FERRETTIGROUP

Ferretti S.p.A.

(Incorporated under the laws of Italy as a joint-stock company with limited liability)

Stock Code : 9638

2021
ANNUAL REPORT

Contents

Corporate Information

EXECUTIVE DIRECTOR

Mr. Alberto Galassi *(Chief Executive Officer)*

NON-EXECUTIVE DIRECTORS

Mr. Tan Xuguang (譚旭光) *(Chairman)*
Mr. Piero Ferrari *(Vice Chairman)*
Mr. Xu Xinyu (徐新玉)
Mr. Li Xinghao (李星昊)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hua Fengmao (華風茂)
Mr. Stefano Domenicali
Mr. Patrick Sun (辛定華)

AUDIT COMMITTEE

Mr. Patrick Sun (辛定華) *(Chairman)*
Mr. Hua Fengmao (華風茂)
Mr. Li Xinghao (李星昊)
Mr. Stefano Domenicali

REMUNERATION COMMITTEE

Mr. Stefano Domenicali *(Chairman)*
Mr. Piero Ferrari
Mr. Xu Xinyu (徐新玉)
Mr. Hua Fengmao (華風茂)
Mr. Patrick Sun (辛定華)

NOMINATION COMMITTEE

Mr. Tan Xuguang (譚旭光) *(Chairman)*
Mr. Alberto Galassi
Mr. Hua Fengmao (華風茂)
Mr. Stefano Domenicali
Mr. Patrick Sun (辛定華)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Mr. Tan Xuguang (譚旭光) *(Chairman)*
Mr. Alberto Galassi
Mr. Piero Ferrari
Mr. Xu Xinyu (徐新玉)
Mr. Hua Fengmao (華風茂)

BOARD OF STATUTORY AUDITORS

Mr. Luigi Capitani *(Chairman)*
Mr. Luigi Fontana
Ms. Giulia De Martino
Ms. Veronica Tibiletti
Mr. Fausto Zanon

JOINT COMPANY SECRETARIES

Mr. Niccolò Pallesi
Ms. Wong Hoi Ting *(ACG, HKACG)*

AUTHORISED REPRESENTATIVES

Mr. Alberto Galassi
Ms. Wong Hoi Ting

REGISTERED OFFICE AND HEADQUARTER OFFICE

Via Irma Bandiera 62,
47841 Cattolica (RN),
Italy

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

JOINT AUDITORS

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road, Quarry Bay
Hong Kong

EY S.p.A.
Independent Auditor registered in the Register Held by MEF (Italian Ministry of Economy and Finance) and Recognized PIE Auditor under the Financial Reporting Council Ordinance (Cap.588)
Via Meravigli, 12
20123 Milan
Italy

HONG KONG LEGAL ADVISER

King & Wood Mallesons
13th Floor Gloucester Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

ITALY LEGAL ADVISER

Pedersoli Studio Legale
via Monte di Pietà, 15, 20121
Milan, Italy

COMPLIANCE ADVISER

Gram Capital Limited
Room 1209
12th Floor, Nan Fung Tower
Central
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

WEBSITE

www.ferrettigroup.com

STOCK CODE

9638

Financial Summary

A summary of the results and the assets, liabilities and non-controlling interests of the Company for the last four financial years is set out below:

RESULTS

(in thousands Euro)	Year ended December 31, **2021**	2020	2019	2018
Net revenue	**898,421**	611,355	649,251	615,412
Profit before tax	**40,674**	3,527	6,430	20,657
Income tax	**(3,291)**	18,455	20,169	10,063
Profit for the year	**37,383**	21,982	26,599	30,720
Attributable to:				
Shareholders of the Company	**37,545**	22,006	26,628	30,720
Non-controlling interests	**(162)**	(24)	(29)	—
	37,383	21,982	26,599	30,720

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

(in thousands Euro)	As at December 31, **2021**	2020	2019	2018
Current assets	**505,199**	443,075	450,855	427,849
Non-current assets	**540,877**	515,368	467,830	393,155
Total assets	**1,046,076**	958,443	918,685	821,004
Current liabilities	**(473,440)**	(394,427)	(414,703)	(386,574)
Non-current liabilities	**(74,570)**	(100,691)	(54,657)	(256,449)
Total liabilities	**(548,010)**	(495,118)	(469,360)	(643,023)
Non-controlling interests	**212**	50	26	—
Equity attributable to shareholders of the Company	**498,278**	463,375	449,351	177,981

KEY FINANCIAL RATIOS

	As at/year ended December 31, **2021**	2020	2019	2018
Profitability Ratios				
Ratios on equity	**7.8%**	4.8%	8.5%	N/A
Ratios on total assets	**3.7%**	2.3%	3.1%	N/A
Liquidity Ratios				
Current ratio	**1.1**	1.1	1.1	1.1
Quick ratio	**0.8**	0.7	0.6	0.6
Capital Adequacy Ratio				
Gearing ratio	**17.8%**	35.4%	27.9%	72.4%

Note: The summary of the consolidated results of the Group for the three years ended December 31, 2018, 2019 and 2020 and the consolidated assets, liabilities and non-controlling interests of the Group as at December 31, 2018, 2019 and 2020 have been extracted from the Prospectus.

Chairman's Statement

On behalf of the Board, I would like to present to the Shareholders the annual results and consolidated financial statements of the Group for the Reporting Period .

1 Review of Operating Conditions

2021 was a crucial year for Ferretti Group due to significant business growth and the commencement of the listing process on the Main Board of the Stock Exchange. As far as the first aspect is concerned, during the Reporting Period, Ferretti Group effectively managed the complexity arising from the COVID-19 pandemic, creating a safe place for its employees, taking the lead in ensuring its business continuity and enhancing operational efficiency, with the ultimate pursuit of continuing to improve its performance and competitiveness.

Benefitting from the tailwind coming from a steady growth of the global yacht market, combined with the recent listing on the Stock Exchange in March 2022, Ferretti Group is uniquely positioned to further expand its business and reinforce its positioning as a global leader in the luxury yacht arena.

Owing to the excellent market feedback to the models launched in previous years, together with the quick recovery from the impact of COVID-19 pandemic, Ferretti Group recorded a strong increase in net revenue during the Reporting Period, reaching €898.4 million and representing a 47% increase as compared to 2020.

As far as the Group's profitability is concerned, adjusted EBITDA amounted to €102.6 million, increasing 74% in comparison with the figure reported in 2020 (€59.1 million). The increase was also significant in percentage terms, with an adjusted EBITDA/net revenue without pre-owned reaching 12.0% or 1.7 percentage points higher than that of 2020. Finally, net profit increased by 70.1% compared to the previous year to a value of approximately €37.4 million.

For 2022, we expect a sustained growth, which is backed by an order backlog of approximately €1.3 billion as at March 31 2022, which is an approximate increase of 30% from December 31, 2021.

1.1 Yacht Manufacturing Business (approximately 89% of net revenue)

Ferretti Group upheld an innovation-driven approach to maintain its market-leading position in its core business, placing great emphasis on research and development. Leveraging the substantial investments in research and development (more than €110 million between 2018 and 2021), Ferretti Group has been continuously renewing and broadening its product portfolio with technological and design innovation, allowing it to stay abreast of the rapidly evolving preferences and expectations of its clientele. Thanks to this continuous commitment, Ferretti Group lowered the average age of its models from approximately 5.6 years in 2016 to 3.7 years in 2020.

The launch of new models (28 models between 2018 and 2021) for composite and made-to-measure yachts, covering more than 60% of current product portfolio, together with a growing interest in super yachts (7 units delivered between 2018 and 2021) allowed Ferretti Group to attract new customers while also continuing to nurture the interest of Ferretti Group's loyal clients.

As a remark, during the Reporting Period, the performance of yacht manufacturing business hit another record high, delivering 194 new vessels — 52 more than 2020 — with significant results across business lines:

- Net revenue from composite yachts reached €464.3 million, representing a year-on-year growth of 56% and approximately 52% of Ferretti Group's net revenue, and an overall order intake of €563.3 million.

- Net revenue from made-to-measure yachts reached €249.7 million, representing a year-on-year growth of 48% and approximately 28% of Ferretti Group's net revenue, and an overall order intake of €289.3 million.

- Net revenue from super yachts reached €84.6 million, representing a year-on-year growth of 33% and approximately 9% of Ferretti Group's net revenue, and an overall order intake of €104.1 million, thanks to (i) the success of super yachts under Riva and Pershing brands newly launched in 2019 and continuing to ramp up quickly in 2021; and (ii) organic growth of CRN brand.

1.2 Ancillary Businesses (approximately 11% of net revenue)

Our ancillary businesses provide synergies with our yacht manufacturing business with an all-encapsulating portfolio, comprising: (i) yacht brokerage, chartering and management services; (ii) after-sales and refitting services; (iii) brand extension activities (including exclusive lounges all-over-the-world); and (iv) manufacturing and installation of wooden furnishings for nautical interiors. With these businesses, we have created a comprehensive yachting ecosystem centred around the ownership of luxury yachts, encompassing the sales of yachts and the provision of our portfolio of ancillary services to offer a one-stop solution to yachts purchasers. This ecosystem enables us to enhance customer satisfaction and loyalty, provides us with real-time information flow about market trends and customer preferences, and allows us a direct role in all phases of the yachting "customer journey".

In 2019, Ferretti Group leased a shipyard in Fort Lauderdale, which became fully operational in 2020. Despite the shipyard was only partially operational during the COVID-19 pandemic, providing only emergency activities and an extremely limited range of services, its results for 2021 (being the first year of full-operation) has been very satisfactory. The refitting activities, while still representing a small part of Ferretti Group's business, have been growing thanks to intense promotional and public relations activities and once the restrictions/limitations imposed by the local government due to the COVID-19 pandemic are removed, the shipyard is expected to achieve excellent results, with a continuous crescendo of commissioned works and incoming yachts.

In addition to all these complementary services, Ferretti Group proudly encounters within "ancillary businesses" revenue streams its security vessel division Ferretti Security Division ("**FSD**"). By leveraging its accumulated know-how and resources and by exploiting already existing product platforms, Ferretti Group is well-positioned to seize the growing opportunities in the patrolling & security market. As a result of Ferretti Group's continuous efforts in expanding and complementing its offering with compelling services and high-marginality revenue streams, net revenue from ancillary businesses reached €99.8 million during the Reporting Period, representing a year-on-year growth of 24%.

1.3 ESG Commitment of Ferretti Group

By leveraging considerable investments in research and development, the Group has continuously upgraded and expanded its product portfolio with environmentally friendly, technological, and designer innovations since 2014 to keep pace with the rapidly evolving expectations of its customers.

Thanks to its innovative drive, Ferretti Group was the very first to introduce a pioneering hybrid propulsion solution to the market in 2008, and it continues to innovate in this field. During 2021, the Group launched a collaboration with Rolls-Royce Power Systems to jointly develop hybrid solutions to be installed on future yachts. In addition, Ferretti Group is currently developing smaller yachts with full electric propulsion systems.

Hydrogen is attracting increasing attention as an energy source and has the potential to become a game-changer in the maritime sector as well. With Weichai Group's significant achievements on this front and having already installed hydrogen engines on land vehicles, it will be a crucial partner of Ferretti Group to provide the rightful know-how and experience to make hydrogen engines on yachts a reality.

In addition, with a view to reducing the environmental impact of its products, Ferretti Group is constantly seeking innovative solutions, which involve both the choice and use of eco-friendly and lighter materials.

Ferretti Group's ESG commitment is not limited to its outstanding product offering, but also targets its shipyards, all gradually adjusting to the ISO 14001-2015 environmental certification, introducing innovative solutions (such as trigeneration systems) and solar panels to reduce both energy consumption and emissions.

Ferretti Group firmly believes in the importance of ESG moving forward and aims to become a ESG leader in the global yacht market. As a remark, Ferretti Group has been the first in the yacht industry to publish a sustainability report in 2019 and, in 2021, also established the ESG Committee, which is responsible for helping the Board to devise ESG policies and strategies and reviewing and assessing its sustainability performance.

2 Outlook and Prospects

Looking ahead, Ferretti Group, being a leading player in the global yacht industry and undisputed leader in the inboard composite and made-to-measure yachts, is well positioned to benefit from a growing market with a size of €18.9 billion in 2020 and forecasted to reach €26.8 billion by 2025. The COVID-19 pandemic has, to a certain extent, changed the "traditional" customer perception and significantly increased the market desire for yachts, further stimulating industry growth with a trend which is expected to become a "new normal" due to the structural and long-lasting changes in spending behaviors. Specifically, in pursuit of a lifestyle with a combination of business and leisure, luxury yachts, which ensure privacy and security, have become one of the best means and places for Very-High Net Worth Individuals ("**VHNWIs**") and Ultra-High Net Worth Individuals ("**UHNWIs** ").

In addition, the emerging APAC market, which is still at its initial stage of development with significant unmet demand, is expected to grow at a much faster pace than EMEA and AMAS, fueled by the considerable increases in:

a) the number of potential end customers (i.e., VHNWIs and UHNWIs) featuring an unprecedented growth momentum between 2020 and 2025, with a compound annual growth rate of 10.8% and 11.6%, respectively; and

b) the penetration of luxury yachting among the potential end customers driven by the increasing awareness and acceptance of yachting culture in APAC and a series of favorable policies supporting the yacht industry promulgated in major countries (especially in the PRC), stimulating yacht ownership, and encouraging foreign enterprises to engage in yacht servicing, chartering, and manufacturing in the region.

Moving forward, we aspire to be the world's most influential luxury yachting group through innovation, sustainability, and economic achievements. To continue exploiting the growth dynamics of the global luxury yacht industry, increasing our price positioning, and strengthening our overall business resilience, we will focus on:

- The consolidation of our market leadership position in composite and made-to-measure yachts segments introducing new compelling models especially over 80 feet, proactively anticipating evolving market trends and customer expectations, while also increasing our presence in outboard and sailing segments, leveraging Wally brand heritage.

- The development of new super yacht flagship models under our iconic Riva, Wally, Pershing, and Custom Line brands to cover the market demand for higher-footage branded yachts, by leveraging the extensive know-how and experience accumulated with CRN and the recent successes of Pershing 140 and Riva 50 Metri.

- The vertical integration of strategic and high value-adding activities to ensure the uncompromised excellence in the luxurious design, performance, quality, and reliability of our yachts and to support our future growth and product portfolio expansion.

- The enhancement of our unique portfolio of ancillary services expanding and strengthening our presence in the most promising ancillary service verticals such as brokerage and refitting services.

- The reduction of our carbon footprint through the usage of renewable energy across our shipyards and investments in research and development to identify innovative, light, and environmental-friendly materials, and promoting alternative hybrid and electric propulsion systems for our yachts.

- The continuous enhancement of our operations and production to increase shipyards' efficiency and boost our profit margin.

- The never-ending control on our supply chain leveraging contracts to ensure the uncompromised quality and yet minimize the risk of cost increases driven by rising inflation.

3 Appreciation

Last but not least, I would like to express my sincere appreciation to all of our Shareholders, our potential investors and our customers for their care and support, as well as to all of our staff for their hard work and dedication!

Mr. Tan Xuguang
Chairman and non-executive Director
Hong Kong, April 28, 2022

Management Discussion and Analysis

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is an established leader in the global luxury yacht industry with a portfolio of iconic brands with a long heritage and outstanding high-end manufacturing capabilities. As one of the oldest Italian luxury yacht producers, it has been playing an important role in steering the development of the global luxury yacht industry by acquiring and integrating other leading yacht brands and production facilities since the establishment of the business in 1968. Its seven brands — Riva, Wally, Ferretti Yachts, Pershing, Itama, CRN and Custom Line — are globally recognized as symbols of luxury, exclusivity, Italian design, quality, craftsmanship, innovation and performance. Ferretti designs, produces and sells luxury composite yachts, made-to-measure yachts and super yachts from eight to 95 meters, offering the full spectrum of functionalities and an increasing range of ancillary services, catering to the personalized tastes and requirements of its clientele. With its market leadership, rich history and iconic brand portfolio, the Group is positioned as the trend-setter of the global luxury yachting industry and the ambassador of Italian nautical excellence to the world.

Owing to excellent market reaction to the models launched in previous years and with our recovery from the short-term adverse impact of the COVID-19 pandemic, for the Reporting Period, the Company recorded a net revenue of €898.4 million, representing a 47.0% increase from €611.4 million for the year ended December 31, 2020. The Group delivered 194 new vessels during the Reporting Period, compared to 142 new vessels for the year ended December 31, 2020. Meanwhile, its net profit increased by 70.1% from €22.0 million for the year ended December 31, 2020 to €37.4 million for the Reporting Period. The Group has also achieved strong order intake of €971.5 million for the Reporting Period and order backlog of €1,015.8 million as of December 31, 2021 (as compared to order intake of €541.8 million for the year ended December 31, 2020 and order backlog of €691.6 million as of December 31, 2020).

