FERRETTIGROUP

2022 Annual Report

FERRETTI S.P.A. (Incorporated under the laws of Italy as a joint-stock company with limited liability)

STOCK CODE: 9638

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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)*

AUTHORIZED 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

AUDITOR
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)
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20123 Milan
Italy

HONG KONG LEGAL ADVISER

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13th Floor Gloucester Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

ITALY LEGAL ADVISER

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Milan, Italy

COMPLIANCE ADVISER

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Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
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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 five financial years is set out below:

RESULTS

(in thousands Euro)	**2022**	Year ended December 31, 2021	2020	2019	2018
Net revenue	**1,030,099**	898,421	611,355	649,251	615,412
Profit before tax	**69,385**	40,674	3,527	6,430	20,657
Income tax	**(8,839)**	(3,291)	18,455	20,169	10,063
Profit for the year	**60,546**	37,383	21,982	26,599	30,720
Attributable to:					
Shareholders of the Company	**60,274**	37,545	22,006	26,628	30,720
Non-controlling interests	**271**	(162)	(24)	(29)	—
	60,546	37,383	21,982	26,599	30,720

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

(in thousands Euro)	**2022**	As at December 31, 2021	2020	2019	2018
Current assets	**818,663**	505,199	443,075	450,855	427,849
Non-current assets	**588,893**	540,877	515,368	467,830	393,155
Total assets	**1,407,556**	1,046,076	958,443	918,685	821,004
Current liabilities	**(583,408)**	(473,440)	(394,427)	(414,703)	(386,574)
Non-current liabilities	**(45,757)**	(74,570)	(100,691)	(54,657)	(256,449)
Total liabilities	**(629,165)**	(548,010)	(495,118)	(469,360)	(643,023)
Non-controlling interests	**(384)**	212	50	26	—
Equity attributable to shareholders of the Company	**778,007**	498,278	463,375	449,351	177,981

KEY FINANCIAL RATIOS

	2022	As at/year ended December 31, 2021	2020	2019	2018
Profitability Ratios					
Return on equity	**9.5%**	7.8%	4.8%	8.5%	N/A
Return on total assets	**4.9%**	3.7%	2.3%	3.1%	N/A
Liquidity Ratios					
Current ratio	**1.3**	1.1	1.1	1.1	1.1
Quick ratio	**1.1**	0.8	0.7	0.6	0.6
Capital Adequacy Ratio					
Gearing ratio	**5.1%**	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.

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

2022 was an incredible year for the Group due to significant business growth and the successful listing on the Main Board of the Stock Exchange in Hong Kong.

On the business growth, we recorded a strong increase in net revenue during the Reporting Period, reaching €1,030.1 million and representing a 14.7% increase as compared to 2021.

As far as the Group's profitability is concerned, adjusted EBITDA amounted to €140.0 million, increasing 36.5% in comparison with the figure reported in 2021 (€102.6 million). The increase was also significant in percentage terms, with an adjusted EBITDA/net revenue without pre-owned margin reaching 14.1% or approximately 2 percentage points higher than that of 2021. Finally, net profit increased by 62.0% compared to the previous year to approximately €60.5 million.

For 2023, we expect a sustained growth, which is backed by an order backlog of approximately €1.3 billion as at December 31, 2022, which is an approximate increase of 27.5% from December 31, 2021.

1.1 Yacht Manufacturing Business (approximately 91.3% of net revenue)

The 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, the 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, the Group lowered the average age of its models from approximately 5 years in 2016 to approximately 4 years in 2022.

The launch of new models (24 models between 2020 and 2022) for composite and made-to-measure yachts, covering approximately 50% of current product portfolio, together with a growing interest in super yachts (6 units delivered between 2020 and 2022) allowed the Group to attract new customers while also continuing to nurture the interest of the Group's loyal clients.

As a remark, during the Reporting Period, the performance of yacht manufacturing business hit another record high, delivering 207 new vessels — 13 vessels more than that in 2021 — with significant results across business lines:

- Net revenue from composite yachts reached €439.3 million, representing a year-on-year decline of 5.4% and approximately 42.6% of the Group's net revenue, and an overall order intake of €484.9 million, as a result of the strategy to expand the Group's offering in the made-to measure and larger alloy super yacht segments.

- Net revenue from made-to-measure yachts reached €405.8 million, representing a year-on-year growth of 62.5% and approximately 39.4% of the Group's net revenue (up from approximately 27.8% in 2021), and an overall order intake of €473.0 million.

- Net revenue from super yachts reached €95.4 million, representing a year-on-year growth of 12.9% and approximately 9.3% of the Group's net revenue, and an overall order intake of €204.6 million, thanks to (i) the success of two flagship super yachts models under Riva and Pershing brands launched in 2019 and the recently presented Custom Line flagship alloy model; and (ii) organic growth of CRN brand.

1.2 Ancillary Businesses (approximately 8.7% of net revenue)

Our ancillary businesses provide synergies with our yacht manufacturing business with a comprehensive portfolio, including: (i) yacht brokerage, chartering and management services; (ii) after-sales and refitting services; (iii) brand extension activities (including exclusive lounges all-over-the-world); (iv) manufacturing and installation of wooden furnishings and kinetics for nautical interiors; (v) manufacturing and sale of coastal patrol vessel by the Ferretti Security Division; and (vi) trading of pre-owned yachts, offering trade-in opportunities to our customers as a lever to facilitate the sales of new yachts. With such businesses, we are able to cover all customer's needs throughout the whole yachting "customer journey", from the purchase of luxury yachts to a complete offer of ancillary services to enhance customer satisfaction and loyalty, while providing us with real-time information about market trends and customer preferences.

For the financial year ended December 31, 2022, net revenue from ancillary businesses reached €89.5 million, representing a year-on-year decline of 10.3%, mainly due to a decrease in revenue of pre-owned yachts.

1.3 ESG Commitment of the 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, the 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. In 2021, the Group launched a collaboration with Rolls-Royce Power Systems to jointly develop hybrid solutions to be installed on future yachts and in 2022, the Group also entered the E-luxury segment with the first Riva full-electric runabout, named El-Iseo. Furthermore, we are committed to expanding our other "green" product offering across all key brands, launching and marketing more eco-friendly solutions, building on the proposition of the newly launched models (besides FSD N800, Riva El-Iseo, also Wallytender 43X and 48X, InFYnito 90 and Navetta 50) and increasing our presence in the sailing yacht market through Wally.

With respect to sustainable development, hydrogen is attracting increasing attention as an energy source and has the potential to become a game-changer in the maritime sector as well. Building on Weichai Group's significant achievements on this front and having already installed hydrogen engines on land vehicles, it will be a crucial partner of the Group to provide the necessary 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, the Group is constantly seeking innovative solutions, which involve the use of eco-friendly and lighter materials.

Moreover, the 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.

The Group firmly believes in the importance of ESG moving forward and aims to become an ESG leader in the global yacht market. As a remark, the 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 back at the recent past, despite the short-term adverse impact of the COVID-19 lockdown restrictions in 2020 and the conflict between Russia and Ukraine that started in early 2022, the Group has delivered outstanding financial performance proving its resilience, and we expect this tailwind to keep on positively affecting our business.

Indeed, looking forward, the Group, being a leading player in the global yacht industry and undisputed leader in the inboard composite and made-to-measure yachts, is ideally positioned to benefit from a growing market with a size of approximately €24 billion in 2022 and forecasted to reach approximately €29.3 billion by 2025 (growing with a compound annual growth rate at 6.8% from 2022 to 2025).

In particular, the number of potential end customers, i.e. Very-High and Ultra-High Net Worth Individuals, is expected to witness a strong growth momentum between 2022 and 2025, with a compound annual growth rate of 7.7% and 7.8%, respectively; and the penetration of luxury yachting among the growing potential end customers is still below 1%, unveiling an enormous growth potential.

Going forward, leveraging our unique and effective business model, strong heritage of iconic brands, unparalleled focus on product excellence and innovation, tailored approach for cultivating an exclusive community of luxury customers and its distinctive sales model, we will focus on:

- adjusting and enhancing our product offering and product mix ahead of evolving market trends and customer expectations, with the aim to consolidate our market leadership position in both composite and made-to-measure segments, focusing on the segments with the highest growth potential and marginality.

- expanding our made-to-measure portfolio into larger alloy yachts building on our iconic brands such as Riva, Wally, Pershing, and Custom Line, with the aim of catering the largest number of potential customers across their entire luxury yacht "customer journey", while maintaining the distinctive exclusivity and fulfilling the requirements for greater customization. In so doing, we would also be able to cover the market demand for higher-footage branded yachts, leveraging the know-how and experience gained with CRN and the recent successes of Pershing 140 and Riva 50 Metri.

