has won a place in the hearts of yacht-enthusiasts the world over. Each year, the award, promoted by the Chinese edition of the exclusive *lifestyle* magazine, an international luxury showcase, selects and identifies the best products in twelve categories of the luxury sector.

Finally, for the eighth consecutive year, Ferretti Yachts was awarded the prize “Best Luxury Yacht Brand 2021”, assigned during the award ceremony of the 17th edition of the *Hurun Best of the Best Awards* held on 28 January in Shanghai. The award is based on the Hurun China Luxury Consumer Survey 2021 by *Hurun Research Institute*, an authoritative organisation managed by the famous Chinese *business* and *lifestyle* magazine, which has been drawing up a list of China’s wealthiest figures since 1999. In particular, in 2020 Ferretti Yachts was chosen by a male public up by 4.9% on 2019. In addition, the brand was more appreciated by interviewees in the age brackets 31-45 and over 45, further proof of the success of *the branding* and sale strategies adopted by the Group in the country.

The Riva 76’ Perseo Super, the most popular sport-fly Riva in recent years, offered with new aesthetic solutions and unprecedented, functional design elements was presented in early 2021: increasingly sporty, elegant and

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high-performance. It is the natural, exciting offshoot of that 76' Perseo that in recent years has garnered itself a leading position among the sport-fly yachts most appreciated by yacht-enthusiasts the world over. The first unit has already been sold and will sail with its owner in summer 2021.

The new Wally project entitled WHY200 a motor-yacht model developed by the *design team* led by Luca Bassani, together with the *Ferretti Group Engineering Department*, in collaboration with the firms *Laurent Giles NA* as naval architects and *Studio A. Vallicelli & C.* as *interior designers*, was presented in January 2021. Wally, which has been at the forefront of yacht design for 25 years with its avant-garde models that have always been one step ahead of the times and fashions, is now entering the compact *superyacht* segment through the WHY200, 200 gross tonnes and a construction length that allows it to be registered as under 24 metres in length. A unique vessel, capable of offering the comfort and space of a larger displacement yacht, paired with the speed and performance of a semi-displacement model.

In February 2021, Ferretti Group and Sanlorenzo announced the formation of a joint venture NewCo to participate in the future tender for the operation and acquisition of the production assets of the bankrupt Perini Navi S.p.A. (declared bankrupt by the Court of Lucca on 29 January 2020). Ferretti Group and Sanlorenzo, global leaders and exponents of Italian nautical excellence, expressed interest in making a bid to acquire the trademarks, assets and Italian operations of Perini Navi, possibly by operating the unit under lease in order to ensure a leaner, swifter resumption of production and maintain job levels. This transaction will safeguard its unique experience and expertise, as well as the knock-on effect of the many suppliers, as part of the Group's constant pursuit of excellent Italian companies.

The second Riva 50 Metri Superyacht, designed by the Riva Superyachts Division to offer an exceptional yachting experience based on comfort, attention to detail and a sophisticated vision of boating — values that have made Riva a legend in the yacht community for 179 years — was launched in Ancona on 8 March 2021.

In 2021, the Group expects further increases in revenues from contracts with customers, in order to recover the results that have not been achieved in 2020 due to the pandemic, and in line with the growth trend seen in recent years. The increases are expected to occur across all lines of business, on the basis of the order backlog and in keeping with the new model launch plan.

From a profitability standpoint, according to the strategic guidelines agreed with the shareholders, the Group expects an increase in production efficiency and profitability.

On behalf of the Board of Directors

Chief Executive Officer

Alberto Galassi