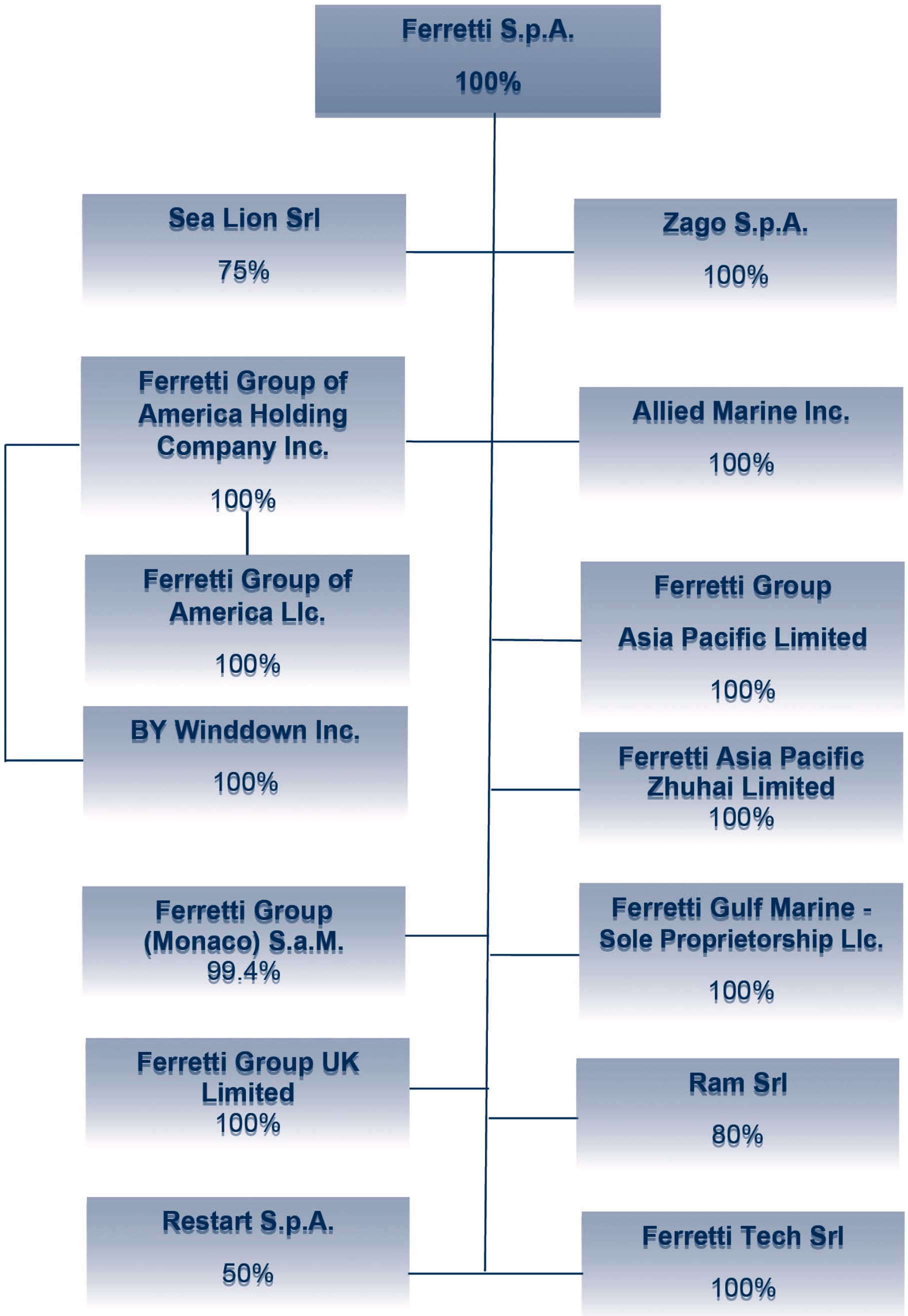
The table below sets forth a breakdown of the Group's order backlog as of the dates indicated:

(in thousands Euro)	As of December 31, 2021	2020
Composite yachts	**365,953**	207,244
Made-to-measure yachts	**298,968**	220,996
Super yachts	**293,140**	216,085
Other businesses	**57,780**	47,293
Total	**1,015,841**	691,618

Moving forward, the Group aspires to be the world's most influential luxury yachting group through innovation, sustainability, and economic achievements. To continue exploiting the growth dynamics of the global luxury yacht industry, increasing its price positioning and strengthening our overall business resilience, the Group will focus on the following five key strategic initiatives from 2022 to 2025:

- Consolidate its market leadership position with composite and made-to-measure yachts.
- Develop new flagship models of super yachts.
- Vertically integrate strategic and high value-adding activities.
- Enhance its unique portfolio of ancillary services.
- Continue its investments in green technologies.

GROUP CHART


Ferretti S.p.A.
100%
Sea Lion Srl
75%
Zago S.p.A.
100%
Ferretti Group of America Holding Company Inc.
100%
Allied Marine Inc.
100%
Ferretti Group of America Llc.
100%
Ferretti Group Asia Pacific Limited
100%
BY Winddown Inc.
100%
Ferretti Asia Pacific Zhuhai Limited
100%
Ferretti Group (Monaco) S.a.M.
99.4%
Ferretti Gulf Marine - Sole Proprietorship Llc.
100%
Ferretti Group UK Limited
100%
Ram Srl
80%
Restart S.p.A.
50%
Ferretti Tech Srl
100%

FINANCIAL REVIEW

Results of Operations

The table below sets forth selected consolidated income statements items for the years indicated:

(in thousands Euro)	Year ended December 31, 2021	2020
Revenue	**927,477**	638,194
Commissions and other costs related to revenue	**(29,056)**	(26,839)
NET REVENUE	**898,421**	611,355
Change in inventories of work-in-progress, semi-finished and finished goods	**(32,650)**	(21,727)
Cost capitalized	**28,063**	34,076
Other income	**14,034**	15,027
Raw materials and consumables used	**(424,277)**	(291,768)
Contractors costs	**(138,027)**	(91,604)
Costs for trade shows, events and advertising	**(12,485)**	(9,446)
Other service costs	**(95,196)**	(69,837)
Rentals and leases	**(6,913)**	(5,582)
Personnel costs	**(112,417)**	(92,454)
Other operating expenses	**(7,062)**	(7,366)
Provisions and impairment	**(15,099)**	(17,272)
Depreciation and amortization	**(48,519)**	(42,493)
Share of loss of a joint venture	**(24)**	—
Financial income	**224**	133
Financial expenses	**(5,940)**	(6,897)
Foreign exchange loss	**(1,459)**	(618)
PROFIT BEFORE TAX	**40,674**	3,527
Income tax	**(3,291)**	18,455
PROFIT FOR THE YEAR	**37,383**	21,982
Attributable to:		
Shareholders of the Company	**37,545**	22,006
Non-controlling interests	**(162)**	(24)

Net Revenue

The table below sets forth a breakdown of the Group's net revenue by business lines for the years indicated:

(In thousands Euro, except percentages)	**Year ended December 31, 2021**		2020	
Composite yachts	**464,291**	**51.7%**	298,368	48.8%
Made-to-measure yachts	**249,734**	**27.8%**	168,506	27.6%
Super yachts	**84,561**	**9.4%**	63,742	10.4%
Other businesses[(1)]	**99,835**	**11.1%**	80,739	13.2%
Total	**898,421**	**100.0%**	611,355	100.0%

Note:

(1) Mainly comprising revenue from ancillary businesses and the Ferretti Security Division ("FSD") business, a division of the Company that designs, develops and manufactures coastal patrol vessels.

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 Reporting Period, which was due to (i) an increase of €165.9 million in sales of composite yachts; (ii) an increase of €81.2 million in sales of 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 sales of super yachts. We delivered 194 new vessels during the Reporting Period, compared to 142 new vessels for the year ended December 31, 2020.

The Group's revenue generated from sales of composite yachts increased by 55.6% from €298.4 million for the year ended December 31, 2020 to €464.3 million for the Reporting Period, primarily due to an increase in order intake mainly driven by (i) increased demand for the Group's products as it has been continuously renewing and broadening its product portfolio and (ii) recovery from the short-term adverse impact of the COVID-19 pandemic. Specifically, the Group's composite order intake increased from €315.7 million for the year ended December 31, 2020 to €563.3 million for the Reporting Period.

The Group's revenue generated from sales of 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 Reporting Period, primarily due to an increase in order intake mainly driven by the same factors mentioned above. Specifically, the Group's order intake for made-to-measure yachts increased from €155.6 million for the year ended December 31, 2020 to €289.3 million for the Reporting Period.

The Group's revenue generated from sales of super yachts increased by 32.7% from €63.7 million for the year ended December 31, 2020 to €84.6 million for the Reporting Period, primarily due to an increase in order intake mainly driven by (i) super yachts under Riva and Pershing brands which were newly launched in 2019 and proven to be successful, continuing to ramp up quickly in 2021; and (ii) organic growth of CRN brand. Specifically, the Group's order intake for super yachts increased from €68.4 million for the year ended December 31, 2020 to €104.1 million for the Reporting Period.

The Group's 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 Reporting Period, primarily due to an overall growth in the Group's ancillary businesses.

The table below provides a breakdown by geographical regions of the Group's net revenue for the years indicated:

(In thousands Euro, except percentages)	**Year ended December 31,** **2021**		2020	
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 businesses[(2)]	**99,835**	**11.1%**	80,739	13.2%
Total	**898,421**	**100.0%**	611,355	100.0%

Notes:

(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) Mainly comprising revenue from ancillary businesses (including trading of pre-owned yachts) and the FSD business.

For the years ended December 31, 2020 and 2021, the proportion of revenue from EMEA remained relatively stable. Meanwhile, the relatively lower revenue contribution from AMAS 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; while revenue contribution from APAC decreased in 2021, primarily due to 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 footage yachts that have relatively longer production cycles.

Change in Inventories of Work-in-process, Semi-finished and Finished Goods

The Group's 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 Reporting Period, primarily due to an increase in order intake for composite yachts.

Cost Capitalized

The Group's 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 Reporting Period, primarily because the value of new models launched in 2020 was higher.

For the Reporting Period, among cost capitalized by the Group, it incurred non-recurring costs of €20,000, and COVID-19 extra-costs of €38,000.

Other Income

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 Reporting Period.

For the Reporting Period, among the Group's other income, it recorded COVID-19 extra-income of €96,000.

Raw Materials and Consumables Used

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 Reporting Period, 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 operation of the Group's six shipyards were temporarily and partially suspended for two months in 2020.

For the Reporting Period, among the Group's raw materials and consumables used, it incurred COVID-19 extra-costs of €312,000.

Contractors Costs

The Group's 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 Reporting Period, 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 operation of the Group's six shipyards were temporarily and partially suspended for two months in 2020.

For the Reporting Period, among the Group's contractors costs, we incurred COVID-19 extra-costs of €1,000.

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 Reporting Period, primarily due to the cancellation of major boat shows in 2020 as a result of the outbreak of COVID-19 pandemic, and such major boat shows resumed in 2021.

For the Reporting Period, among the Group costs for trade shows, events and advertising, we incurred COVID-19 extra-costs of €113,000.

Other 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 Reporting Period, which was generally in line with the growth of the Group's business.

Management Discussion and Analysis

For the Reporting Period, among the Group's other service costs, it incurred non-recurring costs of €112,000, extra costs related to the Listing of €5.2 million, COVID-19 extra-costs of €1.9 million, and litigation costs of €123,000.

Rentals and Leases

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 Reporting Period, 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.

For the Reporting Period, among the Group rentals and leases, we incurred extra costs related to the Listing of €11,000.

Personnel Costs

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 Reporting Period, primarily due to an increase in the average headcount to support the growth of the Group's business.

For the Reporting Period, among the Group's personnel costs, it incurred extra costs related to the Listing of €3.4 million, and COVID-19 extra-costs of €9,000.

Other Operating Expenses

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 Reporting Period.

For the Reporting Period, among the Group's other operating expenses, we incurred extra costs related to the Listing of €68,000, and COVID-19 extra-costs of €1,000.

Provisions and Impairment

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 Reporting Period, primarily due to the release of 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.

For the Reporting Period, among the Group's provisions and impairment, it has released provisions for certain legal disputes of €5.0 million.

Depreciation and Amortization

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 Reporting Period, which was driven by the increases in the Group's property, plant and equipment as well as intangible assets, reflecting the significant investments made to renew and extend the Group's product portfolio and upgrade the Group 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 €24,000 for the Reporting Period.

Financial Income and Financial Expenses

The Group's financial income increased from €0.1 million for the year ended December 31, 2020 to €0.2 million for the Reporting Period.

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 Reporting Period, primarily due to a decrease in the interest on bank loans, which was mainly attributable to a decrease in average bank loan balance driven by the substantial improvement of the Group's net financial position and a significant increase in 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 Reporting Period, primarily due to the appreciation in exchange rate of U.S. dollars against Euro.

Income Tax

We recorded income tax expense of €3.3 million for the Reporting Period, 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 the Group's 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 Reporting Period. 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 Reporting Period.

Certain Balance Sheet Items

Net Current Assets

The table below sets forth the Group's current assets, current liabilities and net current assets as of the dates indicated:

(in thousands Euro)	As of December 31, 2021	2020
Current assets		
Cash and cash equivalents	**173,010**	32,830
Trade and other receivables	**41,689**	36,422
Contract assets	**111,794**	176,037
Inventories	**144,387**	176,941
Advances on inventories	**24,606**	15,139
Other current assets	**8,731**	3,592
Income tax recoverable	**982**	2,114
	505,199	443,075
Current liabilities		
Bank and other borrowings	**31,157**	79,024
Provisions	**31,056**	37,148
Trade and other payables	**278,809**	222,476
Contract liabilities	**131,664**	55,704
Income tax payable	**754**	75
	473,440	394,427
Net current assets	**31,759**	48,648

The Group had net current assets of €31.8 million as of December 31, 2021, consisting of current assets of €505.2 million and current liabilities of €473.4 million, which represented a decrease of €16.9 million from the Group's net current assets of €48.6 million as of December 31, 2020, primarily due to (i) a decrease in contract assets of €64.2 million mainly attributable to an increase in advances received from customers; (ii) an increase in contract liabilities of €76.0 million mainly attributable to an increase in order intake; and (iii) an increase in trade and other payables of €56.3 million mainly attributable to an increase in the Group's procurement in line with the growth of the Group's business. This was partially offset by (i) an increase in cash and cash equivalents of €140.2 million mainly attributable to an increase in advances received from customers; and (ii) a decrease in bank and other borrowings of €47.9 million driven by the substantial improvement of the Group's net financial position. All borrowings are denominated in Euro.

Inventories/Advances on Inventories

The Group's inventories and advances on inventories decreased by €23.1 million, or 12.0%, from €192.1 million as of December 31, 2020 to €169.0 million as of December 31, 2021, primarily due to an increase in sales and delivery of yachts in line with the increase in order intake.

Trade and Other Receivables

The table below sets forth a breakdown of the Group's trade and other receivables as of the dates indicated:

	As of December 31,	
(in thousands Euro)	**2021**	2020
Trade receivables		
Accounts receivable from customers	**14,869**	18,839
Impairment	**(5,745)**	(6,589)
	9,124	12,250
Other receivables	**32,565**	24,172
Total	**41,689**	36,422

The Group's trade and other receivables increased by €5.3 million, or 14.5%, from €36.4 million as of December 31, 2020 to €41.7 million as of December 31, 2021, primarily due to an increase in other receivables of €8.4 million mainly attributable to an increase in VAT receivables.

Contract Assets

The Group's contract assets decreased by €64.2 million, or 36.5%, from €176.0 million as of December 31, 2020 to €111.8 million as of December 31, 2021, primarily due to an increase in advances received from customers.

Intangible Assets

The Group's intangible assets remained relatively stable at €262.3 million as of December 31, 2020 and €258.2 million as of December 31, 2021.

Trade and Other Payables

The table below sets forth a breakdown of the Group's trade and other payables as of the dates indicated:

	As of December 31,	
(in thousands Euro)	**2021**	2020
Trade payables	**238,687**	195,112
Other payables	**40,477**	27,873
Total	**279,164**	222,985

The Group's trade and other payables increased by €56.2 million, or 25.2%, from €223.0 million as of December 31, 2020 to €279.2 million as of December 31, 2021, primarily due to an increase in trade payables of €43.6 million, which was mainly attributable to an increase in the Group procurement in line with the growth of the Group business.