- vertically integrating 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.

- enhancing the comprehensiveness of our value proposition and overall business profitability and resilience, expanding and strengthening our presence in the most promising ancillary service verticals such as yacht brokerage services, refitting services, brand extension activities and Ferretti Security Division.

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, March 8, 2023

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is an established leader in the global luxury yacht industry with a portfolio of iconic brands of 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. The Group 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 €1,030.1 million, representing a 14.7% increase from €898.4 million for the year ended December 31, 2021. The Group delivered 207 new vessels during the Reporting Period, compared to 194 new vessels for the year ended December 31, 2021. Meanwhile, its net profit increased by 62.0% from €37.4 million for the year ended December 31, 2021 to €60.5 million for the Reporting Period. The Group has also achieved strong order intake of €1,162 million for the Reporting Period and order backlog of €1,296 million as of December 31, 2022 (as compared to order intake of €971.5 million for the year ended December 31, 2021 and order backlog of €1,015.8 million as of December 31, 2021).

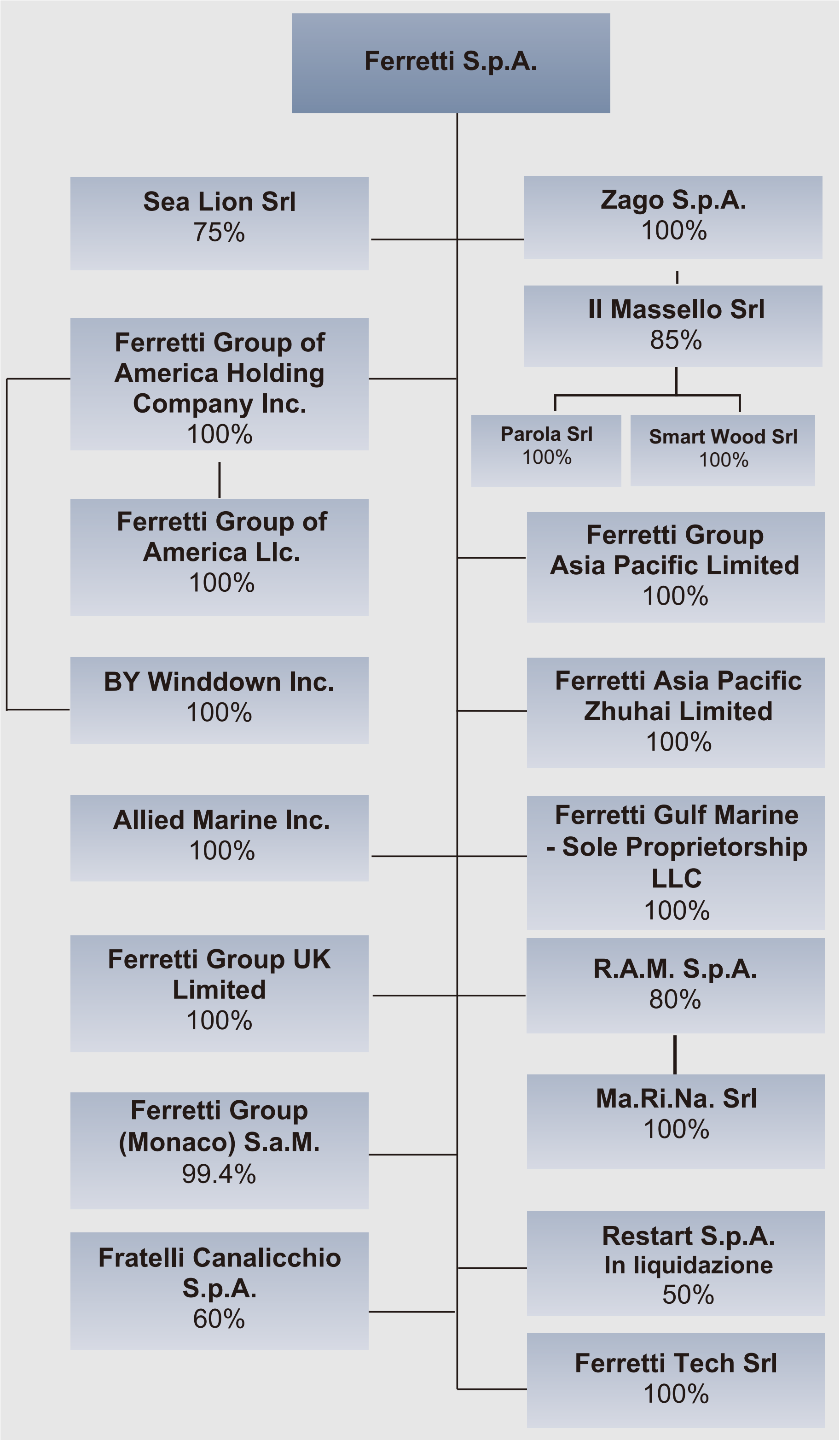
The table below sets forth a breakdown of the Group's order backlog as of the dates indicated:

	As of December 31,	
(in thousands Euro)	**2022**	2021
Composite yachts	**386,656**	365,953
Made-to-measure yachts	**469,599**	298,968
Super yachts	**384,580**	293,140
Other businesses	**54,795**	57,780
Total	**1,295,629**	1,015,841

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 its overall business resilience, the Group will focus on the following five key strategic initiatives from 2023 to 2027:

- expand product lineup to enhance market coverage, with investments also in green technologies, to consolidate its market leadership position in composite and made-to-measure yachts;
- expand made-to-measure offering into larger alloy yachts, developing new flagship models of super yachts;
- vertically integrate strategic and high value-adding activities;
- increase offering of most promising ancillary services; and
- continue its investments in green technologies.

GROUP CHART


Ferretti S.p.A.
Sea Lion Srl 75%
Zago S.p.A. 100%
Il Massello Srl 85%
Parola Srl 100%
Smart Wood Srl 100%
Ferretti Group of America Holding Company Inc. 100%
Ferretti Group of America Llc. 100%
Ferretti Group Asia Pacific Limited 100%
BY Winddown Inc. 100%
Ferretti Asia Pacific Zhuhai Limited 100%
Allied Marine Inc. 100%
Ferretti Gulf Marine - Sole Proprietorship LLC 100%
Ferretti Group UK Limited 100%
R.A.M. S.p.A. 80%
Ma.Ri.Na. Srl 100%
Ferretti Group (Monaco) S.a.M. 99.4%
Restart S.p.A. In liquidazione 50%
Fratelli Canalicchio S.p.A. 60%
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, 2022**	2021
Revenue	**1,072,449**	927,477
Commissions and other costs related to revenue	**(42,350)**	(29,056)
NET REVENUE	**1,030,099**	898,421
Change in inventories of work-in-progress, semi-finished and finished goods	**35,181**	(32,650)
Cost capitalized	**31,982**	28,063
Other income	**16,002**	14,034
Raw materials and consumables used	**(514,468)**	(424,277)
Contractors costs	**(166,051)**	(138,027)
Costs for trade shows, events and advertising	**(19,963)**	(12,485)
Other service costs	**(117,680)**	(95,196)
Rentals and leases	**(8,931)**	(6,913)
Personnel costs	**(128,810)**	(112,417)
Other operating expenses	**(9,052)**	(7,062)
Provisions and impairment	**(33,115)**	(15,099)
Depreciation and amortization	**(53,089)**	(48,519)
Share of loss of a joint venture	**(44)**	(24)
Financial income	**2,328**	224
Financial expenses	**(4,452)**	(5,940)
Foreign exchange gain/(losses)	**9,448**	(1,459)
PROFIT BEFORE TAX	**69,385**	40,674
Income tax	**(8,839)**	(3,291)
PROFIT FOR THE YEAR	**60,546**	37,383
Attributable to:		
Shareholders of the Company	**60,274**	37,545
Non-controlling interests	**271**	(162)

Net Revenue

The Group's net revenue increased by approximately 14.7% from approximately €898.4 million for the year ended December 31, 2021 to approximately €1,030.1 million for the Relevant Period. The following table summarize the net revenue by business lines during the periods indicated:

(In thousands Euro, except percentages)	**Year ended December 31, 2022**		2021	
Composite yachts	**439,309**	**42.6%**	464,291	51.7%
Made-to-measure yachts	**405,810**	**39.4%**	249,734	27.8%
Super yachts	**95,441**	**9.3%**	84,561	9.4%
Other businesses[1]	**89,539**	**8.7%**	99,835	11.1%
Total	**1,030,099**	**100.0%**	898,421	100.0%

Note:

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

The increase in the Group's net revenue was due to (i) a decrease of €25.0 million in sales of composite yachts; (ii) an increase of €156.1 million in sales of made-to-measure yachts; (iii) an increase of €10.9 million generated in sales of super yachts; and (iv) a decrease of €10.3 million in revenue from other businesses . We delivered 207 new vessels during the Reporting Period, compared to 194 new vessels for the year ended December 31, 2021.

(i) Sales of Composite Yachts

Net revenue from composite yachts reached €439.3 million, representing a year-on-year decline of 5.4% and approximately 42.6% of the Group's net revenue, and an overall order intake of €484.9 million, as a result of the strategy to expand the Group's offering in the made-to measure and larger alloy super yacht segments.

(ii) Sales of Made-to-Measure Yachts

The Group's revenue generated from sales of made-to-measure yachts increased by 62.5% from €249.7 million for the year ended December 31, 2021 to €405.8 million for the Reporting Period, primarily due to an increase in order intake. Specifically, the Group's order intake for made-to-measure yachts increased from €289.3 million for the year ended December 31, 2021 to €473.0 million for the Reporting Period.

(iii) Sales of Super Yachts

The Group's revenue generated from sales of super yachts increased by 12.9% from €84.6 million for the year ended December 31, 2021 to €95.4 million for the Reporting Period, primarily due to an increase in order intake, thanks to (i) the success of two flagship super yachts models under Riva and Pershing brands launched in 2019 and the recently presented Custom Line flagship alloy model; and (ii) organic growth of CRN brand. Specifically, the Group's order intake for super yachts increased from €104.1 million for the year ended December 31, 2021 to €204.6 million for the Reporting Period.

(iv) Other Businesses

The Group's revenue generated from other businesses decreased by approximately 10.3% from approximately €99.8 million for the year ended December 31, 2021 to approximately €89.5 million for the Relevant Period mainly due to a decrease in revenue of pre-owned yachts.

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

	Year ended December 31,			
(In thousands Euro, except percentages)	**2022**		2021	
EMEA	**376,756**	**36.6%**	376,021	41.9%
APAC	**95,876**	**9.3%**	49,280	5.5%
AMAS	**372,487**	**36.2%**	288,724	32.1%
Global[1]	**95,441**	**9.3%**	84,561	9.4%
Other businesses[2]	**89,539**	**8.7%**	99,835	11.1%
Total	**1,030,099**	**100.0%**	898,421	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, 2021 and 2022, the revenues generated from EMEA have remained relatively stable as compared to 2021, reducing its weight on revenues from approximately 42% in 2021 to 37% in 2022, thus remaining the largest market for the Group, followed by AMAS. Meanwhile, the relatively higher revenue contribution from AMAS in 2022 was mainly due to the positive momentum experienced since the outbreak of COVID-19 pandemic, which resulted in a higher order intake for the Reporting Period; revenue contribution from APAC increased significantly in 2022 as compared to the previous year, as travel restrictions introduced to cope with COVID-19 pandemic were lifted and APAC customers could resume travels to Europe and boat shows.

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 €67.8 million, or (207.8)%, from €(32.7) million for the year ended December 31, 2021 to €35.2 million for the Reporting Period, primarily due to the necessity to rebuild a minimum level of finished goods.

Cost Capitalized

The Group's cost capitalized increased by €3.9 million, or 14.0%, from €28.1 million for the year ended December 31, 2021 to €32.0 million for the Reporting Period, primarily because the value of new models launched in 2021 was lower.

Other Income

The Group's other income remained relatively stable at €14.0 million for the year ended December 31, 2021 and €16.0 million for the Reporting Period.

Raw Materials and Consumables Used

The Group's raw materials and consumables used increased by €90.2 million, or 21.3%, from €424.3 million for the year ended December 31, 2021 to €514.5 million for the Reporting Period, primarily due to the increase in production activities following the growth in order intake.

Contractors Costs

The Group's contractor costs increased by €28.0 million, or 20.3%, from €138.0 million for the year ended December 31, 2021 to €166.1 million for the Reporting Period, primarily due to the increase in production activities to properly answer to the acceleration of the order intake.

Costs for Trade Shows, Events and Advertising

The Group's costs for trade shows, events and advertising increased by €7.5 million, or 59.9%, from €12.5 million for the year ended December 31, 2021 to €20.0 million for the Reporting Period, primarily due to the renormalization process after the COVID-19 pandemic when many of these activities were canceled.

Other Service Costs

The Group's other service costs increased by €22.5 million, or 23.6%, from €95.2 million for the year ended December 31, 2021 to €117.7 million for the Reporting Period, mainly due to an increase in service costs for production volumes, comprising transportation, insurance, technical consulting, cleaning and security; and an increase in utilities costs. Fees paid to members of corporate governance bodies include €4.8 million for the payment of Management Incentive Plan.

Rentals and Leases

The Group's rentals and leases increased by €2.0 million, or 29.2%, from €6.9 million for the year ended December 31, 2021 to €8.9 million 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.

Personnel Costs

The Group's personnel costs increased by €16.4 million, or 14.6%, from €112.4 million for the year ended December 31, 2021 to €128.8 million for the Reporting Period, primarily due to the Management Incentive Plan cash bonus for €12.3 million, and an increase in the average headcount to support the growth of the Group's business.

Other Operating Expenses

The Group's other operating expenses increased by €2.0 million, or 28.2%, from €7.1 million for the year ended December 31, 2021 to €9.1 million for the Reporting Period, mainly due to the increase of the production volumes.

Provisions and Impairment

The Group's provisions and impairment increased by €18.0 million, or 119.3%, from €15.1 million for the year ended December 31, 2021 to €33.1 million for the Reporting Period, primarily due to (i) an increase in provision for product warranties and other risks provisions, which was generally in line with the increase in new yachts delivered; and (ii) the absence of the release of provision for €5.0 million for certain legal disputes, that partially offset the costs for the year ended December 31, 2021.

Depreciation and Amortization

The Group's depreciation and amortization increased by €4.6 million, or 9.4%, from €48.5 million for the year ended December 31, 2021 to €53.1 million for the 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 €24 thousand for the year ended December 31, 2021 to €44 thousand for the Reporting Period, due to the costs of the joint venture for the entire year in comparison with costs for only seven months for the year ended December 31, 2021, in which that company was incorporated.

Financial Income and Financial Expenses

The Group's financial income increased from €0.2 million for the year ended December 31, 2021 to €2.3 million for the Reporting Period, primarily due to the interest income on bank accounts which increased for the positive operating cash flow and the proceeds of the Listing.

The Group's financial expenses decreased by €1.5 million, or 25.1%, from €5.9 million for the year ended December 31, 2021 to €4.5 million for the 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 Gains/(Losses)

The Group's foreign exchange gains/(losses) increased by €10.9 million from €(1.5) million of foreign exchange losses for the year ended December 31, 2021 to €9.4 million of foreign exchange gains for the Reporting Period, primarily due to the gains related to financial transactions, among which mainly the change of the proceeds of the listing process from HK dollars to Euro for €11.4 million.

Income Tax

The Group recorded income tax expense of €8.8 million for the Reporting Period, compared to income tax expense of €3.3 million for the year ended December 31, 2021, 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 €23.2 million, or by 62%, from €37.4 million for the year ended December 31, 2021 to €60.5 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 4.1% for the year ended December 31, 2021 to 5.9% 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, 2022**	2021
Current assets		
Cash and cash equivalents	**317,759**	173,010
Trade and other receivables	**59,432**	41,689
Contract assets	**115,372**	111,794
Inventories	**198,120**	144,387
Advances on inventories	**39,156**	24,606
Other current assets	**86,732**	8,731
Income tax recoverable	**2,091**	982
	818,663	505,199
Current liabilities		
Minority Shareholders' loan	**1,000**	—
Bank and other borrowings	**14,500**	31,157
Provisions	**42,946**	31,056
Trade and other payables	**337,364**	278,809
Contract liabilities	**185,914**	131,664
Income tax payable	**1,683**	754
	583,408	473,440
Net current assets	**235,255**	31,759

The Group had net current assets of €235.3 million as of December 31, 2022, consisting of current assets of €818.7 million and current liabilities of €583.4 million, which represented an increase of €203.5 million from the Group's net current assets of €31.8 million as of December 31, 2021, primarily due to (i) an increase in cash and cash equivalents of €144.7 and in other current assets of €78.0 million from the positive operative cash flow and the proceeds of the Listing; (ii) an increase in inventories and advances on inventories of €68.3 million, mainly attributable to an increase in production volumes; (iii) an increase in trade and other receivables of €17.7 million in line with the growth of the Group's business; and (iv) a decrease in bank and other borrowings of €16.7 million driven by the substantial improvement of the Group's net financial position. This was partially offset by (i) an increase in trade and other payables of €58.5 million in line with the growth of the Group's business; and (ii) an increase in contract liabilities of €54.3 million, mainly attributable to an increase in advances received from customers. All borrowings are denominated in Euro.