Contract Liabilities

The Group's contract liabilities increased by €76.0 million, or 136.4%, from €55.7 million as of December 31, 2020 to €131.7 million as of December 31, 2021, primarily due to an increase in the advances received mainly attributable to an increase in order intake.

Capital Expenditures

The Group's capital expenditures were primarily in connection with the Group's continuous efforts in renewing and extending its product portfolio as well as expanding and upgrading its production facilities. The Group intends to fund its planned capital expenditures through a combination of the net proceeds from the Global Offering as well as cash generated from operating activities.

The table below sets out the Group's capital expenditures for the years indicated:

	Year ended December 31,	
(in thousands Euro)	**2021**	2020
Property, plant and equipment	**66,411**	76,667
Intangible assets	**3,342**	8,983
Total capital expenditures	**69,753**	85,650

NON-IFRS MEASURE

To supplement the Group's consolidated income statements which are presented in accordance with IFRS, EBITDA, adjusted EBITDA, adjusted EBITDA/net revenue without pre-owned, being non-IFRS measures, were also presented in this report. The Group is of the view that this measure facilitates comparison of operating performance from period to period by eliminating potential impacts of certain items and believes that this measure provides useful information to understand and evaluate the Group's consolidated income statements in the same manner as they help the Group management. However, the Group's presentation of EBITDA may not be comparable to similarly terms used by other companies. The use of this measure has limitations as an analytical tool, as such, it should not be considered in isolation from, or as substitute for analysis of, the Group's results of operations or financial condition as reported under IFRS.

The Company defines (i) EBITDA as profit after tax plus financial expenses (including the result of forex conversion), depreciation and amortization, and income tax expense, and less financial income and income tax benefit; (ii) adjusted EBITDA as EBITDA adjusted by adding back certain special items (including bank charges and guarantees, listing expenses, Management Incentive Plan (as defined below), personnel related extra costs, litigations, COVID-19 extra costs, and other minor non-recurring events); and (iii) net revenue without pre-owned as net revenue excluding revenue generated from the trading of pre-owned yachts.

The table below sets forth the reconciliations of the Group's non-IFRS measure to the nearest measures prepared in accordance with IFRS for the years indicated:

(in thousands Euro)	**Year ended December 31,** **2021**	2020
Net revenue	**898,421**	611,355
Revenue pre-owned	**(46,999)**	(39,451)
Net revenue without pre-owned	**851,422**	571,904
Operating costs	**(795,853)**	(552,289)
Profit for the year	**37,383**	21,982
Income tax (benefit)/expense	**3,291**	(18,455)
Financial income	**(224)**	(133)
Financial expenses	**5,940**	6,897
EBIT	**46,390**	10,291
Depreciation and amortization	**48,519**	42,493
EBITDA	**94,909**	52,784
Special items	**6,177**	5,664
Foreign exchange losses	**1,459**	618
Share of loss of a joint venture	**24**	—
Adjusted EBITDA	**102,569**	59,066
Adjusted EBITDA/net revenue without pre-owned	**12.0%**	10.3%

Adjusted EBITDA for the Reporting Period amounted to €102.6 million, with an increase of 73.6% 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 Reporting Period.

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.

The industrial reasons are not limited to economies of scale in purchasing and in the organization of production processes, but above all a more and more efficient fixed costs absorption; which was attributable to the remarkable efforts made in 2018 and 2019 in strengthening industrial overhead and selling, general and administration expense, which allows the Group to contain the growth of these costs by only 35% and 25%, respectively during the Reporting period as compared to its revenue growth.

Commercial reasons refer to an increased backlog means a waiting list for many of our boats and consequently a premium pricing for these models; in other words, lower discounts granted to our dealers and customers.

Last but not least, and for many aspects the most important factor which led to the Group's increased profitability was due to its strategic positioning because (i) every time when the Group introduces a new model into the market to replace an existing model, the profitability of the new model is always improving as a result of the continuously growing industrial know-how; and (ii) the Group has been constantly increasing its presence in the most profitable segment of the market, such as the made-to-measure yachts. Due to these levers, we are quite confident that profitability will regularly continue to grow.

The table below sets forth the details of the special items which were deducted from the EBITDA:

	Year ended December 31,	
(in thousands Euro)	**2021**	2020
Bank charges and guarantees	**—**	1,362
Other minor non-recurring events	**132**	12
Listing expenses	**3,514**	—
Management incentive plan	**5,110**	—
Personnel related extra-costs	**—**	761
Litigations	**(4,877)**	1,082
COVID-19 extra-costs	**2,298**	2,447
Total	**6,177**	5,664

Management Incentive Plan

On December 21, 2021, the Company approved the management incentive plan (the "**Management Incentive Plan**"), which will cover the Group's senior management and certain other employees (the "**Key Employees**"). Pursuant to the Management Incentive Plan, a special cash bonus in a maximum aggregate amount of 2.5% of the market capitalization of the Company at the time of the Listing (i.e. not more than approximately HK$191 million, equivalent to approximately €22 million) will be paid to the Key Employees in recognition of the value they have helped to create prior to the Listing Date.

The Board, following the recommendations of the Remuneration Committee, has approved definitively the specific terms and conditions concerning the special cash bonus and the short term incentive plan at the board meeting on April 28, 2022, and has granted to the Chief Executive Officer all the powers to execute it. As at December 31, 2021, a first instalment of €5.1 million being to the special cash bonus under the Management Incentive Plan has been approved and paid to the Key Employees to recognize their contribution to the Listing process.

FINANCIAL RATIOS

The table below sets forth selected financial ratios of the Group:

Profitability Ratios	Year ended December 31, 2021	2020
Return on equity *(Note 1)*	**7.8%**	4.8%
Return on total assets *(Note 2)*	**3.7%**	2.3%

Liquidity Ratios/Capital adequacy Ratio	As of December 31, 2021	2020
Current ratio *(Note 3)*	**1.1**	1.1
Quick ratio *(Note 4)*	**0.8**	0.7
Gearing Ratio *(Note 5)*	**17.8%**	35.4%

Notes:

(1) Return on equity is calculated based on profit attributable to Shareholders for the period divided by the arithmetic mean of the opening and closing balances of equity attributable to Shareholders and multiplied by 100%.

(2) Return on total assets 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%.

(3) Current ratio is calculated based on total current assets divided by total current liabilities.

(4) Quick ratio is calculated based on total current assets less inventories divided by total current liabilities.

(5) Gearing ratio is calculated based on total indebtedness divided by total equity and multiplied by 100%.

Return on Equity

The Company's return on equity increased from 4.8% for the year ended December 31, 2020 to 7.8% for the Reporting Period, primarily due to an increase in profit.

Return on Total Assets

The Company's return on total assets increased from 2.3% for the year ended December 31, 2020 to 3.7% for the Reporting Period, primarily because the increase in its profit outpaced the increase in its total assets.

Current ratio

The Company's current ratio remained stable at 1.1 as of December 31, 2020 and 2021.

Quick ratio

The Company's quick ratio remained relatively stable at 0.7 as of December 31, 2020 and 0.8 as of December 31, 2021.

Gearing ratio

The Company's gearing ratio decreased from 35.4% as of December 31, 2020 to 17.8% as of December 31, 2021, primarily due to a decrease in its borrowings.

TREASURY POLICIES

The Group continues to adopt a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year under review. The Board closely monitors the liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

FOREIGN EXCHANGE EXPOSURE

The Group's revenue generating activities and borrowings were transacted in Euros, which is the functional and presentation currency of the Group. The Board considered that the Group was exposed to exchange rate risks in relation to the U.S. dollar. The Group uses foreign currency forward contracts to hedge its exposure to foreign currency risks in connection with forecast transactions and firm commitments. As of December 31, 2021, there are no currency forwards in place (2020: Nil).

PLEDGE OF ASSETS

As at December 31, 2021, the Group's bank borrowings were secured by certain of the Group's buildings amounting to €85,486,000 (2020: €73,606,000) which are set out in Note 50 to the Consolidated Financial Statements.

LEGAL AND POTENTIAL PROCEEDINGS

As at December 31, 2021, the Group did not have any on-going legal proceedings or potential proceedings threatened to be brought against the Group that would have a material impact to the operations of the Group.

CONTINGENT LIABILITIES

As of December 31, 2021, the Company had no material contingent liabilities (2020: Nil). Details of contingent liabilities of the Group are set out in Note 49 to the Consolidated Financial Statements.

SIGNIFICANT INVESTMENT, ACQUISITION AND DISPOSAL OF SUBSIDIARIES, FUTURE PLAN FOR SIGNIFICANT INVESTMENT OR ACQUISITION OF CAPITAL ASSETS

The Company had no significant investment, acquisition and disposal of subsidiaries, associates and joint ventures during the Reporting Period. In addition, save for the expansion plans as disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus, the Group has no specific plan for major investment or acquisition for major capital assets or other businesses.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On January 11, 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, but the Company believes that the impact of such geo-political conflicts on its sales, procurement and the future prospects had been and will be minimal based on the following:

— To the best knowledge of the Directors, as of the date of this report, 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 total revenue for the same period. Therefore, Russian and Ukraine sales are deemed immaterial to the Group's business, results of operations and financial condition as a whole. Furthermore, in the event of a customer default, the Group is able to freely resell the yacht to another customer. The Group 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;

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

— On the supply side, the Group has not been sourcing, and does 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, the Company believes that the impact on it will be minimal as it is not engaged in an energy intensive business, and due to the nature and uniqueness of the luxury industry, it would be relatively easy for it to pass on increases in raw material costs to customers.

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

The Shares were listed on the Main Board of the Stock Exchange on March 31, 2022 and 83,580,000 Shares were issued at HK$22.88 per Share in connection with the Listing. On April 22, 2022, the Sole Global Coordinator (on behalf of the International Underwriters) (as defined in the Prospectus) partially exercised the Over-allotment Option (as defined in the Prospectus), in respect of an aggregate of 4,167,700 Shares (the "**Over-allotment Shares**") and the Company has allotted and issued the Over-allotment Shares at HK$22.88 per Share.

Save as mentioned above, there were no events 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.

EMPLOYEES AND REMUNERATION POLICY

As of December 31, 2021, the Group had 1,617 employees (2020: 1,545). The Group entered into employment contracts with all its employees. Apart from salary remuneration, our employees benefit from the accruals of social security contributions to the National Institute of Social Security in Italy, and to the private funds if provided by the collective bargaining agreement. In addition, the Company granted discretionary bonuses to qualified employees, based on its operating results and individual performance.

Human resources and workplace safety

95%, 3.4% and 0.5% of the Group's employees were based in Italy, USA and China (Hong Kong). Approximately 81% of the employees was engaged in production and 7% in research and development, whereas the remaining 12% was assigned to the Sales and Marketing and General and Administrative Services functions. Total number of employees increased by 72 as compared to the previous year, which includes those employed by RAM Srl, which was acquired during the Reporting Period.

The following table sets forth the average number of employees in the past two years by category:

	Year 2021	Year 2020	Change
Executives	**26**	24	2
Office staff and middle managers	**576**	549	27
Workers	**981**	966	15
Total number of employees	**1,583**	1,539	44

Personnel costs for the Reporting Period amounted to €112.4 million, with a significant increase of €20 million compared to the previous year.

The increase in personnel costs is attributable to the Company's recovery after the COVID-19 epidemiological emergency which required an increase in manpower and hours over the ordinary, while in the year 2020 the Group used all the mechanisms under the emergency legislation, such as the ordinary redundancy fund for COVID-19, extraordinary parental leave for COVID-19, extension of law 104/68 leave and the use of holidays and other leave. These mechanisms allowed the Group to limit labour costs without any change in headcount despite almost two months of plant shutdown.

To continuously combat the spread of COVID-19 in the workplace, the Group carried out various initiatives and actions in 2021, including:

— creation of a COVID-19 Committee, involving the HR Department, the Employer (which is a role required under Italian laws in relation to the health and security of workers), EHS Manager, the Safety Officers, the Plant Managers, the employees representatives and the labour unions representatives and the competent doctors when necessary;

— the COVID-19 Committee, through weekly or bi-weekly meetings, shares and discusses all actions to be put in place, both in response to government regulations and directives and internal initiatives;

— the Safety Protocol to contain the spread of COVID-19 is constantly updated and summarizes the rules and law enforcement measures adopted;

— the periodic distribution of masks (FFP2 or Surgical) and sanitizing gel;

— the periodic sanitisation of all work environments, work surfaces and air conditioning systems;

— the activation of an insurance for each employee to cover a possible hospitalization caused by COVID-19 infection;

— the distribution of informative material by means of billboards, e-mail notifications, personalized videos; and

— the carrying out of anonymous monitoring campaigns and on a voluntary basis with serological or rapid test.

In the last quarter of 2021, negotiations began with the labour unions representatives for the renewal of the supplementary agreement with the Company that supplements the national labour agreement, which was successfully concluded in February 2022, and in 2022, renewal negotiations will be opened for the supplementary agreements of the division CRN, after its merger into the Company and the subsidiaries Zago S.p.A. and RAM S.r.l..

Also for the year 2021, a careful and punctual recruiting of qualified resources has implemented, mainly with reference to the Industrial, Engineering, Quality and Sales & Marketing areas, with the inclusion of key profiles in sectors considered of fundamental importance for future corporate strategies to increase competitiveness in the field of technological development and innovation; particular attention has been paid in this regard to the consolidation of the organizational structure of the Wally division, with a view to further strengthening and growing market share. With a view to development of the resources, an important career path program has been launched to develop the internal resources identified as high potential, mainly attributable to the Industrial and Technical areas.

With the progressive improvement of the emergency situation related to the COVID-19 pandemic, training activities have been also resumed, with a mix of remote modalities and, when possible, face-to-face activities, always in compliance with safety procedures.

On the basis of the demand and analysis of the technical and transversal training needs of the different departments and teams of the Group, and of the specific requests, especially in the purely technical field, various training courses have been carried out, which have addressed, among others, issues identified as priorities such as Team Management & Development, Project Management, Negotiation Techniques, Energy Management, ISO 14001 Environmental Training, Biosafety, etc..

Specific technical training courses had been carried out, for example Corrosion of Materials, Thermography and Hydraulics, Fiberglass production, Painting, while among the designed ad hoc we report Supply Chain Management, Times and Methods, Approach to Quality Control. These courses were organized together to the usual annual training related to safety issues, and advanced English (with a focus on individual paths) and strengthening of computer skills.

In addition, a Master on the theme of "Customer Experience Manager" was activated in collaboration with Il Sole 24 Ore, three managerial growth paths, and a MBA dedicated to "Strategy: Building & Sustaining Competitive Advantage" with Harvard Business School and two Executive MBAs with SDA Bocconi lasting 18 months, are still in progress.

During the year 2021, the total number of training hours was 14,247 hours, reaching and exceeding the expected target.

Due to the COVID-19 and its variances, during 2021, sickness-related absenteeism is 4.76%. This percentage has not been excessively increased thanks to the containment measures adopted by the Group through weekly meetings and updates of the COVID-19 protocol. The accident rate was 0.31%, which is stable compared to the previous year.

Turning to workplace health and hygiene issues, workers are exposed to the risks associated with work process and, in some cases, to risks associated with exposure to hazardous substances, particulate matter and vibrations.

The Company policy pursues the following workplace safety objectives:

— accident reduction;

— awareness-raising and training of employees regarding safety issues;

— monitoring and elimination or reduction of the risk factors present in production processes that may have an impact on the work environment or external environment;

— constant updates to safety systems and devices; and

— management of contractor firms.

The Company believes that its production facilities, risk assessment and safety procedures, including the appropriate periodic verifications, are suited to ensuring compliance with laws and regulations in this area, as documented in the Risk Assessment Documents (RADs) and specific RADs present for each plant, drawn up pursuant to Legislative Decree No. 81/08.

Moreover, in any cases of non-compliance or actual or potential accidents, the Group follows a procedure that involves analysing the events, assessing possible corrective measures and then implementing them. The corrective measures taken — which may also consist of company procedures and/or directives — are to apply to all operating units, and not only to that in which the accident occurred.

The Group has made considerable investments in safety since 2014. Some examples include the installation of roof safety lines, fall protection systems around boat workstations, complete revamping of fire protection systems, purchase of new woodworking equipment to replace obsolete models, safety lines on all the Group's cranes, implementation of a badge-based activation system for woodworking equipment, upgrading of the fire-detection system in Forlì, and is also considering installing badge-based crane activation.

In operational terms, the focus on the issue remains constant. Each month, meetings are held between the Employer and Safety Officers, who in turn coordinate at each plant with the company Protection & Prevention Officer, Safety Managers, Company Union Representatives and Central Environment, Health and Safety Coordinator to discuss environmental issues relating to specific projects and activities, in addition to worker health and safety matters.