Inventories/Advances on Inventories

The Group's inventories and advances on inventories increased by €68.3 million, or 40.4%, from €169.0 million as of December 31, 2021 to €237.3 million as of December 31, 2022, primarily due to an increase in production volumes of yachts in line to answer to the growing demand.

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)	**2022**	2021
Trade receivables		
Accounts receivable from customers	**20,227**	14,869
Impairment	**(3,216)**	(5,745)
	17,011	9,124
Other receivables	**42,421**	32,565
Total	**59,432**	41,689

The Group's trade and other receivables increased by €17.7 million, or 42.6%, from €41.7 million as of December 31, 2021 to €59.4 million as of December 31, 2022, primarily due to (i) an increase in trade receivables related to other businesses; and (ii) an increase in other receivables of €9.8 million mainly attributable to an increase in VAT receivables.

Contract Assets

The Group's contract assets increased by €3.6 million, or 3.2%, from €111.8 million as of December 31, 2021 to €115.4 million as of December 31, 2022, primarily due to an increase in production volumes.

Intangible Assets

The Group's intangible assets increased by €5.9 million, or 2.3%, from €258.2 million as of December 31, 2021 to €264.1 million as of December 31, 2022, primarily due to the increase in goodwill related to the acquisition of two subsidiaries.

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)	**2022**	2021
Trade payables	**289,653**	238,687
Other payables	**48,717**	40,477
Total	**338,370**	279,164

The Group's trade and other payables increased by €59.2 million, or 21.2%, from €279.2 million as of December 31, 2021 to €338.4 million as of December 31, 2022, primarily due to an increase in trade payables of €51.0 million, which was mainly attributable to an increase in the Group's procurement in line with the growth of the Group business.

Contract Liabilities

The Group's contract liabilities increased by €54.3 million, or 41.2%, from €131.7 million as of December 31, 2021 to €185.9 million as of December 31, 2022, primarily due to an increase in the advances received mainly attributable to an increase in order intake.

Capital Expenditures

The Group's capital expenditures were primarily in connection with the Group's continuous efforts in renewing and broadening 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 collected through the Global Offering and 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)	**2022**	2021
Property, plant and equipment	**81,131**	66,411
Intangible assets	**4,129**	3,342
Total capital expenditures	**85,260**	69,753

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. 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's management. However, the Group's presentation of EBITDA may not be comparable to similar 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 operating foreign exchange conversion but excluding exchange rate gains/(losses) related to financial transactions), 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 listing expenses, Management Incentive Plan, litigations 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, 2022	2021
Net revenue	**1,030,099**	898,421
Revenue pre-owned	**(33,980)**	(46,998)
Net revenue without pre-owned	**996,119**	851,422
Operating costs	**(856,130)**	(795,853)
Adjusted EBITDA	**139,989**	102,569
Special items	**(24,796)**	(6,177)
Operating exchange gains/(losses) and Share of loss of a joint venture	**(1,989)**	(1,483)
EBITDA	**113,204**	94,909
Depreciations and amortization	**(53,089)**	(48,519)
Financial income, financial expenses, financial exchange gains/(losses)	**9,269**	(5,716)
Profit before tax (PBT)	**69,385**	40,674
Income tax	**(8,839)**	(3,291)
Profit after tax (PAT)	**60,546**	37,383
Adjusted EBITDA/Net revenue without pre-owned	**14.1%**	12.0%

The table below sets forth a reconciliation of the non-IFRS measures to the nearest measures prepared in accordance with IFRS for the years indicated:

Profit for the year	**60,546**	37,383
Income tax expense	**8,839**	3,291
Foreign financial exchange gains/(losses)	**(11,393)**	—
Financial expenses	**4,452**	5,940
Financial income	**(2,328)**	(224)
Depreciation and amortization	**53,089**	48,519
EBITDA	**113,204**	94,909
Special items related to EBITDA	**24,796**	6,177
Foreign operating exchange losses	**1,945**	1,459
Share of loss of a joint venture	**44**	24
Adjusted EBITDA	**139,989**	102,569
Adjusted EBITDA/net revenue without pre-owned	**14.1%**	12.0%

Adjusted EBITDA for the Reporting Period amounted to €140.0 million, with an increase of 36.5% as compared to €102.6 million for the year ended December 31, 2021. The adjusted EBITDA/net revenue without pre-owned margin increased from 12.0% for the year ended December 31, 2021 to 14.1% for the Reporting Period.

The increase in the Group's adjusted EBITDA/net revenue without pre-owned margin of approximately 200 basis points in 2022 was driven by industrial reasons, commercial aspects and strategic positioning, most of which are structural, hence expected to remain in the long-term.

The industrial reasons are not limited to economies of scale in purchasing and in the organization of production processes, but a 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 expenses, which remained broadly stable as percentage of net revenue without pre-owned during the Reporting Period (7.4% and 8.6% respectively) as compared to 2021.

Commercial aspects refer to lower discounts on new sales granted to the Group's dealers and customers given higher pricing power, resulting from the strength of the Group's brands and the long wait lists.

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, the Group is quite confident that profitability will continue to grow regularly.

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

	Year ended December 31,	
(in thousands Euro)	**2022**	2021
Listing expenses	**4,872**	3,514
Management incentive plan	**17,178**	5,110
Litigations	**—**	(4,877)
Other (income)/expenses	**2,747**	2,430
Total	**24,796**	6,177

Management Incentive Plan

On December 21, 2021, the Company approved the management incentive plan (the "**Management Incentive Plan**"), which covers the Group's senior management and certain other employees (the "**Key Employees**"). Pursuant to the Management Incentive Plan, a special cash bonus in the aggregate amount of 2.5% of the market capitalization of the Company at the time of the Listing, equivalent to €22.3 million, is payable 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 the Chief Executive Officer all the powers to execute it. The first installments of the Management Incentive Plan have been paid to the Key Employees to recognize their contribution to the Listing process (i) for €5.1 million, during the year ended December 2021; (ii) for €10.8 million, during the year ended December 31, 2022; and (iii) for €6.3 million will be paid during the year ending December 31, 2023.

FINANCIAL RATIOS

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

	Year ended December 31,	
Profitability Ratios	**2022**	2021
Return on equity *(Note 1)*	**9.5%**	7.8%
Return on total assets *(Note 2)*	**4.9%**	3.7%

	As of December 31,	
Liquidity Ratios/Capital adequacy Ratio	**2022**	2021
Current ratio *(Note 3)*	**1.3**	1.1
Quick ratio *(Note 4)*	**1.1**	0.8
Gearing Ratio *(Note 5)*	**5.1%**	17.8%

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 7.8% for the year ended December 31, 2021 to 9.5% for the Reporting Period, primarily due to an increase in profit.

Return on Total Assets

The Company's return on total assets increased from 3.7% for the year ended December 31, 2021 to 4.9% 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 increased from 1.1 as of December 31, 2021 to 1.3 as of 31 December, 2022, due to increase in current assets.

Quick ratio

The Company's quick ratio increased from 0.8 as of December 31, 2021 to 1.1 as of December 31, 2022.

Gearing ratio

As at December 31, 2022, the Group's gearing ratio was approximately 5.1% (as at December 31, 2021: 17.8%), calculated as the total indebtedness divided by total equity as at the end of the Relevant Period multiplied by 100%. The decrease was mainly due to the increase in share capital related to the Listing and the decrease in total indebtedness. The Group's gearing ratio demonstrated that the financial position of the Group was healthy as the debt level of the Group was very low as at the end of the Relevant Period.

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 Relevant Period. 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 denominated in Euro, 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 could use foreign currency forward contracts to hedge its exposure to foreign currency risks in connection with forecast transactions and firm commitments. As at December 31, 2022 and 2021, there were no currency forwards in place.

PLEDGE OF ASSETS

As at December 31, 2022, the Group's bank borrowings were secured by certain buildings of the Group with the carrying amount of €98.1 million (2021: €85.5 million). Details of which are set out in Note 50 to the Consolidated Financial Statements.

LEGAL AND POTENTIAL PROCEEDINGS

As at December 31, 2022, 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 at December 31, 2022 and 2021, the Group did not have any material contingent liabilities.

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

During the Relevant Period, the Group did not make any significant investment, material acquisition or disposal of subsidiaries, associates and joint ventures. Save for the expansion plans disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus, the Company has no specific plan for significant investments or acquisitions of material capital assets.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There was no event that had a significant impact on the Group's operation, financial and trading prospects since the end of the Reporting Period, and up to the date of this annual report which the Board is aware of.

EMPLOYEES AND REMUNERATION POLICY

As at December 31, 2022, the Group had 1,835 employees (as at December 31, 2021: 1,617). 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 of the qualified employees.

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.

The Board strives to uphold the principles of corporate governance set out in the CG Code contained in Appendix 14 to the Listing Rules, and adopted various measures to enhance the internal control system, the Directors' continuing professional training and other areas of practice of the Company. While the Board strives to maintain a high level of corporate governance, it also works hard to create value and achieve maximum return for its Shareholders. The Board will continue to conduct review and improve the quality of corporate governance practices with reference to local and international standards.

Since the Listing Date to December 31, 2022, save for code provision C.2.7 of the CG Code, the Company complied with all the applicable code provisions as set out in Appendix 14 to the Listing Rules. Under code provision C.2.7 of the CG Code, the chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors. The Chairman of the Company has delegated the secretary to the Board to gather any concern and/or questions that the independent non-executive Directors might have and to report to him so that the Chairman will arrange a meeting with the independent non-executive Directors as and when appropriate.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code governing securities transactions of the Directors and the relevant employees who are likely to possess inside information in relation to the Company and its securities.

Specific enquiries have been made to all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the Model Code since the Listing Date and up to the date of this annual 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 qualifications and related financial management expertise to meet the requirements under Rule 3.10(2) of the Listing Rules.

The biographical information of the Directors is set out in the section headed "Biographical Details of Directors and Senior Management" on pages 97 to 106 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.

During the Reporting Period, the Board comprised of at least one-third of independent non-executive Directors. The Company is committed to encouraging active participation of the independent non-executive Directors in the Board and committee meetings. In addition, the Company reviews the independence of the independent non-executive Directors on an annual basis. To facilitate proper discharge of the Directors' duties, all Directors are entitled to seek advice from the joint company secretaries of the Company (the "**Joint Company Secretaries**"), in-house legal team and independent professional advisers (if applicable). As such, the Company considered that the current mechanisms in place are effective in ensuring that independent views and inputs are provided to the Board and the Board will review the implementation and effectiveness of such mechanisms on an annual basis.

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. 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 their 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 is 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 the Directors and officers of the Company arising from the Company's business activities which such Directors and officers may be held liable.

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 favor of the related Board resolutions as appropriate.

In appropriate circumstances, the Board allows the Directors, upon reasonable request, to seek independent professional advice at the Company's expertise.

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 December 31, 2022, six Board meetings were held, for the main purposes of, among other things, proposing the final dividend and approving the annual report of the Group for the year ended December 31, 2021 and approving the release of the financial updates during the Reporting Period.

Attendance Record of Directors and Committee Members in 2022

	General meetings *(Note)*	Board	Audit Committee	Nomination Committee	Remuneration Committee	ESG Committee	Board of Statutory Auditors
Number of Meetings	2	6	3	1	2	1	5
Chairman							
Tan Xuguang	2	4		—		—	
Executive Director							
Alberto Galassi	2	6		1		1	
Non-executive Directors							
Piero Ferrari	2	5			2	1	
Xu Xinyu	2	6			2	1	
Li Xinghao	2	6	3				
Independent Non-executive Directors							
Hua Fengmao	2	6	3	1	2	1	
Stefano Domenicali	1	5	2	—	2		
Patrick Sun	2	6	3	1	2		
Statutory Auditors							
Luigi Capitani	1	5					4
Luigi Fontana	2	3					4
Giulia De Martino	—	—					—
Veronica Tibiletti	—	—					—
Fausto Zanon	2	5					5

Note: Include the Shareholders' meeting held on March 14, 2022 to approve, amongst others, matters relating to the listing of the Shares on the Stock Exchange; and the annual general meeting held on May 25, 2022 to approve, amongst others, the financial statements of the Company for the year ended December 31, 2021.

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 Annual General Meeting of the Company called to approve the financial statements of the Company for the Reporting Period.

Each of Mr. Tan Xuguang, Mr. Piero Ferrari, Mr. Xu Xinyu and Mr. Li Xinghao, a non-executive Director, has been appointed by the Company for a term commencing from March 16, 2020 until the Annual General Meeting of the Company called to approve the financial statements of the Company for the Reporting Period.

Each of Mr. Hua Fengmao, Mr. Stefano Domenicali and Mr. Patrick Sun, an independent non-executive Director, has been appointed by the Company for a term commencing from December 21, 2021 until the Annual General Meeting of the Company called to approve the financial statements of the Company for the Reporting Period.

Under the By-laws, the Directors are appointed by the Shareholders' general meeting for a period of up to three financial years and may be re-appointed.

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

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 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 have 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 three independent non-executive Directors and one non-executive Director, namely Mr. Patrick Sun, Mr. Stefano Domenicali, Mr. Hua Fengmao and Mr. Li Xinghao, with Mr. Sun (an independent non-executive Director) currently serving as the chairman. Mr. Sun has the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The Audit Committee has reviewed with the management of the Company the audited financial statements of the Company for the Relevant Period and agreed with the accounting treatments adopted by the Company, and was of the opinion that the preparation of the financial statements of the Company for the Relevant Period complies with the applicable accounting standards and the requirements under the Listing Rules and adequate disclosures have been made.

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.

Three meetings of the Audit Committee were held from the Listing Date to December 31, 2022. The Audit Committee has, among other things, reviewed the separate and consolidated financial statements of the Company and its subsidiaries for the six months ended June 30, 2022 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 approval of the separate and consolidated financial statements for the six months ended June 30, 2022.

From the Listing Date to December 31, 2022, the Audit Committee met the external auditors twice to discuss the audit plan and the audited results of the Company for the Relevant Period without the presence of the executive Directors.

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 three independent non-executive Directors and two non-executive Directors, namely Mr. Stefano Domenicali, Mr. Patrick Sun, Mr. Hua Fengmao, Mr. Piero Ferrari and Mr. Xu Xinyu, with Mr. Domenicali (an independent non-executive Director) 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.

Two meetings of the Remuneration Committee were held from the Listing Date to December 31, 2022. The Remuneration Committee has, among other things, determined the remuneration policy of the Directors, assessed the performance of executive Director, 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 during the Reporting Period.

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 three independent non-executive Directors, one non-executive Director and one executive Director, namely Mr. Tan Xuguang, Mr. Patrick Sun, Mr. Stefano Domenicali, Mr. Hua Fengmao and Mr. Alberto Galassi, with Mr. Tan (a non-executive Director) currently serving as the chairman.

The primary duties of the Nomination Committee include, among other things, reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually, identifying individuals suitably qualified to become Board members, making recommendations to the Board on the selection of individuals nominated for directorships, assessing the independence of independent non-executive Directors, making recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors (in particular the Chairman and the chief executive), as well as making recommendations on any proposed changes to our Board composition to complement our corporate strategies.

One meeting was held by the Nomination Committee from the Listing Date to December 31, 2022.

In assessing the Board composition, the Nomination Committee has taken 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**") during the Reporting Period. The Nomination Committee has discussed and agreed on measurable objectives for achieving diversity on the Board, and recommended them to the Board for adoption. In identifying and selecting suitable candidates for directorships, the Nomination Committee has considered 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 recommendations 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; and

— 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.

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, who will be appointed latest by the re-election of our Board in 2023, subject to the review and recommendation by the Nomination Committee. 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.

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.

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 one executive Director, three non-executive Directors and one independent non-executive Director, namely Mr. Tan Xuguang, Mr. Piero Ferrari, Mr. Xu Xinyu, Mr. Alberto Galassi and Mr. Hua Fengmao, with Mr. Tan (a non-executive Director) 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 December 31, 2022. The ESG committee has, among other things, reviewed and evaluated the Group's ESG works during the Reporting Period and reviewed 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 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 on the date which the Shareholders' meeting takes place to approve the financial statements of the Company for the Reporting Period.