The Group devotes a significant number of annual training hours to both newly hired employees and refresher training for all personnel.

As at the date of this annual report, all of the Group's plants are in compliance with fire prevention rules and have been issued a valid Fire Prevention Certificate.

Corporate Governance Report

The Board believes that good corporate governance standards are essential to safeguard the interests of its Shareholders, enhance corporate value, formulate our business strategies and policies, and enhance its transparency and accountability.

As at the end of the Reporting Period, the Shares were not yet listed on the Main Board of the Stock Exchange. As such, the CG Code was not applicable to the Company during the Relevant Period. Throughout the period since the Listing Date and up to the date of this annual report, the corporate governance practices of the Company have complied with the applicable CG Code provisions as set out in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code governing securities transactions of the Directors. As the Shares were not yet listed on the Main Board of the Stock Exchange until the Listing Date, the Model Code was not applicable to the Company during the Relevant Period. However, enquiries have been made to the Directors and all Directors have confirmed that they have fully complied with the standards of dealings as set out in the Model Code since the Listing Date and up to the date of this report.

BOARD OF DIRECTORS

The Board is the core of the Company’s corporate governance framework and its role is clearly separated from that of senior management. The Board is responsible for providing guidance for senior management and maintaining effective supervision over senior management.

The Board currently comprises a total of eight Directors, being one executive Director, four non-executive Directors and three independent non-executive Directors. Mr. Alberto Galassi (Chief Executive Officer) served as an executive Director. Mr. Tan Xuguang (Chairman), Mr. Piero Ferrari (Vice Chairman), Mr. Xu Xinyu and Mr. Li Xinghao served as non-executive Directors. Mr. Hua Fengmao, Mr. Stefano Domenicali and Mr. Patrick Sun served as independent non-executive Directors. The non-executive Directors and independent non-executive Directors, who have different business and professional backgrounds, have brought valuable experience and expertise for the best interests of the Group and its Shareholders. One of the independent non-executive Directors, Mr. Patrick Sun, is a qualified accountant who has appropriate professional quantifications and related financial management expertise to meet the requirements under Rule 3.10(2) of the Listing Rules.

The biographical information of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 53 to 62 of this annual report.

To the best knowledge of the Company, there has been no financial, business, family, or other material/relevant relationships among members of the Board and senior management of the Company, except for the fact that Mr. Alberto Galassi is the son-in-law of Mr. Piero Ferrari, both are members of the Board.

Every Director is entitled to have access to Board papers and related materials and has access to the advice and services of the joint company secretaries of the Company (the "**Joint Company Secretaries**"). The Board and each Director also have separate and independent access to the Company's senior management.

RESPONSIBILITIES OF THE BOARD

All the Directors (including the independent non-executive Directors) have acquired a proper understanding of the Company's operation and business and are fully aware of his functions and responsibilities under statute and common law, the Listing Rules, and other applicable legal and regulatory requirements. Every Director has given the Company the details on the number and nature of offices held in other companies and significant commitments at the time of his appointment. They are also reminded to notify the Company of any change of such information in a timely manner.

The Board is responsible for leadership and control of the Group and be collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies, authorizing the development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control system; supervising and managing management's performance of the Group; and setting the Group's values and standards. Though the Board delegates the day-to-day management, administration and operation of the Group to management, all the Directors continue to give sufficient time and attention to the Company's affairs. The delegated functions are reviewed by the Board periodically to ensure that they accommodate the needs of the Group.

DIRECTORS' AND OFFICERS' LIABILITIES INSURANCE

The Company has arranged appropriate directors' and officers' liability insurance in respect of possible legal actions taken against Directors and officers of the Company arising from the Company's business activities which such Directors and officers may be held liable.

Corporate Governance Report

BOARD PROCEEDINGS AND ATTENDANCE

Regular Board meetings are held at quarterly intervals with additional meetings convened as and when necessary to discuss the overall strategic directions, the Group's operations, financial performance, and to approve interim and annual results and other significant matters. For regular Board meetings, Board members are given at least 14 days prior notice. For other Board and committee meetings, members are given at least three days prior notice. Meeting agenda with supporting papers are sent to Directors not less than three days before the relevant meeting is held.

Directors are requested to declare their direct or indirect interests, if any, in any proposals or transactions to be considered at Board meetings and abstain from voting in favour of the related Board resolutions as appropriate.

Minutes of meetings of the Board and board committees are kept by the Joint Company Secretaries in sufficient details of the matters considered and decisions reached, including dissenting views expressed, and are open for inspection on reasonable notice by any Director.

Since the Listing Date and up to date of this annual report, the Board held one Board meeting on April 28, 2022 for the main purposes of, among other things, proposing the final dividend and approving the annual report of the Group for the Relevant Period. All Directors attended the meeting.

APPOINTMENTS AND RE-ELECTION OF DIRECTORS

Mr. Alberto Galassi, an executive Director, has entered into a service agreement with the Company for a term commencing from March 16, 2020 until the date on which the Shareholders' meeting of the Company will take place to approve the financial statements of the Company for the financial year ending December 31, 2022.

Each of Mr. Tan Xuguang, Mr. Piero Ferrari, Mr. Xu Xinyu and Mr. Li Xinghao, a non-executive Director, has entered into a service agreement with the Company for a term commencing from March 16, 2020 until the date on which the Shareholders' meeting of the Company will take place to approve the financial statements of the Company for the financial year ending on December 31, 2022.

Each of Mr. Hua Fengmao, Mr. Stefano Domenicali and Mr. Patrick Sun, an independent non-executive Director, has entered into a service agreement with the Company for a term commencing from December 21, 2021 until the date on which the Shareholders' meeting of the Company will take place to approve the financial statements of the Company for the financial year ending on December 31, 2022. Under the By-laws, the Directors may be re-appointed.

Up to the date of this annual report, no independent non-executive Director has served the Company for more than nine years.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The role of the Chairman is separate from that of the Chief Executive Officer. Mr. Alberto Galassi has been appointed as the Chief Executive Officer since May 23, 2014, and the position of Chairman was held by Mr. Tan Xuguang since July 6, 2012. They exercised separate responsibilities in the Group. The Chairman was responsible for the high level oversight of the Board, the management and operations of the Group while the Chief Executive Officer was responsible for formulating the strategic directions and the day-to-day management of the Group.

In addition, the Chairman also provides leadership to the Board. He monitors the Board effectiveness and fosters constructive relations among Directors.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Since the Listing Date, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing not less than one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the factors set out in Rule 3.13 of the Listing Rules. To the best knowledge of each of the Directors after making specific enquiry with each of the independent non-executive Directors, each of the independent non-executive Directors has no cross-directorships or significant links with any of the other Directors. The Company is of the view that all independent non-executive Directors are independent.

BOARD COMMITTEES

We have established the following four committees: Audit Committee, Remuneration Committee, Nomination Committee and the ESG Committee. The committees operate in accordance with their terms of reference established by our Board. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to the Shareholders upon request. Each of the committees is provided with sufficient resources to perform its duties. Pursuant to the Italian Civil Code, we have also established a Board of Statutory Auditors.

Audit Committee

We established the Audit Committee on December 21, 2021 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code.

The Audit Committee consists of 4 Directors, namely Mr. Patrick Sun, Mr. Stefano Domenicali, Mr. Hua Fengmao and Mr. Li Xinghao, with Mr. Sun currently serving as the chairman. Mr. Sun has the appropriate professional experiences as required under Rules 3.10(2) and 3.21 of the Listing Rules. The Audit Committee is mainly responsible for reviewing and overseeing the financial reporting procedure and internal control system of our Group.

The primary duties of the Audit Committee include, among other things, making recommendations to our Board on the appointment, reappointment and removal of the external auditor, reviewing our financial information, and assisting our Board in providing an independent view of our financial reporting, risk management and internal control systems.

One meeting of the Audit Committee was held from the Listing Date to the date of the annual report. Save for Mr. Stefano Domenicali, all members of the Audit Committee attended the meeting. The Audit Committee has, among other things, reviewed the audited separate and consolidated financial statements of the Company and its subsidiaries for the Reporting Period as well as the audit report prepared by the external auditors relating to accounting issues and major findings in the course of audit and recommended to the Board for approved of the audited separate and consolidated financial statements for the Reporting Period.

Since its establishment and up to the date of this report, the Audit Committee met the external auditors once to discuss the audit plan and the audited results for the Relevant Period without the presence of the executive Director.

Remuneration Committee

We have established the Remuneration Committee on December 21, 2021 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code.

The Remuneration Committee consists of 5 Directors, namely Mr. Stefano Domenicali, Mr. Patrick Sun, Mr. Hua Fengmao, Mr. Piero Ferrari and Mr. Xu Xinyu, with Mr. Domenicali currently serving as the chairman.

The primary duties of the Remuneration Committee include, among other things, making recommendations to our Board on our policy and structure for the remuneration of our Directors and senior management, the establishment of a formal and transparent procedure for developing remuneration policy, and the remuneration packages of our Directors and senior management.

One meeting of the Remuneration Committee was held from the Listing Date to the date of the annual report. The Remuneration Committee has, among other things, reviewed and made recommendations to the Board for the terms of the Management Incentive Plan, the proposed adoption of a share option scheme, and the bonus compensation to the Chief Executive Officer.

Nomination Committee

We have established the Nomination Committee on December 21, 2021 with written terms of reference in compliance with the CG Code.

The Nomination Committee consists of 5 Directors, namely Mr. Tan Xuguang, Mr. Patrick Sun, Mr. Stefano Domenicali, Mr. Hua Fengmao and Mr. Alberto Galassi, with Mr. Tan currently serving as the chairman.

The primary duties of the Nomination Committee include, among other things, making recommendations on any proposed changes to our Board composition to complement our corporate strategies.

No meeting was held by the Nomination Committee from the Listing Date to the date of the annual report.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning board diversity as set out in the Company's board diversity policy (the "**Board Diversity Policy**"). The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption. In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the relevant criteria of director nomination as formulated by the Company that are necessary to complement the corporate strategy and achieve board diversity, where appropriate, before making recommendation to the Board.

Director nomination criteria

The Company has formulated the selection criteria in relation to nomination and appointment of Directors and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director nomination criteria make clear the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

— Integrity

— Commitment in respect of available time and relevant interest

— Diversity in all respects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service

The Director nomination policy of the Company also includes the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. From the Listing Date to the date of this report, there was no change in the composition of the Board.

The Nomination Committee will review the Director nomination criteria and procedures, from time to time and as appropriate, to ensure its effectiveness.

Board diversity policy

We consider diversity at the Board level an essential element in promoting our long-term business development. We have adopted the Board Diversity Policy, which sets out the approach to promote, achieve and maintain adequate diversity in the Board. Pursuant to the Board Diversity Policy, the selection of Board candidates will be based on a range of diversity perspectives, including gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry experience. The selected candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board, and the ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. We believe that the Board Diversity Policy will ensure that the Board has the right balance of skills, experience and diversity of perspectives that are required to support the formulation and implementation of business strategies, thus allowing us to achieve sustainable development.

We value gender diversity and will continue to take steps to promote gender diversity at all levels of our Company, in particular at the Board level. In order to achieve an appropriate balance of gender diversity in our Board, it is our policy that our Board should have at least one female Director. In addition, we are committed to providing career development and training opportunities for female staff whom we consider have the suitable experience, skills and knowledge with an aim to promote them to senior management members or Directors. We will also ensure that there is gender diversity when recruiting staff at mid to senior level so as to develop a pipeline of potential female successors to our Board. Noting that we currently have no female directors, we expect to have more female staff members who will be eligible for managerial and board-level positions in the future. Further, our Company targets to add at least one female Director latest by the re-election of our Board in 2023, subject to the review and recommendation by the Nomination Committee.

The Nomination Committee is responsible for ensuring the diversity of our Board. The Nomination Committee will review the Board Diversity Policy from time to time to ensure its effectiveness. We will also disclose the implementation of the Board Diversity Policy in our Company's corporate governance reports on an annual basis.

ESG Committee

We have established the ESG Committee on December 21, 2021 with written terms of reference in compliance with the CG Code.

The ESG Committee consists of 5 Directors, namely Mr. Tan Xuguang, Mr. Piero Ferrari, Mr. Xu Xinyu, Mr. Alberto Galassi and Mr. Hua Fengmao, with Mr. Tan currently serving as the chairman.

The ESG Committee is mainly responsible for supporting our Board in formulating ESG policy and strategies, monitoring ESG issues, reviewing and evaluating sustainability performance, setting metrics and targets, preparing ESG report and making recommendations to our Board.

One meeting of the ESG Committee was held from the Listing Date to the date of the annual report. The ESG committee has, among other things, reviewed and evaluated the Group's ESG works during the Reporting Period and reviewing the draft ESG report for the Reporting Period.

Board of Statutory Auditors

Under the Italian Civil Code, a joint-stock company is required to have a board of statutory auditors, appointed by the shareholders for a term of three financial years, with the authority to supervise the Company on its compliance with the applicable laws, regulations, its By-laws, the principles of proper management and, in particular, on the adequacy and functioning of the organizational, administrative and accounting structure adopted by the Company.

At the shareholders' general meeting of the Company held on March 16, 2020, the Board of Statutory Auditors was appointed for a term of three financial years.

The mandate of the current Board of Statutory Auditors will expire at the shareholders' general meeting to approve the financial statements of the Company for the year ending December 31, 2022.

The Board of Statutory Auditors of the Company consists of Mr. Luigi Capitani, Mr. Luigi Fontana, Ms. Giulia De Martino, Ms. Veronica Tibiletti, and Mr. Fausto Zanon, with Mr. Capitani currently serving as the chairman.

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established by our Company and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies and practices on corporate governance and code of conduct applicable to employees and Directors, reviewing and monitoring training and continuous professional development of Directors and senior management and our Company's policies and practices on compliance with legal and regulatory requirements, as well as reviewing the Company's compliance with the CG Code and disclosure in our CG report.

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

All Directors are aware of their responsibilities to the Shareholders and have exercised their duties with care, skill and diligence, in pursuit of the development of the Group. Every newly appointed Director receives an induction to ensure that he has a proper understanding of the business and operations of the Group and that he is fully aware of his duties and responsibilities as a Director under applicable rules and requirements.

All Directors are provided with regular updates on the Company's performance and financial position to enable the Board as a whole and each Director to discharge his duties. In addition, briefings and updates on the latest development regarding the Listing Rules and other applicable regulatory requirements are provided to each of the Directors during Board meetings to ensure compliance and enhance their awareness of good corporate governance practices. Before the Listing, a training session was provided to each of the Directors with topics of legal and regulatory duties of directors and the Listing Rules.

Prior to the Listing, all Directors have been given the training regarding the directors' duties and responsibilities, corporate governance and regulatory updates and relevant reading materials including legal and regulatory updates have been provided to the Directors for their reference.

During the Reporting Period, the Directors received the following trainings and updates:

Director	Attended training session	Read materials
Mr. Alberto Galassi	✓	✓
Mr. Tan Xuguang	✓	✓
Mr. Piero Ferrari	✓	✓
Mr. Xu Xinyu	✓	✓
Mr. Li Xinghao	✓	✓
Mr. Hua Fengmao	✓	✓
Mr. Stefano Domenicali	✓	✓
Mr. Patrick Sun	✓	✓

JOINT COMPANY SECRETARIES

The Board appointed Mr. Niccolò Pallesi and Ms. Wong Hoi Ting as the Joint Company Secretaries on December 21, 2021, who are responsible for the secretarial affairs of the Company and ensuring a good information flow within the Board and the compliance of the board policy and procedures. They are required to comply with the relevant professional training requirements under Rule 3.29 of the Listing Rules starting from the year 2022 as the Company only became listed on the Main Board of the Stock Exchange on the Listing Date.

FINANCIAL REPORTING, INTERNAL CONTROL AND RISK MANAGEMENT

Financial Reporting

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the Relevant Period.

The Directors were not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the Consolidated Financial Statements is set out in the Independent Auditor's Report from page 63 to page 68 in this annual report.

Internal Control and Risk Management

The Board acknowledges its responsibility for the risk management and internal control system and reviewing its effectiveness. The Board realizes that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board reviews the effectiveness of the risk management and internal control system at least once annually.

In preparation for the Listing, the Company engaged an independent internal control consulting firm to perform an overall assessment on certain of our procedures, systems and internal controls. During the course of the internal control review, the consulting firm has provided some recommendations for the Group to enhance its internal control measures.

The Company has formulated internal control measures and procedures in various aspects, including risks relating to information system, human resources, internal control and credit in order to provide reasonable assurance for our operations, reporting and compliance.

Identification of risk

The Company identifies risk at the activity level which can help to focus risk assessment on major business units or functions and also contribute to maintaining an acceptable level across the Group. We also review periodically economic and industry factors affecting our business and meet industry analyst and players to keep abreast of the newly development of the industry. Factors such as increased competition, regulatory changes, personnel changes, and developments in the markets which contribute to and increase risks are always on the watch list.

Evaluation of risk

The evaluation of risk involves procedures to assess the probability of occurrence of adverse events and the potential size of the risk. The Company will prioritize risks according to their impact and likelihood in terms of their potential effect on the Company's objectives.

Risk Management

The Board will decide a suitable risk response to a identified risk and ensure that it can align with the Company's risk appetite and risk tolerance. Risk responses include accepting the risk, transferring the risk such as changing contractual terms, eliminating the risk such as adopting an exit strategy, controlling the risk such as building control measures into the operational process, and sharing the risk with another party such as insuring against the risk. The Board is also responsible to establish and implement the appropriate policies and procedures to ensure the risk responses are effectively carried out.

The risk management and internal control system of the Group has the following main features:

— it is embedded into the daily operations of the Group;

— it emphases a culture of risk awareness by the involvement of all staff members across the Group;

— it is a continuing process involving re-identification of risk, reappraisal of risk profile and appetite, improvement of risk control measures, etc; and

— it considers the need to engage external advisers to assess the risk management framework.

An internal audit team of the Company has been set up and assists the Board and the Audit Committee in their review of the adequacy and effectiveness of the risk management and internal control systems. The internal audit function will examine key issues in relation to the accounting practices and all material controls.

The Board had conducted a review of the effectiveness of the risk management and internal control system of the Company in respect of the Relevant Period by reviewing the internal control report issued by the independent internal control consulting firm and the reports by the internal audit team, and considered the system effective and adequate in all material aspects in both design and operations. In the event that material internal control defects are discovered, the Board will assign the internal audit team to take follow-up actions.

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

For the purpose of handling and disseminating inside information in accordance with the Listing Rules and the SFO, the Group has taken various procedures and measures, including: (i) promoting the awareness to preserve confidentiality of inside information within the Group; (ii) sending blackout period and securities dealing restrictions notification to the relevant directors and employees before the commencement of blackout or other trade restriction period; and (iii) disseminating information to specified persons on a need-to-know basis and regarding closely to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission of Hong Kong in June 2012.

SHAREHOLDERS' RIGHTS

A. Convening of Shareholders' general meeting at shareholders' request

Pursuant to Article 14.2 of the By-laws, a shareholders' general meeting has to be called by the Board when requested by shareholders representing at least one-twentieth of the Company's share capital, provided that the request mentions the item(s) to be discussed at the meeting. If there is an unjustified delay in calling the meeting by the Board, action will be taken by the Board of Statutory Auditors.

B. Putting forward proposals at shareholders' general meeting

Pursuant to Article 14.5 of the By-laws, shareholders who, individually or jointly, own or control at least one-fortieth of the Company's share capital may request in writing for additions to be made to the list of items on the agenda, within ten days from the notice of call for a shareholders' general meeting, by setting out the proposed additions. The proposals should be directed to the Company by email at officeofthegeneralcounsel@ferrettigroup.com .

C. Making an enquiry to the Board

Enquiries about matters to be put forward to the Board should be directed to the Company by email at officeofthegeneralcounsel@ferrettigroup.com. The Company will not normally deal with verbal or anonymous enquiries.

D. Procedures for shareholders' to propose a person for election as a director

The procedures for a Shareholder to nominate a person for election as a Director are set out in Articles 19.3 and 19.4 of the By-laws.

CHANGE IN CONSTITUTIONAL DOCUMENTS

The By-laws have been amended and restated with effect from the Listing Date, and are available on the respective websites of the Stock Exchange and the Company. There has not been any change in the Company's constitutional documents during the period commencing from the Listing Date to the date of this annual report.

The Board is pleased to present to the Shareholders its report together with the audited consolidated financial statements of the Group for the Reporting Period.

CORPORATE INFORMATION

The Company was incorporated in Italy under the laws of Italy as a limited liability company on July 16, 2004 under the name "Loppi S.r.l.". The Company was converted from a limited liability company to a joint stock company and its name was changed to "Ferretti S.p.A." on July 11, 2006. The Company's registered office is located at Via Irma Bandiera 62, 47841 Cattolica (RN), Italy.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the design, construction and marketing of yachts and recreational boats. The principal activities of its subsidiaries are set out in Note 3 to the Financial Statements.

BUSINESS REVIEW

A fair business review of the Group is required by section 388(2) and Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a review of the business of the Company, a discussion and analysis of the Group's performance during the Reporting Period, and the material factors underlying its economic results and financial position, a description of the risks and uncertainties facing the Group, and the future development of the business of the Company, is set out in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Directors' Report" in this report. Details of material events affecting the Group that have occurred since the end of the Reporting Period are set out in the Management Discussion and Analysis and Note 55 to the Consolidated Financial Statements. These discussions form part of this directors' report.

RESULTS AND DIVIDENDS

Profit of the Group for the Reporting Period and the state of affairs of the Company and the Group at that date are set out in the Consolidated Financial Statements on pages 69 to 167.

On June 14, 2021, the Company paid a dividend of €3.5 million in aggregate to its owners of the Company in respect of the financial year ended December 31, 2020.

The Board has recommended the payment of final dividends of €6,707,160.02 (€0.0198 per Share) (the "**Proposed Final Dividend**") for the Reporting Period. The Proposed Final Dividend is subject to the approval of the Shareholders at the Annual General Meeting and will be paid to Shareholders on or before June 30, 2022. The Proposed Final Dividend shall be made (i) in Euro to the Shareholders recorded in the section of the Company's Shareholders' register kept by the Company at its registered office in Italy; and (ii) in Hong Kong dollars recorded in the section of the Company's Shareholders' register kept in Hong Kong by the Hong Kong share registrar, net of Italian withholding tax, where applicable. The current rate of Italian withholding tax applied to applicable dividend payments is 26%. Further details on the Italian withholding tax are included in the Tax Booklet, which is available on the Company's website at www.ferrettigroup.com.

POLICY ON PAYMENT OF DIVIDENDS

The Company has adopted a general annual dividend policy of declaring and paying dividends on an annual basis of no less than 30% of our profit attributable to Shareholders 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, after taking into consideration of compliance with any applicable financial covenants and, if any, with further financial needs of the Company.

The declaration of dividends is subject to the discretion of our Directors, and, if necessary, the approval of our Shareholders. The Board will take into account market conditions, its 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 we are part of and other factors that our Directors consider relevant. Any declaration and payment as well as the amounts of dividends will be subject to the Company's constitutional documents and applicable restrictions under Italian law, including the approval from Shareholders. Our future declarations of dividends may or may not reflect our historical declarations of dividends. In addition, our Directors may reassess our dividend policy in the future.

The Company may distribute dividends by way of cash or by other means that it 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 our 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.

ANNUAL GENERAL MEETING

The AGM will be held on Wednesday, May 25, 2022.

CLOSURE OF THE REGISTER OF MEMBERS

To be eligible to attend and vote in the Annual General Meeting

The register of members of the Company will be closed from Monday, May 23, 2022 to Wednesday, May 25, 2022 (both days inclusive) during which period no transfer of shares will be registered. To be qualified for attending and voting at the Annual General Meeting, all share transfer documents must be lodged with:

(i) the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, if the transfer concerns shares recorded in the register of members held in Hong Kong, or

(ii) the Company's registered office at Via Irma Bandiera 62, 47841 Cattolica (RN), Italy if the transfer concerns shares recorded in the Company's register of members held at the Company's registered office in Italy

in any case, for registration no later than 4:30 p.m. Hong Kong time, or 10:30 a.m. CET time, on Friday, May 20, 2022.

To qualify for the Proposed Final Dividend

The register of members of the Company will be closed on Tuesday, May 31, 2022 during which period no transfer of shares will be registered. To be qualified for the Proposed Final Dividend, all share transfer documents must be lodged with:

(i) the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, if the transfer concerns shares recorded in the register of members held in Hong Kong, or

(ii) the Company's registered office at Via Irma Bandiera 62, 47841 Cattolica (RN), Italy if the transfer concerns shares recorded in the Company's register of members held at the Company's registered office in Italy

in any case, for registration no later than 4:30 p.m. Hong Kong time, or 10:30 a.m. CET time, on Monday, May 30, 2022.

SHARE CAPITAL

Details of the share capital of the Company are set out in Note 41 to the Consolidated Financial Statements.

FINANCIAL SUMMARY

A summary of the results as well as the assets and liabilities of the Group for the last four financial years is set out on page 4 of this annual report.

Directors' Report

KEY RISKS AND UNCERTAINTIES

Our Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to our Group's businesses. Please refer to the section headed "Risk Factors" in the Prospectus for details of the risks and uncertainties faced by the Group. The risk factors relating to our business and the industry faced by the Group are set out below:

(i) Our business is subject to risks associated with changes in the general macroeconomic, political, social and regulatory conditions in the markets in which we operate;

(ii) Our business strategies are subject to uncertainties and risks, which may materially and adversely affect our business, results of operations, financial condition and prospects;

(iii) We face risks associated with our supply chain; if we experience any delay or interrupted supply, or if the quality of the supplies does not meet the required standards, our business, results of operations, financial condition and prospects could be materially and adversely affected;

(iv) We are subject to potential warranty and product liability claims, which could cause material harm to our brand image and reputation and have a material adverse effect on our business, results of operations, financial condition and prospects; and

(v) If we suffer substantial interruptions to our production activities to the extent that we are not able to compensate such interruptions by increasing the utilization rates of our remaining production facilities, our business, results of operations, financial condition and prospects could be materially and adversely affected.

The list above is not exhaustive. There may be other risks and uncertainties in addition to those shown above which are not known to our Group or which may not be material now but could turn out to be material in the future.

DIRECTORS

The Directors since the Listing Date and up to date of this annual report are:

Non-executive Director, Chairman
Mr. Tan Xuguang

Executive Director, Chief Executive Officer
Mr. Alberto Galassi

Non-executive Directors
Mr. Piero Ferrari *(Vice Chairman)*
Mr. Xu Xinyu
Mr. Li Xinghao

Independent Non-executive Directors
Mr. Hua Fengmao
Mr. Stefano Domenicali
Mr. Patrick Sun

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management of the Company are set out in the section headed "Biographical Details of Directors and Senior Management" in this report.

PURCHASES, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Save of the issue of 4,167,700 Shares pursuant to the over-allotment option granted by the Company to the sole global coordinator for the Global Offering, since the Listing Date and up to the date of this report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

RESERVES

Details of the movements in the reserves of both the Group and the Company during the Reporting Period are set out in the Consolidated Statement of Changes in Equity.

DISTRIBUTABLE RESERVES

As at December 31, 2021, the Company's reserves available for distribution to the shareholders in accordance with the By-laws amounted to €30.9 million, without including the result for the Reporting Period.

PRE-EMPTIVE RIGHTS

The By-laws do not provide for shareholders' pre-emptive rights.

CAPITAL GAINS TAX IN ITALY

Capital gains realized from the sale of securities in an Italian company by shareholders resident in Hong Kong are not subject to taxation in Italy.

SUBSIDIARIES

Details of the major subsidiaries of the Company as at December 31, 2021 are set out in Note 3 to the Consolidated Financial Statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to the community and achieving sustainable growth.

In accordance with Rule 13.91 of the Listing Rules and the Environmental, Social and Governance Reporting Guide contained in Appendix 27 to the Listing Rules, the Environmental, Social and Governance Report of the Company will be available on its website and the website of the Stock Exchange within five months after the end of the Reporting Period.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Relevant Period, as far as the Directors are aware, there was no material breach of or non-compliance with applicable laws and regulations by our Group that have a significant impact on the business and operations of our Group. Reference should be made to the section headed "Regulatory Overview" in the Prospectus for details of relevant laws and regulations that regulate the business and operations of the Group.

KEY RELATIONSHIP WITH STAKEHOLDERS

The Group recognizes that various stakeholders including customers, employees, financial institutions, Shareholders, suppliers and other business associates are key to the Group's success.

The Group believes that it is vital to attract, recruit and retain quality employees. Thus, our Group provides competitive remuneration package and regular training to attract and motivate the employees. During the Relevant Period, the Group did not experience any significant labor disputes or any difficulty in recruiting staff for its operations.

Our Group also understands that it is important to maintain good relationship with customers, financial institutions, Shareholders and suppliers to achieve its long-term goals. Accordingly, our senior management have kept good communication, promptly exchanged ideas and shared business update with them when appropriate. During the Relevant Period, there was no material dispute between our Group and its customers, financial institutions, Shareholders and suppliers.

GOING CONCERN

Based on the current financial position and the available financing facilities, the Group has sufficient financial resources for ongoing operation in the foreseeable future. As such, the Consolidated Financial Statements were prepared on a "going concern" basis.

SUFFICIENCY OF PUBLIC FLOAT

According to the information disclosed publicly and as far as the Directors are aware, upon the Listing and up to the date of this report, the Company maintained the prescribed public float as required under the Listing Rules.

CHARITABLE DONATIONS

During the Relevant Period, the charitable donations made by the Group amounted to €300,000.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Directors and senior management of the Company receive remuneration from the Group in the form of salaries, contributions to pension schemes, discretionary bonuses and other allowances and other benefits in kind. The emoluments of the Directors and senior management of the Group are determined by the Remuneration Committee with reference to their relevant qualifications, experience, competence and the prevailing market conditions. The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses and other allowances and other benefits in kind) paid to the Directors for the Relevant Period is set out in Note 48 to the Consolidated Financial Statements. For the year ended December 31, 2021, Mr. Tan Xuguang waived the fees and compensation to which he was entitled for his role.

The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses and other allowances and other benefits in kind) paid to our Group's five highest paid individuals, including the Directors, for the Relevant Period is set out in Note 16 to the Consolidated Financial Statements.

Save for Mr. Tan, none of the Directors waived or agreed to waive any remuneration and no payment was made to the Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the Relevant Period.

REMUNERATION OF SENIOR MANAGEMENT BY BAND

The remuneration of the members of the senior management by band for the Reporting Period is set out below:

Annual remuneration by band	Number of members of senior management
Over €2,000,000	1
€200,001–€500,000	8
0–€200,000	2

Note: The annual remuneration referred hereto excludes the special cash bonus payable under the Management Incentive Plan.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the executive Director and non-executive Directors has been appointed for a term of three financial years commencing from March 16, 2020 (subject to termination in certain circumstances as stipulated in the relevant letters of appointment) and will remain in force until the Company's annual Shareholders' meeting called to approve its financial statements for the financial year ending on December 31, 2022. The appointments are subject to the provisions of the By-laws with regard to vacation of office of Directors and removal and retirement by rotation of Directors.

Each of the independent non-executive Directors has been appointed for an initial term of two financial years commencing from December 21, 2021 (subject to termination in certain circumstances as stipulated in the relevant letters of appointment and will remain in force until the Company's annual shareholders' meeting called to approve its financial statements for the financial year ending on December 31, 2022). The appointments are subject to the provisions of the By-laws with regard to vacation of office of Directors and removal and retirement by rotation of Directors.

Save as disclosed above, none of the Directors has a service contract with any member of our Group which is not determinable by the Group within one year without the payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT AND CONTRACT OF SIGNIFICANCE

Save as disclosed in this annual report, no Director or an entity connected with a Director was materially interested, either directly or indirectly, in any transaction, arrangement or contract which is significant in relation to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during the Relevant Period and up to the date of this report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The Shares were not listed until March 31, 2022. Divisions 7 and 8 of Part XV of the SFO and section 352 of the SFO were not applicable to the Directors or chief executive of the Company as at December 31, 2021.

As far as the Company is aware, as at the date of this report, the interests and/or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed on the Stock Exchange, will be as follows:

Name of Director	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
Mr. Piero Ferrari *(Note 1)*	Interest in controlled corporation *(Note 2)*	27,926,766	8.251%

Notes:

(1) F Investments S.A. directly holds 27,926,766 Shares. F Investments S.A. is 50% owned by Mr. Piero Ferrari and 50% owned by Ms. Renjie Wang. Mr. Piero Ferrari and Ms. Renjie Wang are deemed to be interested in the Shares held by F Investments S.A. for the purpose of Part XV of the SFO.

(2) The shares referred to in this table are all long positions.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

The Shares were not listed until March 31, 2022. Divisions 2 and 3 of Part XV of the SFO were not applicable as at December 31, 2021.