The Board of Statutory Auditors 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 (including monthly management accounts) 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.

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. The primary contact of Ms. Wong at the Company is Mr. Niccolò Pallesi, being the General Counsel of the Company. The Joint Company Secretaries report to the Chairman/Chief Executive Officer.

The Joint Company Secretaries 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. During the Reporting Period, both the Joint Company Secretaries have attended no less than 15 hours of professional training.

RETIREMENT OF ERNST & YOUNG AS ONE OF JOINT AUDITORS

Reference is made to the Prospectus, which stated that Ernst & Young ("**EY HK**") and EY S.p.A. ("**EY Italy**") would jointly audit the Company's consolidated financial statements for the year ended December 31, 2021 and that the Company intends for EY Italy to act as the Company's sole auditor for its consolidated financial statements for the year ending December 31, 2022 and thereafter.

EY HK has informed the Board on May 25, 2022 that it will retire as one of the joint auditors of the Company (the "**Joint Auditor(s)**") upon the expiration of its term of office at the annual general meeting of the Company held on May 25, 2022 (the "**2022 AGM**").

Following the retirement of EY HK at the conclusion of the 2022 AGM, EY Italy, being the other Joint Auditor, remained as the sole auditor of the Company until the approval of the financial statements for the financial year ended December 31, 2022.

EY HK provided its written confirmation to the Board and the Audit Committee that there are no matters connected with its retirement that it considers should be brought to the attention of the Shareholders. The Board and the Audit Committee also confirmed that, to the best of their knowledge and understanding, there are no matters in respect of the retirement of EY HK that need to be brought to the attention of the Shareholders.

FINANCIAL REPORTING, INTERNAL CONTROL AND RISK MANAGEMENT

Financial Reporting

The Directors acknowledge their responsibilities for preparing the financial statements and accounts 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 auditor of the Company about their reporting responsibilities on the Consolidated Financial Statements is set out in the Independent Auditor's Report from pages 107 to page 116 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 has reviewed and approved the update of the 231 Model to ensure the effectiveness of the risk management and internal control system during the Relevant Period. The 231 Model covers all material controls, including financial, operational and compliance controls.

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 of risk across the Group. We also review periodically economic and industrial factors affecting our business and meet industry analysts and players to keep abreast of the latest 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 Audit Committee shall review and monitor on an ongoing basis the operation of the risk management and the internal control systems of the Company and report to the Board on the adequacy of the risk management and internal control system at least twice a year.

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 instruct the internal audit team to take follow-up actions.

WHISTLEBLOWING POLICY

The Group considers a priority to protect those who have reported in good faith from any intimidation and retaliation. Therefore, the Group has approved a procedure available on its website and has established a dedicated channel to allow safe and private reporting. Our whistleblowing policy outlined detailed procedures regarding how we receive, investigate and follow up on whistleblower reports. We will first conduct preliminary verification to make an initial check of the substance of the accusation and then promote further investigations on a case-by-case basis. Upon completion of the investigation, the whistleblower reports will be referred to the body in charge of implementing the disciplinary system to decide on the penalty in accordance with the applicable laws and provisions.

Every whistleblower report is treated as confidential and we adopt appropriate verification procedures to protect both the whistleblowers' privacy and the reported persons' identity and integrity. The Group undertakes to provide the whistleblower with an initial reply within 20 days from receiving the report.

ANTI-CORRUPTION POLICY

Given the Group's presence in a number of countries, including so-called 'tax havens', the Group is exposed to the risk of violating anti-corruption and anti-money laundering legislation in all nations in which it operates, as well as incurring financial penalties imposed by the European Union and the United States of America, which would have a very detrimental impact on the Group's reputation. This risk is also present with regard to the FSD, as it often fulfils requests financed by governments and international institutions.

The circumstances described above and the related risks are addressed by means of two key tools, namely the Group's Ethics Code and the Organizational and Management Model for the prevention of crimes pursuant to Legislative Decree No. 231/2001. The Group's anti-corruption policy and the 231 Model are available on the Group intranet which is a user-friendly tool for all the employees.

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.

INVESTOR RELATIONS

The Company encourages the Shareholders to take an active interest in the Company. During the Reporting Period, the Company has maintained effective and transparent communication with the Shareholders by disseminating quality information to Shareholders in a timely manner through the publication of annual report, interim report, ESG report as well as the financial results announcements.

In addition, Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings. Shareholders are also encouraged to exercise their rights under the paragraph headed "Shareholders' Rights" above.

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 December 31, 2022.

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 Consolidated 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, the material factors underlying its economic results and financial position, a description of the risks and uncertainties facing by 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 53 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 117 to 118.

On June 30, 2022, the Company paid the final dividend of €6.7 million in aggregate to the owners of the Company in respect of the financial year ended December 31, 2021.

The Board has recommended the payment of a final dividend of €19,902,780.06 (€0.0588 per Share) (the "**Proposed Final Dividend**") (2021: €0.0198 per Share) 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 the Shareholders on June 5, 2023. The Proposed Final Dividend shall be made (i) in Euro to the Shareholders recorded in the section of the Shareholders' register kept by the Company at its registered office in Italy; and (ii) in Hong Kong dollars recorded in the section of the Shareholders' register kept in Hong Kong by the Hong Kong share registrar of the Company, 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, and 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 Thursday, May 18, 2023.

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 15, 2023 to Thursday, May 18, 2023 (both days inclusive) during which 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. CEST time, on Friday, May 12, 2023.

To qualify for the Proposed Final Dividend

The register of members of the Company will be closed on Wednesday, May 24, 2023 during which 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. CEST time, on Tuesday, May 23, 2023.

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 five financial years is set out on page 4 of this annual 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.

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

Save for 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 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, 2022, the Company's reserves available for distribution to the Shareholders in accordance with the By-laws amounted to €15.9 million, without including the results 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, 2022 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, giving back to the community and achieving sustainable growth.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

For the Group's policies and performance in these aspects during the Relevant Period, please refer to the section headed "Environmental, Social and Governance Report" in this report.

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 financial statements in this report 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 annual report, the Company maintained the amount of public float as required under the Listing Rules.

CHARITABLE DONATIONS

During the Relevant Period, the charitable donations made by the Group amounted to €358 thousand (2021: €300 thousand).

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 Company 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, 2022, 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 Xuguang, 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 approved on April 28, 2022.

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 General Meeting called to approve its financial statements for the Reporting Period. The appointments are subject to the provisions of the By-laws with regard to vacation of office of Directors and removal and re-election 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 General Meeting called to approve its financial statements for the Reporting Period. The appointments are subject to the provisions of the By-laws with regard to vacation of office of Directors and removal and re-election of Directors.

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 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.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance were entered into between the Company or any of its subsidiaries and any controlling Shareholders or any of its subsidiaries or any contracts of significance for the provision of services to the Company or any of its subsidiaries by any controlling Shareholders or any of its subsidiaries.

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

As far as the Company is aware, as at December 31, 2022, 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 were 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 were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to our Company and the Stock Exchange were as follows:

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

Notes:

(1) F Investments S.A. ("**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. Piero 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.

(2) The letter "L" denotes a long position in the Shares.

Save as disclosed above, as at December 31, 2022, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (as defined in Part XV of SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests and short positions which were taken or deemed to have under such provisions of SFO), or which were required, pursuant to section 352 of SFO, to be entered into the register stated herein, or which were required to be notified to the Company and the Stock Exchange pursuant to Model Code.

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

So far as the Directors are aware, as at December 31, 2022, 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 5% 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 or which were required to be entered in the register kept by the Company under section 336 of the SFO:

Name of Shareholder	Capacity/Nature of interest	Number of Shares *(Note 3)*	Approximate percentage of shareholding
SHIG	Interest held by controlled corporations *(Note 1)*	215,769,229 (L)	63.746%
Weichai Group	Interest held by controlled corporations *(Note 1)*	215,769,229 (L)	63.746%
Weichai Holding (HK)	Interest held by controlled corporations *(Note 1)*	215,769,229 (L)	63.746%
FIH	Beneficial owner	215,769,229 (L)	63.746%
Mr. Piero Ferrari	Interest held by controlled corporations *(Note 2)*	27,926,766 (L)	8.251%
Ms. Renjie Wang	Interest held by controlled corporations *(Note 2)*	27,926,766 (L)	8.251%
F Investments	Beneficial owner	27,926,766 (L)	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 letter "L" denotes a long position in the Shares.

Save as disclosed herein, the Directors are not aware of any person who, as at December 31, 2022, has 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 5% 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 or which were required to be entered in the register kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on May 25, 2022, which is valid and effective for a term of 10 years commencing from the adoption date, for the purpose of attracting and retaining the best quality personnel for the development of the Group's businesses, to provide additional incentives to the Eligible Person(s) (as defined below) and to promote the long term financial success of the Group by aligning the interests of holders of the share options and Shareholders. The remaining life of the Share Option Scheme is approximately 9 years and 1 month.

Share options may potentially be granted to "Eligible Person(s)", which include (a) any Director, chief executive or substantial shareholder of the Company or any of their respective associates; and (b) any employee (whether full time or part-time) of the Group or its affiliates.

The maximum number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme is 33,848,265 Shares, representing approximately 10% of the Company's issued share capital as at May 25, 2022, the date of the Shareholders' meeting approving the Share Option Scheme. The maximum number of Shares issued and to be issued upon the exercise of the options granted under the Share Option Scheme to any one person (including exercised and outstanding options) in any 12-month period shall not exceed 1% of the shares in issue from time to time. An offer of options shall be open for acceptance for a period of 30 days from the date of the offer. To the extent that the offer is not accepted within the period and in the manner indicated, it shall be deemed to have been irrevocably declined. An amount of €1.00 is payable upon acceptance of the grant of an option and such payment shall not be refundable.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of the grant. There is no minimum period for which an option must be held before it can be exercised in general. However, at the time of granting any option, the Board may, on a case by case basis, make such grant subject to such conditions, restrictions or limitations including (without limitation) those in relation to the minimum period of the options to be held, the period within which the Shares must be taken up under the Share Option Scheme and/or the performance targets to be achieved as the Board may determine in its absolute discretion.

The exercise price of the options is determined by the Board in its absolute discretion and shall not be less than whichever is the highest of: (a) the nominal value of each Share on the date of grant of the relevant option (the "**Grant Date**"); (b) the closing price of each Share as stated in the Stock Exchange's daily quotation sheet on the Grant Date; and (c) the average of the closing prices of each Share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Grant Date.

No options were granted, exercised or cancelled or lapsed under the Share Option Scheme during the Relevant Period. The total number of Shares available for issue under the Share Option Scheme is 33,848,265 Shares, representing approximately 10% of the issued share capital of the Company as at the date of this report.

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 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.

CHANGE IN DIRECTORS' INFORMATION

The change in directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the publication of the Company's 2022 Interim Report is set out below:

Mr. Patrick Sun, an independent non-executive Director of the Company, has served as an independent non-executive director of AustAsia Group Limited (stock code: 2425) since December 2022. He has resigned from the position of independent non-executive director of Sihuan Pharmaceutical Holdings Group Ltd. (stock code: 00460) from April 2023.

Mr. Tan Xuguang, a non-executive Director of the Company, was appointed as a committee member of the 14th National Committee of the Chinese People's Political Consultative Conference during the Reporting Period.

Mr. Hua Fengmao, an independent non-executive Director of the Company, resigned from being the chief executive officer of Chempartner Pharmatech Co., Ltd, a company listed on Shenzhen Stock Exchange (stock code: 300149) in October 2022.

Save as disclosed above and expressly indicated in this annual report, since the publication of the Company's 2022 Interim Report, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

PERMITTED INDEMNITY

There is no permitted indemnity provision in any contract entered into by the Company for the benefit of the Directors 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 during the Reporting Period.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of sales or purchases attributable to the Group's five largest customers or suppliers during the Reporting Period is less than 30% of the total sales or purchases and the Directors do not consider any single customer or supplier to have a significant 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 during the Reporting Period.

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 Consolidated Financial Statements. None of them constitutes a non-exempt connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules. During the Relevant Period, the Group has not entered into any non-exempt connected transaction or continuing connected transaction which should be disclosed pursuant to Chapter 14A of the Listing Rules.

USE OF PROCEEDS FROM THE LISTING

The Group received net proceeds (after deduction of underwriting commissions and related costs and expenses) from the Global Offering and the exercise of over-allotment option of approximately HKD1,862.9 million. There has been no change in the intended use of net proceeds as previously disclosed in the Prospectus. Since the Listing Date and up to December 31, 2022, the Group has been gradually utilizing the net proceeds from the Global Offering according to the manner and proportions disclosed in the Prospectus. For details, please refer to the table below:

	Net amount available upon Listing *(HKD million)*	Net amount utilized as of December 31, 2022 *(HKD million)**	Unutilized net amount as of December 31, 2022 *(HKD million)*	Expected timeline of the utilization of the unutilized net amounts
Expansion of the Group's product portfolio and further boosting our end-to-end operational excellence	1,266.7	258.5	1,008.3	March 31, 2025
— Consolidating the Group's leadership positioning in the luxury yacht industry and increasing the Group's market share and coverage	428.5	133.1	295.4	—
— Development of new flagship models of super yachts under Riva, Wally, Pershing, and Custom Line brands	465.8	8.4	457.4	—
— Vertical integration of strategic and high value-adding production activities to ensure the uncompromised excellence in the luxurious design, performance, quality and reliability of the Group's yachts	372.6	117.0	255.5	—
Enhancing the Group's unique portfolio of ancillary services and expanding the Group's offering in the most promising verticals such as yacht brokerage, chartering and management services and after-sales and refitting services	447.1	—	447.1	March 31, 2024
— Growing the Group's yacht brokerage, chartering and management services	130.4	—	130.4	—
— Expanding the Group's after-sales and refitting service offering and market presence	316.7	—	316.7	—
Further development of the Group's brand extension activities and other general corporate matters	149.0	—	149.0	N/A
Total	1,862.9	258.5	1,604.4	—

* using EURO/HKD exchange rate as at December 31, 2022

EXTERNAL AUDITOR

EY HK and EY Italy have been appointed as the external auditors of the Company to audit the Company's consolidated financial statements for the year ended December 31, 2021 and also the reporting accountants of the Company in relation to the Listing. The Company intends for EY Italy to act as the Company's sole auditor for its consolidated financial statements for the year ending December 31, 2022 and thereafter. The Audit Committee has been notified of the nature and the service charges of EY HK and EY Italy.

EY HK has informed the Board on May 25, 2022 that it would retire as one of the Joint Auditors upon the expiration of its term of office at the 2022 AGM.

Following the retirement of EY HK at the conclusion of the 2022 AGM, EY Italy, being the other Joint Auditor, remained as the sole auditor of the Company until the approval of the financial statements for the financial year ended December 31, 2022.

EY HK provided its written confirmation to the Board and the Audit Committee that there are no matters connected with its retirement that it considers should be brought to the attention of the Shareholders. The Board and the Audit Committee also confirmed that, to the best of their knowledge and understanding, there are no matters in respect of the retirement of EY HK that need to be brought to the attention of the Shareholders.

For the Relevant Period, the remuneration paid or payable to EY HK, EY Italy 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	258
Non-audit related services *(mainly Listing expenses and due diligence services)*	1,843
	2,101

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 audited by EY Italy. 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 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 the 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
March 8, 2023