So far as the Directors are aware, as at the date of this report, the following persons have an interest or a short position in the Shares and the underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name of Shareholder	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
SHIG	Interest held by controlled corporations *(Note 1)*	215,769,229	63.746%
Weichai Group	Interest held by controlled corporations *(Note 1)*	215,769,229	63.746%
Weichai Holding (HK)	Interest held by controlled corporations *(Note 1)*	215,769,229	63.746%
FIH	Beneficial owner	215,769,229	63.746%
Mr. Piero Ferrari	Interest held by controlled corporations *(Note 2)*	27,926,766	8.251%
Ms. Renjie Wang	Interest held by controlled corporations *(Note 2)*	27,926,766	8.251%
F Investments S.A. ("**F Investments**")	Beneficial owner	27,926,766	8.251%

Notes:

(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 State-owned Assets Supervision & Administration Commission of Shandong Province ("**Shandong SASAC**"), Shandong Guohui Investment Co., Ltd. (a company wholly owned by Shandong SASAC) and the Shandong Provincial Council for Social Security Fund as to 70%, 20% and 10%, respectively. Each of Weichai Holding (HK), Weichai Group and SHIG is deemed to be interested in the Shares directly held by FIH for the purpose of Part XV of the SFO. From its incorporation in June 2009 to July 2016, SHIG was wholly owned by Shandong SASAC. In July 2016, Shandong SASAC transferred 30% share capital of SHIG to the Shandong Provincial Council for Social Security Fund at nil consideration. In May 2018, the Shandong Provincial Council for Social Security Fund transferred 20% share capital of SHIG to Shandong Guohui Investment Co., Ltd. at nil consideration.

(2) F Investments directly holds 27,926,766 Shares. F Investments is 50% owned by Mr. Piero Ferrari and 50% owned by Ms. Renjie Wang. Mr. Ferrari and Ms. Renjie Wang are deemed to be interested in the Shares held by F Investments for the purpose of Part XV of the SFO.

(3) The shares referred to in this table are all long positions.

Save as disclosed herein, the Directors are not aware of any person who, as at the date of this report, have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during the Relevant Period was the Company or any of its subsidiaries, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouse or children under the age of 18 had any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors or any of their respective associates had any interest in a business which competed or was likely to compete, either directly or indirectly, with the business of the Group during the Reporting Period.

NON-COMPETITION AGREEMENT

The Company entered into the a non-competition agreement (the "**Non-competition Agreement**") with the Controlling Shareholders so as to better safeguard the Group from any potential competition from the Controlling Shareholders and to formalize the principles for the management of potential conflicts of interest with them. Details of the Non-competition Agreement are set out in the section headed "Relationship with Controlling Shareholders — Non-competition Agreement and Undertakings" in the Prospectus. As at the date of this annual report, each of the Controlling Shareholders has provided the Company a declaration on compliance with its undertakings under the Non-competition Agreement. After reviewing the declaration on compliance provided by the Controlling Shareholders and making necessary enquiry to them, the independent non-executive Directors consider that the Controlling Shareholders were in compliance with the Non-competition Agreement up to the date of this annual report.

MANAGEMENT CONTRACT

No contract, other than directors' service contracts and letters of appointment, concerning the management and administration of the whole or any substantial part of the Company's business was entered into, or was effective, during the Relevant Period.

PERMITTED INDEMNITY

There is no permitted indemnity provision in any contract entered into by the Company or any of its associated corporation (within the meaning of Part XV of the SFO that is or was in force during the Relevant Period and until the date when this directors' report is approved by the Board, which is required to be disclosed under section 470 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

DEBENTURE ISSUED

The Group has not issued any debentures during the Reporting Period.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group, or existed during the Reporting Period.

BORROWINGS

Details of the borrowings of the Group for the Reporting Period are set out in note 34 to the Consolidated Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Reporting Period are set out in Note 30 to the Consolidated Financial Statements.

None of the Company's properties are held for development and/or sale or for investment purposes.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of sales or purchases attributable to the Group's five largest customers or suppliers is less than 30% of the total sales or purchases and the Directors do not consider any one customer or supplier to have an influence on the Group.

None of the Directors or any of their close associates or any Shareholder (which to the best knowledge of the Directors owned more than 5% of the Company's issued share capital) had any interest in any of the Group's five largest suppliers or customers.

CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

The related party transactions of the Group during the Relevant Period are set out in Note 47 to the Financial Statements. None of them constitute any non-exempt connected transaction or continuing connected transaction as defined under the Listing Rules during the Reporting Period because the Shares were listed on the Stock Exchange on March 31, 2022.

USE OF PROCEEDS FROM THE LISTING OF THE COMPANY

The Shares were listed on the Main Board of the Stock Exchange on March 31, 2022. The Company received net proceeds of approximately HK$1,771.4 million (after deduction of underwriting commissions and related costs and expenses) from the Global Offering and net proceeds of approximately HK$91.54 million (after deduction of underwriting commissions and related costs and expenses) from the partial exercise of the over-allotment option. As at the date of this report, none of the net proceeds from the Global Offering had been utilized. Details of the expected usage of proceeds from the Global Offering are set forth in the section headed "Future Plans and Use of Proceeds" of the Prospectus. As the net proceeds from the Global Offering are not immediately applied to such purposes described in the Prospectus, the Company has deposited the net proceeds into interest-bearing accounts with licensed banks.

EXTERNAL AUDITORS

Ernst & Young and EY S.p.A. have been appointed as the external auditors of the Company for the Relevant Period and also the reporting accountants of the Company in relation to the Listing. The Audit Committee has been notified of the nature and the service charges performed by Ernst & Young and EY S.p.A..

For the Relevant Period, the remuneration paid or payable to Ernst & Young, EY S.p.A. and EY Advisory S.p.A. in respect of audit and non-audit services provided is set out below:

Service Category	Fees Paid/ Payable *EUR'000*
Audit related services	260
Non-audit related services (initial public offering of the Group and financial due diligence related services)	1,000
	1,260

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditors up to the date of this report.

The Consolidated Financial Statements are jointly audited by Ernst & Young and EY S.p.A.. Under Italian company law, the auditor (*revisore legale dei conti*) is appointed and its remuneration is resolved every three years by the Shareholders' general meeting of the Company, on the basis of a proposal made by the board of statutory auditors.

The Stock Exchange has granted to the Company a waiver from strict compliance with Rule 13.88 of the Listing Rules, which requires the appointment of an auditor at each annual general meeting to hold office until the next annual general meeting. Therefore, the Company's auditor is appointed and its remuneration is determined every three years at the Shareholders' general meeting of the Company under the applicable Italian laws.

TAX RELIEF

Details in relation to the Italian tax framework and relief from taxation are set out in the Tax Booklet. Nonetheless, intending holders and investors of the Company's shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications (including tax relief) of subscribing for, purchasing, holding, disposing of or dealing in shares. It is emphasized that none of the Company or its Directors or officers will accept any responsibility for any tax effect on, or liabilities of, holders of shares in the Company resulting from their subscription for, purchase, holding, disposal of or dealing in such shares.

By order of the Board
Mr. Tan Xuguang
Chairman
April 28, 2022

Biographical Details of Directors and Senior Management

BIOGRAPHIES

Biographies of each member of the Board and senior management are set out below:

Chairman of the Board and Non-executive Director

Mr. Tan Xuguang, aged 61, is the Chairman of the Board and non-executive Director. Mr. Tan was appointed to the Board on July 6, 2012. He is responsible for the high level oversight of the Board, the management and operations of our Group. 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.

Biographical Details of Directors and Senior Management

Executive Director

Mr. Alberto Galassi, aged 57, is the Chief Executive Officer and executive Director. He was appointed to the Board on October 23, 2013 and became our Chief Executive Officer on May 23, 2014. Mr. Galassi is responsible for the formulation of the strategic direction of our Group and the day-to-day management of our Group. Mr. Galassi also serves as director in a number of our 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.

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.

Non-executive Directors

Mr. Piero Ferrari, aged 76, is the Vice Chairman of the Board and non-executive Director. He was appointed to the Board on June 16, 2016 and is responsible for the high level oversight of the Board, the management and operations of our Group.

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 1998 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, respectively.

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, Carlo Azeglio Ciampi, the title of "Cavaliere del Lavoro" (Knight of Labor).

Mr. Xu Xinyu, aged 58, is a non-executive Director. He was appointed to the Board on July 6, 2012. Mr. Xu is responsible for the high level oversight of the management and operations of our Group.

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 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 International 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 36, is a non-executive Director. He was appointed to the Board on March 6, 2020. Mr. Li is responsible for the high level oversight of the management and operations of our Group. On June 1, 2014, Mr. Li joined our Group and successively served as the legal counsel and board secretary of our Company from June 2014 to April 2020.

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 our 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.

Independent non-executive Directors

Mr. Hua Fengmao, aged 53, is appointed as an independent non-executive Director on December 21, 2021. He is responsible for giving strategic advice and guidance on the business and operations of our Group and ensuring the interests of all Shareholders, in particular minority Shareholders, are considered. In addition to his position at our 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, the details of which are set forth below:

— 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;

— 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

— 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 56, is appointed as an independent non-executive Director on December 21, 2021. He is responsible for giving strategic advice and guidance on the business and operations of our Group and ensuring the interests of all Shareholders, in particular minority Shareholders, are considered.

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, 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 63, is appointed as an independent non-executive Director on December 21, 2021. He is responsible for giving strategic advice and guidance on the business and operations of our Group and ensuring the interests of all Shareholders, in particular minority Shareholders, are considered.

In addition to his position at our Company, Mr. Sun serves as an independent non-executive director of Sihuan Pharmaceutical Holdings Group Ltd. (stock code: 00460) since October 2010 and Kunlun Energy Company Limited (stock code: 00135) since February 2016, 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, all of which are listed on the 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 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 JP 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. Mr. Sun confirmed that (i) the entire winding up petition process commenced after his resignation from Trinity Limited; (ii) there was no wrongful act on his part leading to the winding up of Trinity Limited; and (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the winding up of Trinity Limited.

Biographical Details of Directors and Senior Management

Senior Management

Mr. Alberto Galassi. See "Executive Director" above.

Mr. Marco Zammarchi, aged 57, joined our 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 our Company on October 3, 2016. Mr. Zammarchi is mainly responsible for the management of financial matters and of strategic development of our Group. Mr. Zammarchi also serves as a board member of a number of our 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 our 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 43, joined our Group as the Chief Commercial Officer on May 29, 2014. Mr. De Vivo is responsible for all of the sales of our Group and its strategy. Mr. De Vivo also serves as director of a number of our subsidiaries and from January 2019 he has also been appointed as the managing director for the Wally brand.

Prior to joining our 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 after-sales manager and Greater China and Asia Pacific manager, where he focused on developing our sales and after-sales 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 50, joined our Group as the Chief Operations & Technical 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 our subsidiaries, namely Zago S.p.A.

Mr. Cecada has over 20 years of experience in production management. Prior to joining our 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 a number of 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 60, was appointed as the FSD Director of our Company on November 1, 2019. Mr. Felten is responsible for the management and operation of the FSD of our Group and serves as the managing director in one of our subsidiary, Ferretti Group (Monaco) S.A.M.

Mr. Felten has over 30 years of industry experience. Prior to joining our 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 Paggio 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 Catholic University of the Holy Hart 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.

Biographical Details of Directors and Senior Management

Mr. Nicola Zambelli, aged 49, joined our Group as the Chief Quality Officer of our 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 Ram S.r.l.

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 46, joined our Group as the Director of Communications of our Company on February 2, 2015 and is responsible for strengthening our brands in the global luxury yacht market.

Prior to joining our 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 47, joined our Group as the Chief Human Resources & Organization Officer of our Company on January 7, 2020 and is responsible for the human resources and organization management of our Group. Mr. Brasini has over 20 years of experience in human resources management. Prior to joining our 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 HR 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 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 50, was appointed as the Corporate Finance Director of the Company on January 1, 2017. Mr. Bozzini is responsible for treasury, tax, administration, M&A and special projects and supervising the legal department. Mr. Bozzini worked as the chief financial officer in C.R.N. S.p.A. from July 2015 to December 2016. He currently serves as executive director in several subsidiaries of our Company with delegation to finance activities.

Before joining our 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 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 41, joined the Group as the General Counsel of the Company on May 4, 2020 and is one of the joint company secretaries of the Company. He is responsible for overseeing all legal, corporate and compliance affairs of our Group.

Prior to joining our 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 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 practise as a notary public and real estate agent in the state of New York in 2008.

Ms. Margherita Sacerdoti, aged 38, joined our Group as the Investor Relations, Compliance & Sustainability Manager of our 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 our Group.

Ms. Sacerdoti has extensive experience in investor relationship, communications and ESG management in listed companies. Prior to joining our 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.

JOINT COMPANY SECRETARIES

Mr. Niccolò Pallesi. See "Senior Management" above.

Ms. Wong Hoi Ting is one of the joint company secretaries of our Company. Ms. Wong is currently an assistant manager of TMF Hong Kong Limited, a leading global corporate services provider, where she is mainly responsible for providing corporate secretarial and compliance services to companies listed on the Stock Exchange. She has over eight years of working experience in company secretarial profession. She is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. She holds a bachelor's degree in social sciences from Lingnan University and a master's degree in professional accounting and corporate governance from City University of Hong Kong.

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**") set out on pages 69 to 167, which comprise the consolidated statement of financial position as of December 31, 2021, the consolidated income statement, the consolidated comprehensive income statement, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group at December 31, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

Key Audit Matters

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

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

Key Audit Matter	Audit Response
Recognition of revenues for the construction of boats For the year ended December 31, 2021 the Group reports significant amount of revenue for the construction of boats, whose obligations are fulfilled over time. These revenue are recognized on a percentage of completion basis. The processes and methodologies for measuring such revenue are based on complex calculation algorithms and assumptions that for their nature require judgement on regards the estimate of costs planned at the budgeting stage, relating to contracts, and hence the revenue recognition. More specifically, application of the cost-to-cost method requires the prior estimate of costs throughout the life of individual projects and their updating at each reporting date. Because of the mentioned complexity that characterizes this measurement, we identified this area as a key audit matter. Relevant disclosures are included in note 4 and note 7 to the financial statements.	Our audit procedures in response to the key audit matter concerned, among the others: • the understanding and evaluation of the methodologies used by management; • the test of the process for the determination of the percentage of completion basis; • the understanding and evaluation of the estimation methodologies used by the management through inquiries with the management; • the assessment of the reasonableness of the criteria used by the management for the determination of cost-to-cost method applied; • the verification of the arithmetic correctness of the calculations performed by the management. Lastly, we have reviewed the disclosure provided in the notes to the financial statement regarding this key audit matter.

Key Audit Matter	Audit Response
Impairment Test	
As of December 31, 2021, the Group reports intangible assets of Euro 258.2 million, mostly for trademarks that have an indefinite useful life (Euro 244.0 million) and goodwill (Euro 1.6 million). These intangible assets have been allocated to group's Cash Generating Units ("**CGUs**"), corresponding to individual Group's trademarks. The processes and methodologies for assessing and determining the recoverable amount of each CGU, in terms of value in use, are based on assumptions sometimes complex, that due to their nature require judgement, particularly with reference to the forecasted future cash flows of each CGU, the determination of the normalized cash flows used for the terminal value estimate and the determination of long-term growth and discount rates applied to the forecasted future cash flows. Because of the judgment required and the complexity of assumptions used to estimate the recoverable amount of the trademarks, we identified this area as a key audit matter. Relevant disclosures are included in note 4 and note 31 to the financial statements.	Our audit procedures in response to the key audit matter concerned, among others: • assessment of the impairment process of intangible assets; • testing the CGUs identification process and the allocation of assets and liabilities to the CGUs; • assessment of the forecasted future cash flows for each CGU as well as the verification of the consistency of future cash flows related to each CGU with the business plans 2021–2025 approved by the Company's board of directors; • assessment of quality of forecasts taking into consideration the historical accuracy of the previous forecast; • assessment of reasonableness of the long-term growth rates and discount rates. Our procedures were performed with the support of our experts in valuation techniques, who performed an independent recalculation of the recoverable amount of the CGUs and sensitivity analysis of the key assumptions that could have a significant effect on the estimate of the recoverable value. Lastly, we have reviewed the disclosure provided in the notes to the financial statement regarding this key audit matter.

Other Information

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

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

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

Responsibilities of Directors and Those Charged with Governance for the 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 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 Ferretti S.p.A. or to cease operations or have no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- we have identified and assessed the risks of material misstatement of the 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 or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Independent Auditor's Report

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

The engagement partners on the audit resulting in this independent auditor's report are Marco Mignani and Ng Siu Ki Ricky.

EY S.p.A.
Recognised PIE Auditor
Milan

Ernst & Young
Certified Public Accountants
Hong Kong

April 28, 2022

Consolidated Income Statement

(in thousands Euro)	*Notes*	**December 31, 2021**	December 31, 2020
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
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

(in thousands Euro)	*Notes*	**December 31, 2021**	December 31, 2020
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:			
Shareholders of the Company		**38,413**	20,606
Non-controlling interests		**(162)**	(24)

Consolidated Statement of Financial Position

(in thousands Euro)	*Notes*	**December 31, 2021**	December 31, 2020
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
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

Consolidated Statement of Financial Position

(in thousands Euro)	*Notes*	**December 31, 2021**	December 31, 2020
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

(in thousands Euro)	**December 31, 2021**	December 31, 2020
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
Change 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 *(note 45)*	**(719)**	(3,315)
Interest received	**224**	133

Consolidated Cash Flow Statement

(in thousands Euro)	**December 31, 2021**	December 31, 2020
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 EQUIVALENTS AT END OF YEAR (G=D+E+F)	**173,010**	32,830
Cash and cash equivalents as stated in the consolidated statement of financial position	**173,010**	32,830

Consolidated Statement of Changes in Equity

(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, 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 loss for the year:								
Profit on defined benefits plan, net of tax	—	—	—	—	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 December 31, 2020	250,735	281,293	5,819	3,583	(78,055)	463,375	(50)	463,325
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:								
Profit 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)**	**—**	**—**	**—**
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**

* These reserve accounts comprise the consolidated reserves of €247,543 thousand (2020: €212,640 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 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 ("**SIC**").

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, 2021 (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 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 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.

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.

3. CONSOLIDATION AREA AND CONSOLIDATION PRINCIPLES (CONTINUED)

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 subsidiary 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, 2021, non-controlling interests related to the shareholders that own 25% of the share capital of the subsidiary Sea Lion Srl and 20% of share of Ram Srl.

3. CONSOLIDATION AREA AND CONSOLIDATION PRINCIPLES (CONTINUED)

On April 28, 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.

The table below shows the names, registered offices and interests in capital held directly and indirectly by the Company in subsidiaries at December 31, 2021.

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%	
Sea Lion Srl	Italy	Forlì (Forlì-Cesena)	Euro	10,000	75%	
Ram Srl	Italy	Sarnico (Bergamo)	Euro	520,000	80%	
Ferretti Tech Srl	Italy	Cattolica (Rimini)	Euro	10,000	100%	
Allied Marine Inc.	USA	Fort Lauderdale (USA)	US Dollar	10	100%	
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%	

* 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.

3. CONSOLIDATION AREA AND CONSOLIDATION PRINCIPLES (CONTINUED)

SUBSIDIARIES (Continued)

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 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 "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.

Translation of the Financial Statements of Foreign Companies into Euro

The consolidated financial statements for the year ended December 31, 2021 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 USD1.13260), and for the income statement items by applying the average exchange rate of the period of reference (1 EUR equal to USD1.18274). 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 December 31, 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 January 1, 2021 to December 31, 2021 (1 EUR equal to GBP 0.85960).

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.

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 counter-entry 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 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.

4. ACCOUNTING POLICIES (CONTINUED)

Business Combinations (Continued)

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 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.

4. ACCOUNTING POLICIES (CONTINUED)

Business Combinations (Continued)

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.

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).

4. ACCOUNTING POLICIES (CONTINUED)

Recognition of revenue from contracts with customers (Continued)

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.

4. ACCOUNTING POLICIES (CONTINUED)

Recognition of revenue from contracts with customers (Continued)

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

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

Revenues from the sale of used boats, 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.

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.

4. ACCOUNTING POLICIES (CONTINUED)

Income Taxes

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

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

Deferred taxes are the taxes that the 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. 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, which has not been repealed, 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.

4. ACCOUNTING POLICIES (CONTINUED)

Trade and other receivables and contract assets

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

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

With reference to impairment, the IAS 39 model based on the losses incurred was replaced by the expected credit loss ("**ECL**") model, in accordance with IFRS 9, and applied to trade and other receivables.

Inventories

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

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

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

4. ACCOUNTING POLICIES (CONTINUED)

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 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.

4. ACCOUNTING POLICIES (CONTINUED)

Financial Instruments: recognition and measurement (Continued)

Financial Assets (Continued)

- *Subsequent measurement (Continued)*

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

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

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

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

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

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

  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.

4. ACCOUNTING POLICIES (CONTINUED)

Financial Instruments: recognition and measurement (Continued)

Financial Assets (Continued)

- *Derecognition*

  A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the 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.

4. ACCOUNTING POLICIES (CONTINUED)

Financial Instruments: recognition and measurement (Continued)

Financial liabilities (Continued)

- *Subsequent measurement (Continued)*

  — Loans and borrowings

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

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.

4. ACCOUNTING POLICIES (CONTINUED)

Property, Plant, Machinery and Equipment

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

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

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

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

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

4. ACCOUNTING POLICIES (CONTINUED)

Property, Plant, Machinery and Equipment (Continued)

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

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

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

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

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

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

IFRS 16 — Leases

The 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).

4. ACCOUNTING POLICIES (CONTINUED)

IFRS 16 — Leases (Continued)

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.

4. ACCOUNTING POLICIES (CONTINUED)

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 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.

4. ACCOUNTING POLICIES (CONTINUED)

Other Intangible Assets (Continued)

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.

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.

4. ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

4. ACCOUNTING POLICIES (CONTINUED)

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 attributable to shareholders of the Company divided by the weighted average number of ordinary shares in issue during the reporting period.

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 reporting period 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.

4. ACCOUNTING POLICIES (CONTINUED)

Use of estimates and assumptions (Continued)

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.

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.

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.

4. ACCOUNTING POLICIES (CONTINUED)

Segment Report (Continued)

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.

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

The application of above amendments had no material impacts on the Group's 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:

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

5. ACCOUNTING STATEMENTS

The income statement is presented in a layout that shows a breakdown of costs by nature.

As required by the revised version of IAS 1, the financial statements include a comprehensive income statement, which reflects certain gains and losses previously recognised directly in equity reserves (e.g., gains or losses from 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 cash flow statement was prepared in accordance with the indirect method, which requires that the profit before taxes be adjusted to eliminate the impact of non-cash transactions, deferrals or provisioning of previous or future operational collections and payments and revenues or costs related to cash flows stemming from investing or financing activities. Income and expenses from long-term financing transactions and dividends paid are included among financing activities.

The statement of changes in equity shows how the components of the 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 liabilities for which fair values are disclosed:

	December 31, 2021				December 31, 2020			
Financial statement line item	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Bank and other borrowings non-current	**—**	**57,326**	**—**	**57,326**	—	84,846	—	84,846

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair Value Measurement Hierarchy (Continued)

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

Financial statement line item	December 31, 2021 Amortised cost	December 31, 2021 Total	December 31, 2020 Amortised cost	December 31, 2020 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 assets	**195,535**	**195,535**	54,627	54,627

Financial statement line item	December 31, 2021 Amortised cost	December 31, 2020 Amortised cost
Bank and other borrowings	**88,483**	163,870
Financial liabilities included in trade and other payables	**242,155**	196,338
Total financial liabilities	**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.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity Risk (Continued)

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

		Future financial flows					
	Balance at December 31, 2021	**Less than 3 months**	**4 to 9 months**	**10 to 12 months**	**1 to 5 years**	**More than 5 years**	**Total financial flows**
Bank and other borrowings (excluding lease liabilities)	**(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)**

		Future financial flows					
	Balance at December 31, 2020	Less than 3 months	4 to 9 months	10 to 12 months	1 to 5 years	More than 5 years	Total financial flows
Bank and other borrowings (excluding lease liabilities)	(127,245)	(35,976)	(26,463)	(11,094)	(61,521)	—	(135,054)
Lease liabilities	(36,625)	(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.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market and Interest Rate Risk

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

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

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

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

The risk more specifically related to the 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 December 31, 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.

(in thousands Euro)	**At December 31, 2021**		At December 31, 2020	
Change% EUR/USD exchange rate	**+/- Profit before tax**	**+/- Equity**	+/- Profit before tax	+/- Equity
-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.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market and Interest Rate Risk (Continued)

The following is a sensitivity analysis determined on the basis of the exposure as at the reporting dates December 31, 2021 and December 31, 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).

(in thousands Euro)

Change in 6M Euribor		**At December 31, 2021**		At December 31, 2020	
(+)	(-)	**(+)**	**(-)**	(+)	(-)
+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.

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.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (Continued)

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

	Balance at December 31, 2021	Not due	Past due 30 days	Past due 30-60	Past due 60-90	Past due 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.

	Balance at December 31, 2020	Not due	Past due 30 days	Past due 30-60	Past due 60-90	Past due 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 December 31, 2020	54,627	49,868	—	1,231	103	3,425

(*) Net of the allowance for doubtful accounts of €6,589 thousand.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (Continued)

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, 2021) are considered fully recoverable:

			Past due			
	Balance at December 31, 2021	Not 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

			Past due			
	Balance at December 31, 2020	Not 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 December 31, 2020	12,250	7,491	—	1,231	103	3,425

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 €96,392 thousand for the year ended December 31, 2021 (2020: €53,402 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.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (Continued)

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, 2021, compared with those in the income statement for the fiscal year ended December 31, 2020.

7. NET REVENUE

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

	31/12/2021	31/12/2020
Total Revenue from contracts with customers	**927,477**	638,194
Commissions and other costs related to revenue	**(29,056)**	(26,839)
Total Net Revenue	**898,421**	611,355

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

	31/12/2021	31/12/2020
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	**898,421**	611,355

Net Revenue arising from other businesses is broken down below.

	31/12/2021	31/12/2020
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	**46,999**	39,451
Provision of services and sales of replacement parts, merchandise and other goods	**9,677**	6,051
Wally sailboats	**3,987**	—
Total Other businesses	**99,835**	80,739

7. NET REVENUE (CONTINUED)

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 18 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 2021 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:

	31/12/2021	31/12/2020
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	**898,421**	611,355

* 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.

7. NET REVENUE (CONTINUED)

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

	31/12/2021	31/12/2020
At a point in time	**87,850**	64,952
Over time	**810,571**	546,403
Total Net Revenue	**898,421**	611,355

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

	31/12/2021	31/12/2020
Revenue from contract liabilities	**54,023**	43,738

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

	31/12/2021	31/12/2020
Within one year	**411,338**	248,712
After one year	**99,595**	96,221
	510,933	344,933

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.

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
Rebilling 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 used in production 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

	31/12/2021	31/12/2020
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	95,196	69,837

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 December 31, 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 fees paid to Statutory Auditors and 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.

14. OTHER SERVICE COSTS (CONTINUED)

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 4, 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.

	31/12/2021	31/12/2020
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	**6,913**	5,582

16. PERSONNEL COSTS

	31/12/2021	31/12/2020
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	**112,417**	92,454

16. PERSONNEL COSTS (CONTINUED)

The five highest-paid employees during the years ended December 31, 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:

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

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

	31/12/2021	31/12/2020
HK$2,500,001 — HK$3,000,000	**—**	3
HK$3,500,001 — HK$4,000,000	**—**	1
HK$5,500,001 — HK$15,000,000	**4**	—
Total number of employees	**4**	4

17. OTHER OPERATING EXPENSES

	31/12/2021	31/12/2020
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	**7,062**	7,366

17. OTHER OPERATING EXPENSES (CONTINUED)

"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, 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.

18. PROVISIONS AND IMPAIRMENT

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

	31/12/2021	31/12/2020
Allocations to the provision for product warranties	**18,767**	15,084
Provision for miscellaneous risks, net	**(4,414)**	1,558
Allocations to the provision for doubtful accounts	**746**	630
Total provisions and impairment	**15,099**	17,272

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

19. DEPRECIATION AND AMORTISATION

	31/12/2021	31/12/2020
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	**48,519**	42,493

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 3.

21. FINANCIAL INCOME

	31/12/2021	31/12/2020
Interest income from banks	**15**	37
Interest and other financial income	**209**	96
Total financial income	**224**	133

22. FINANCIAL EXPENSES

	31/12/2021	31/12/2020
Interest on bank and other loans	**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	**5,940**	6,897

23. FOREIGN EXCHANGE LOSSES

At December 31, 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 December 31, 2021.

24. INCOME TAX

As shown in the table that follows, the "Income tax" amount for the year ended December 31, 2021 was tax expenses of €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 (Imposta sul reddito delle società) purposes 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 €1,566 thousand are due, up as a result of the greater taxable income during the year.

24. INCOME TAX (CONTINUED)

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 December 31, 2021 compared with December 31, 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 "Other current assets".

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

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

The currency of the cash and cash equivalents were mainly denominated in Euro.

A detailed analysis of the changes that occurred in this item is provided in the cash flow statement.

26. TRADE AND OTHER RECEIVABLES

	31/12/2021	31/12/2020
Trade receivables	**9,124**	12,250
Other receivables	**32,565**	24,172
Total trade and other receivables	**41,689**	36,422

Trade receivables

	31/12/2021	31/12/2020
Accounts receivable from customers	**14,869**	18,839
(Less) Provision for doubtful accounts	**(5,745)**	(6,589)
Total trade receivables	**9,124**	12,250

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

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

	31/12/2021	31/12/2020
At beginning of year	**6,589**	6,453
Impairment losses, net	**746**	630
Amount written off as uncollectible	**(1,590)**	(494)
At end of year	**5,745**	6,589

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.

26. TRADE AND OTHER RECEIVABLES (CONTINUED)

Other receivables

	31/12/2021	31/12/2020
Other tax receivables	**16,825**	9,877
Accruals, deferrals and other receivables	**15,740**	14,295
Total other receivables	**32,565**	24,172

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 December 31, 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 December 31, 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 December 31, 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 December 31, 2021, compared to those at December 31, 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

	31/12/2021 Gross value	31/12/2021 Allowance for write-downs	31/12/2021 Net amount	31/12/2020 Gross value	31/12/2020 Allowance for write-downs	31/12/2020 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 December 31, 2021 (€4,750 thousand at December 31, 2020) that reflects an estimate of slow-moving and/or potentially obsolete inventory items.

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

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

28. INVENTORIES (CONTINUED)

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:

	31/12/2021	31/12/2020
Within one year	**139,470**	156,906
Beyond one year	**4,917**	20,035
Total inventories	**144,387**	176,941

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 €2,223 thousand at December 31, 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.

NON-CURRENT ASSETS

30. PROPERTY, PLANT AND EQUIPMENT

Movements in this item for the year ended December 31, 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	134,234	11,238	17,074	69,105	231,651
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	153,650	15,410	16,495	74,299	259,854
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	153,650	15,410	16,495	74,299	259,854

30. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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.

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

	Land and buildings	Plant, machinery and equipment	Other property, plant and equipment	Models and moulds	Total
At January 1, 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	112,981	11,851	15,564	59,264	199,660
At January 1, 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 December 31, 2020, net of accumulated depreciation	134,234	11,238	17,074	69,105	231,651
At December 31, 2020					
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	134,234	11,238	17,074	69,105	231,651

As at December 31, 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 thousand, €211 thousand and €1,149 thousand, respectively.

31. INTANGIBLE ASSETS

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

	Goodwill	Trademarks	Other intangible assets	Total
At January 1, 2021				
Cost	1,631	243,840	51,169	296,640
Accumulated amortisation	—	—	(34,291)	(34,291)
Net carrying amount	1,631	243,840	16,878	262,349
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	1,631	243,980	12,563	258,174
At December 31, 2021				
Cost	1,631	243,980	53,701	299,312
Accumulated amortisation	—	—	(41,138)	(41,138)
Net carrying amount	1,631	243,980	12,563	258,174

31. INTANGIBLE ASSETS (CONTINUED)

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

	Goodwill	Trademarks	Other intangible assets	Total
At January 1, 2020				
Cost	1,631	243,701	43,942	289,274
Accumulated amortisation	—	—	(28,711)	(28,711)
Net carrying amount	1,631	243,701	15,231	260,563
At January 1, 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 December 31, 2020, net of accumulated amortisation	1,631	243,840	16,878	262,349
At December 31, 2020				
Cost	1,631	243,840	51,169	296,640
Accumulated amortisation	—	—	(34,291)	(34,291)
Net carrying amount	1,631	243,840	16,878	262,349

Goodwill

Goodwill is 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.

	31/12/2021	31/12/2020
Zago S.p.A.	**332**	332
Ferretti Group (Monaco) S.a.M.	**1,299**	1,299
Total goodwill	**1,631**	1,631

31. INTANGIBLE ASSETS (CONTINUED)

Trademarks

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

	31/12/2021	31/12/2020
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	**243,980**	243,840

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.

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

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

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

31. INTANGIBLE ASSETS (CONTINUED)

Trademarks (Continued)

Impairment test on indefinite useful life intangible assets (Continued)

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

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

d. the 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.

Other Intangible Assets

	31/12/2021	31/12/2020
Concessions	**1,507**	1,553
Intellectual property rights	**9,595**	13,610
Software	**1,461**	1,715
Total other intangible assets	**12,563**	16,878

31. INTANGIBLE ASSETS (CONTINUED)

Other Intangible Assets (Continued)

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 remain 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:

	31/12/2021	31/12/2020
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	**5,189**	3,019

32. OTHER NON-CURRENT ASSETS (CONTINUED)

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

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

33. DEFERRED TAX ASSETS (CONTINUED)

	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

In detail, movements for the year ended December 31, 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 December 31, 2019 and January 1, 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 December 31, 2020	11,422	2,859	1,565	8,310	1,407	62,128	374	88,065

33. DEFERRED TAX ASSETS (CONTINUED)

	Depreciation of land and other assets valued at less than 516/k	Trademarks	Leases	Other	Total
At December 31, 2019 and January 1, 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 December 31, 2020	1,324	61,045	5,701	1,646	69,716

For the purpose of their presentation in financial statements, the Group's 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

33. DEFERRED TAX ASSETS (CONTINUED)

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

The 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. BANK AND OTHER BORROWINGS

	31/12/2021			31/12/2020		
	Effective interest rate	Maturity	Amount	Effective interest rate	Maturity	Amount
Due to banks — secured	Euribor* + 1.5–2.9	2022	23,047	Euribor* + 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			—	1.5	2021	29,639
Lease liabilities	1.7–4.7	2022	8,031	2.0–4.7	2021	7,768
Total short-term			31,157			79,024

	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			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.

34. BANK AND OTHER BORROWINGS (CONTINUED)

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.

At December 31, 2020 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.

34. BANK AND OTHER BORROWINGS (CONTINUED)

As of April 2021, spreads were reduced to 275 basis points per annum for the Term Loan Facility and Revolving Pre-Finance Facility and to 285 basis points per annum for the Revolving Credit Facility. With effect from September 2021, owing to the further improvement in the leverage ratio calculated at 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.

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

A breakdown of this item is as follows:

	31/12/2021	31/12/2020
Trade payables	**238,687**	195,112
Other payables	**40,477**	27,873
Total trade and other payables	**279,164**	222,985

	31/12/2021	31/12/2020
Trade and other payables — current	**278,809**	222,476
Trade and other payables — non-current	**355**	509
Total trade and other payables	**279,164**	222,985

35. TRADE AND OTHER PAYABLES (CONTINUED)

a. Trade payables

A breakdown of this item is as follows:

	31/12/2021	31/12/2020
Accounts payable to suppliers	238,687	195,112
Total trade payables	238,687	195,112

"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".

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 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 December 31, 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 December 31, 2021.

35. TRADE AND OTHER PAYABLES (CONTINUED)

b. Other payables (Continued)

The item "Other tax payable" chiefly refers to taxes withheld accrued that will be paid in 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 December 31, 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 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 December 31, 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.

39. PROVISIONS

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

	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**

	Provision for product warranties	Provisions for miscellaneous risks	Total provisions
Balance at January 1, 2020	15,949	32,404	48,353
Additions	15,084	6,178	21,262
Utilisations during the year	(15,775)	(9,150)	(24,925)
Total at December 31, 2020	15,258	29,432	44,690

39. PROVISIONS (CONTINUED)

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.

	31/12/2021	31/12/2020
Current portion	**9,484**	7,716
Non-current portion	**9,383**	7,542
Total provision for product warranties	**18,867**	15,258

b. Provisions for miscellaneous risks

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

	31/12/2021	31/12/2020
Legal proceedings and tax and employment law litigation	**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	**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 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.

39. PROVISIONS (CONTINUED)

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

The most important tax litigation proceedings in which the 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 April 30, 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 May 25, 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 February 20, 2020 in response to a request for an update from the same body.

40. NON-CURRENT EMPLOYEE BENEFITS

The breakdown of this item at December 31, 2021 and December 31, 2020 are as follows:

	31/12/2021	31/12/2020
Provision for employee benefits	**6,609**	6,849
Provision for leaving indemnity	**897**	945
Total non-current employee benefits	**7,506**	7,794

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. 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 December 31, 2021 amounted to €251 thousand.

The 2015 Stability Law, which allows employees, on request, to receive in their payslips 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 an independent actuary with the same procedure followed at December 31, 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.

40. NON-CURRENT EMPLOYEE BENEFITS (CONTINUED)

a. Employee benefits (Continued)

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

	31/12/2021	31/12/2020
Present value of the initial obligation	6,849	7,211
Acquisition of a subsidiary	284	—
Interest cost	10	28
Actuarial gains	(110)	(58)
Use for indemnities paid and advances	(424)	(332)
Present value of the final obligation	6,609	6,849

At December 31, 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);

— 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.

40. NON-CURRENT EMPLOYEE BENEFITS (CONTINUED)

a. Employee benefits (Continued)

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 December 31, 2021: 1%;

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

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

In 2021, an actuarial gain amounting to €161 thousand (before tax) was recognised under the "Other reserves" item.

The amounts recognised in the income statement are summarised below:

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

40. NON-CURRENT EMPLOYEE BENEFITS (CONTINUED)

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 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 December 31, 2021, the following assumptions were made:

Demographic Assumptions

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

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

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

40. NON-CURRENT EMPLOYEE BENEFITS (CONTINUED)

b. Provision for leaving indemnity (Continued)

Financial Assumptions

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

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

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

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

The provision for indemnities payable upon termination of employment, which had a balance of €417 thousand at December 31, 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.

	Increase/ (decrease) of the interest rate of%	Increase/ (decrease) of profit before tax
December 31, 2021		
Euro	**25**	**130**
Euro	**(25)**	**(134)**
December 31, 2020		
Euro	25	143
Euro	(25)	(143)

SHARE CAPITAL AND RESERVES

Equity amounted to €498,066 thousand at December 31, 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 May 11, 2021, as discussed below together with the main components of "Share capital and reserves".

41. SHARE CAPITAL

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

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

42. RESERVES

A share premium reserve of €281,293 thousand was created through a cash payment disbursed on July 3, 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 December 31, 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 Euro at the U.S. dollar exchange rate in force at December 31, 2021 and at the average exchange rate for the period, respectively. During the year, the reserve changed by €746 thousand, as reported in the consolidated comprehensive income statement.

The item "Other reserves", at €(45,189) thousand at December 31, 2021, mainly includes:

— the overall effect of the income/(loss) on defined-benefit plans: the reserve amounting to €(99) thousand at December 31, 2021 was set up in accordance with IAS 19 — Employee Benefits; during the year 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).

42. RESERVES (CONTINUED)

Dividends

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

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

43. 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

Earnings per share were calculated as the ratio of net profit for the year attributable to shareholders of the Company to the number of shares outstanding at year end which is equal 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.

	31/12/2021	31/12/2020
Profit attributable to shareholders of the company (in thousand Euro)	**37,545**	22,006
Number of ordinary shares	**250,734,954**	250,734,954
Earnings per share attributable to shareholders of the company: basic and diluted (in Euro)	**0.15**	0.09

45. BUSINESS COMBINATIONS

2021

On May 7, 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
Trade and other payables	(2,372)
Deferred taxes	(288)
Non-current employee benefits	(284)
Other non-current liabilities	(267)
Total net assets at fair value	720
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 Group's revenue and the profit for the year would have been €899,049 thousand and €36,884 thousand, respectively.

45. BUSINESS COMBINATIONS (CONTINUED)

2020

On October 13, 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 thousand.

	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	3,460
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	145
Cash outflows for the investment	(3,315)

Since the acquisition, Michelini & C S.r.l. contributed €34 thousand to the Group's revenue and loss of €14 thousand to the consolidated profit for the year ended December 31, 2020.

Had the combination taken place at the beginning of the year, the Group's revenue and the profit for the year would have been €638,613 thousand and €20,763 thousand, respectively.

46. CASH FLOWS

Group's main non-monetary transactions

During the year ended December 31, 2021, the Group had non-cash additions to rights-of-use assets and lease liabilities of €2,820 thousand (2020: €15,323 thousand).

Changes in liabilities arising from financing activities

Bank and other borrowings *(excluding lease liabilities)*	**31/12/2021**	31/12/2020
At the beginning of the year	**127,245**	97,727
Changes in financing activities:		
New borrowings	**57,682**	114,008
Repayment	**(127,245)**	(84,490)
Total at the end of the year	**57,682**	127,245

Lease liabilities	**31/12/2021**	31/12/2020
At the beginning of the year	**36,625**	27,836
Changes in financing activities:		
New lease	**2,820**	13,772
Interest expenses	**187**	163
Lease payment	**(8,831)**	(5,146)
Total at the end of the year	**30,801**	36,625

Total cash outflows for leasing

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

	31/12/2021	31/12/2020
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 breakdown of the Group's balances with related parties is set out below:

	Trade and other receivables	**Trade and other payables**
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	**3,964**	**(977)**

	Trade and other receivables	Trade and other payables
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 December 31, 2020	3,662	(820)

47. RELATED PARTY TRANSACTIONS (CONTINUED)

The balance of trade and other payables to Weichai Power Co., Ltd amounting to €645 thousand at December 31, 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 December 31, 2021 refers wholly to the sale of a yacht.

The balance of trade and other payables to HPE S.r.l. amounting to €50 thousand at December 31, 2021 refers wholly to the last instalment in 2021, 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 €5 thousand at December 31, 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 December 31, 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.

47. RELATED PARTY TRANSACTIONS (CONTINUED)

A breakdown of the Group's transactions with related parties for the years ended December 31, 2020 and December 31, 2021 is set out below:

	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 December 31, 2021	4	(1,751)

	Costs for the use of raw materials, services, rentals and leases
Weichai Power 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 December 31, 2020	(1,387)

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.

47. RELATED PARTY TRANSACTIONS (CONTINUED)

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.

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 December 31, 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

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

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):

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

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

Fees are broken down as follows (in thousands Euro):

2021

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

2020

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

* In the year ended December 31, 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.

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

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

2021

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

2020

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

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

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

2021

Company	Post held	Fees and Compensation for post held
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**

2020

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

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

51. COMMITMENTS

As at December 31, 2021 no commitment was reported (December 31, 2020: 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, 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 €1,083 thousand issued by Elba Assicurazioni for the benefit of the La Spezia Customs Agency for a boat temporarily imported for the performance of warranty work;

52. GUARANTEES PROVIDED TO/RECEIVED FROM THIRD PARTIES (CONTINUED)

Ferretti S.p.A.: (Continued)

— 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.

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.

52. GUARANTEES PROVIDED TO/RECEIVED FROM THIRD PARTIES (CONTINUED)

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:

53. FAIR VALUE (CONTINUED)

Financial statement line item	December 31, 2021	December 31, 2020
	Carrying amount	
Bank and other borrowings — non-current	**57,326**	84,846
Total bank and other borrowings — non-current	**57,326**	84,846

Financial statement line item	December 31, 2021	December 31, 2020
	Fair Value	
Bank and other borrowings — non-current	**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.

54. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

(in thousands Euro)	**December 31, 2021**	December 31, 2020
CURRENT ASSETS		
Cash and cash equivalents	**114,223**	18,209
Trade and other receivables	**226,252**	204,104
Contract assets	**137,455**	155,551
Inventories	**133,115**	153,501
Advances on inventories	**24,010**	10,327
Other current assets	**28,178**	105,943
Income tax recoverable	**907**	1,643
	664,140	649,278
NON-CURRENT ASSETS		
Investments in subsidiaries	**13,619**	76,472
Property, plant and equipment	**231,832**	149,663
Intangible assets	**233,801**	184,380
Other non-current assets	**33,891**	31,197
Deferred tax assets	**17,423**	12,364
	530,566	454,076
TOTAL ASSETS	**1,194,706**	1,103,354
CURRENT LIABILITIES		
Bank and other borrowings	**28,412**	77,353
Provisions	**28,403**	34,026
Trade and other payables	**389,136**	306,794
Contract liabilities	**120,557**	33,800
Income tax payable	**721**	—
	567,229	451,973
NON-CURRENT LIABILITIES		
Bank and other borrowings	**48,330**	65,231
Provisions	**9,383**	6,913
Non-current employee benefits	**6,621**	5,532
Trade and other payables	**356**	327
	64,690	78,003
TOTAL LIABILITIES	**631,919**	529,976
SHARE CAPITAL AND RESERVES		
Share capital	**250,735**	250,735
Reserves (note)	**312,052**	322,643
TOTAL EQUITY	**562,787**	573,378
TOTAL LIABILITIES AND EQUITY	**1,194,706**	1,103,354

54. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows *(in thousands Euro)*:

	Share premium	Legal reserve	Other reserves	Total
Balance at January 1, 2020	281,293	4,354	17,674	303,321
Profit and total comprehensive income for the year	—	—	25,904	25,904
Transfer to the legal reserve	—	1,465	(1,465)	—
Dividends	—	—	(6,582)	(6,582)
At December 31, 2020 and January 1, 2021	**281,293**	**5,819**	**35,531**	**322,643**
Profit and total comprehensive income for the year	**—**	**—**	**23,651**	**23,651**
Transfer to the legal reserve	**—**	**1,291**	**(1,291)**	**—**
Dividends	**—**	**—**	**(3,510)**	**(3,510)**
Merger of subsidiaries	**—**	**—**	**(30,732)**	**(30,732)**
At December 31, 2021	**281,293**	**7,110**	**23,649**	**312,052**

55. SIGNIFICANT EVENTS AFTER DECEMBER 31, 2021

On January 11, 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.

55. SIGNIFICANT EVENTS AFTER DECEMBER 31, 2021 (CONTINUED)

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

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

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

56. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on April 28, 2022.

Definitions

"Annual General Meeting" or "AGM"	the annual general meeting of the Company to be held on Wednesday, May 25, 2022 and any adjournment thereof
"AMAS"	North America, Central America and South America
"APAC"	Asia-Pacific
"Audit Committee"	audit committee of the Company
"Board"	the board of Directors
"By-laws"	the by-laws of the Company as amended, supplemented or restated from time to time
"Chairman"	the Chairman of the Board
"Chief Executive Officer"	the chief executive officer of the Company
"China" or "PRC"	the People's Republic of China and for the purposes of this document only, except where the context requires otherwise, references to China or the PRC exclude Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan
"Companies Ordinance"	Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Consolidated Financial Statements"	the financial statements of the Group audited by the auditors for the financial year ended December 31, 2021
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, with respect to our Company, refers to any or all of SHIG, Weichai Group, Weichai Holding (HK) and FIH
"Company", "our Company", or "the Company"	Ferretti S.p.A., a company incorporated under the laws of Italy as a joint-stock company with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 9638)
"CG Code"	the Corporate Governance Code set out in Appendix 14 of the Listing Rules
"Director(s)"	the director(s) of the Company
"EBITDA"	earnings before interest, taxes, depreciative and amortisation
"EMEA"	Europe, Middle East and Africa
"ESG"	Environmental, Social and Governance
"ESG Committee"	environmental, social and governance committee of the Company

Definitions

"Euro", "EUR" or "€"	the lawful currency of the member states of the European Union participating in the third stage of the European Union's Economic and Monetary Union
"FIH"	Ferretti International Holding S.p.A., a joint-stock company (società per azioni) incorporated and organized under the laws of Italy and one of our Controlling Shareholders
"Global Offering"	the public offering of the Shares as defined and described in the Prospectus
"Group", "Ferretti Group", "we" or "us"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"IFRS"	International Financial Reporting Standards, as issued by the International Accounting Standards Board
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	March 31, 2022, the date on which the Shares were listed on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"Nomination Committee"	nomination committee of the Company
"Prospectus"	the prospectus of the Company dated March 22, 2022
"Remuneration Committee"	remuneration committee of the Company
"Reporting Period" or "Relevant Period"	the year ended December 31, 2021
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) with no nominal value in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)

Definitions

"SHIG"	Shandong Heavy Industry Group Co., Ltd.*, a company with limited liability incorporated under the laws of the PRC and one of our Controlling Shareholders
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"Tax Booklet"	a tax booklet published on the website of the Company, which provides the Italian tax framework relating to the ownership of the Shares
"Weichai Group"	Weichai Holding Group Co., Ltd.*, a company with limited liability incorporated under the laws of the PRC and one of our Controlling Shareholders
"Weichai Holding (HK)"	Weichai Holding Group Hongkong Investment Co., Limited, a company incorporated under the laws of Hong Kong and one of our Controlling Shareholders
"USA"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"%"	per cent

The English names of PRC nationals, enterprises, departments, facilities, certificates, regulations, titles and the like marked with "" are translations of their Chinese names and are included in this listing document for identification purpose only, and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese name will prevail.*