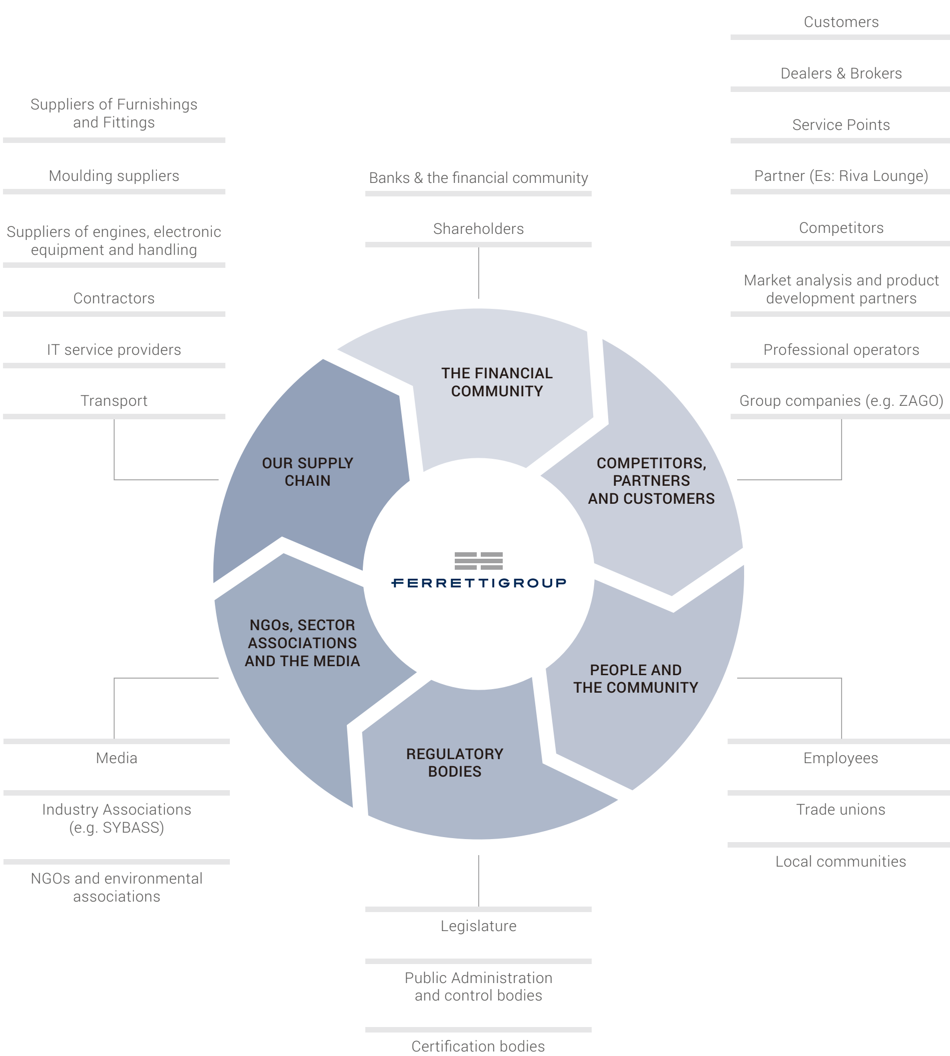
OUR COMMITMENT TOWARDS SUSTAINABILITY

The Ferretti Group began its journey towards sustainability in 2020 with the publication of the Group's 2019 Sustainability Report, a first step testifying how environmental stewardship, innovation and workers' and clients' health and safety are key elements for the Group's sustainable growth.

This drive towards sustainability is dictated both by our culture of quality and innovation and by our customers, suppliers and other stakeholders, who inspire us to pursue with strong commitment and force a sustainable business model.

As in the past years, in 2022 the Group continued to refine the assessment of its impacts, also in accordance with the new impact materiality analysis required by 2021 GRI Standards, and to design a more strategic approach to enhance sustainability as one of the main drivers of its value proposition.

For the Group it is crucial to detect and improve its influence on sustainability macro-trendsand strengthen the dialogue with its Stakeholders, by involving them throughout the year in the Group's activities. As stated below, Ferretti Group's stakeholders' list has not changed since last year:



Materiality Analysis

As anticipated, the Group drafted this Section of the Management Report according to the GRI (Global Reporting Initiative) Sustainability Reporting Standards, that have been updated in 2021. Moreover, in continuity with the last reporting year, this Section is also aimed at fulfilling the requirements of the "ESG Reporting Guide" of the Hong Kong Stock Exchange, after the listing of the Group in March 2022.

Through a process of Materiality Analysis, Ferretti Group was able to identify those sustainability topics deemed material and, thus, worth reporting — i.e., topics that represent the organization's most significant impacts on the economy, environment, and people, including impacts on their human rights (GRI 3: Material Topics 2021).

Materiality definition process

The material topics were examined through an articulated process which included the understanding of the context in which Ferretti Group operates (review of the relevant sustainability guidelines, key documents, legislation and benchmarking activities); the identification of current and potential, negative and positive impacts on the economy, environment, and people including impacts on human rights, across the organization's activities and business relationships; the assessment of the significance of impacts (based on the severity of the impact itself for actual impacts and based on severity and likelihood for potential ones); the prioritization of the most significant impacts for reporting purposes; identification of sustainability material topics starting from the impacts identified.

The assessment of the relevance of impacts was carried out taking into consideration the guidelines of the GRI Standards and the results of the analysis were validated by Ferretti Group's management in a dedicated workshop.

For this first year of reporting in accordance to the new methodology defined by the 2021 GRI Standards, Ferretti Group has identified and assessed its impacts without engaging directly with stakeholders.

The list of material topics and a brief explanation of related impacts is reported in the following table.

Material Topic	*Description of related impacts*
	Negative impacts
GHG emissions	The organization, through its operations, supply chain, and logistics, and during the use of its products, generates an actual negative impact on climate change, due to the emissions of greenhouse gases. Those emissions contribute to climate change and generate global impacts. (Actual Impact)
Energy consumption	The organization, through its operations, supply chain, and logistics, and during the use and disposal of its products, consumes energy resources. If managed in an unsustainable way, this consumption can influence the availability of energy resources, thus generating significant impacts. (Actual Impact)
Polluting atmospheric emissions	The organization, through its operations, supply chain, and logistics, and during the use and disposal of its products, may release polluting emissions in the atmosphere, which have an actual negative impact on the air quality and on the ecosystems, included on human and animal health. These emissions include sulphur oxides (SOx), nitrogen oxides (NOx), particulates (PM), volatile organic compounds (VOCs) and carbon monoxide (CO). (Actual Impact)
Water consumption	The organization, through its operations, withdraws, consumes and discharges water. Inefficient withdrawals and discharges, as well as potential discharges of pollutants into water, may negatively contribute to the quality and depletion of water resources. (Actual Impact)
Waste management and product's end-of-life	The organization, through its operations and during the use and disposal of its products, generates waste. This waste, if not recyclable nor reusable, may lead to actual environmental impacts in the concerned territories. (Actual Impact)
Raw materials consumption	The organization's supply chain, if managed in an unsustainable way, may influence the availability of raw materials and the local ecosystems, thus generating significant negative impacts. (Actual Impact)
Biodiversity	The organization, through its operations and supply chain, and during the use of its products, without an adequate monitoring system, may jeopardize natural, and especially marine, ecosystems. Its damages may impoverish the local flora and fauna, with consequent significant potential impacts on the local biodiversity. (Potential Impact)
Occupational health and safety	The organization, through its operations and supply chain, may cause injuries to its workers and not guarantee the protection of workers' health and safety. (Actual Impact)

Human and civil rights	The organization, through its operations and supply chain, may not guarantee the respect of decent working conditions, and may cause incidents of violation of human rights, forced labor and child labor. (Potential Impact)
Diversity, equal opportunity and inclusion	The organization, through its operations and supply chain, may build business relationships that do not guarantee equal opportunities, diversity and inclusion, with consequent incidents of discrimination and negation of equal opportunities in the treatment, remuneration and benefits of workers. (Potential Impact)
Product Safety	The organization, during the use of its products, and without an adequate system of quality control and monitoring, may offer an unsafe product, with consequent risks for the health and safety of customers. (Potential Impact)
Anti-corruption and money laundering	The organization, through its operations and supply chain, may incur in practices of corruption and money laundering, also due to its presence in countries known as tax heavens. Without adequate preventive policies and procedures, there could be an incorrect allocation of economic resources, as well as abuse of democracy, violation of human rights and political instability. (Potential Impact)
Positive impacts	
Sustainable supply chain management	The organization, through its supply chain, promotes a sustainable supply chain management, by screening its suppliers with ESG criteria. (Actual Impact)
Human capital development, retention and satisfaction	The organization, through its operations, offers training programs to develop the workforce's technical skills, as well as to improve its management and relationship. Moreover, the organization implements retention practices for its personnel. These initiatives improve the competences and satisfaction of the communities in which the firm operates. (Actual Impact)
Development and value creation for local communities	The organization, through its operations, by implementing and favoring local hiring programs, donations, volunteering and philanthropic activities, contributes to the enrichment of local communities, in terms of economic resources, personal development and professional growth opportunities. (Actual Impact)
Research & Development	The organization, through its operations, monitors and contributes to the technological evolution of its field, which improves the quality of products and processes, reduce costs and lead to more competitive product prices. Those R&D practices positively contribute to the technological development, economic and financial status, and reputation of the whole sector. (Actual Impact)

ESG risk management

In accordance with the Hong Kong Stock Exchange ESG Reporting Guide, Ferretti Group assesses and determines the characteristics and extent of risks relating to environmental, social, and governance (ESG) topics and its material topics.

ESG risks must be assessed to ensure business continuity and to prevent critical issues from arising that could cause operational or reputation-based damages; as such, the Group is committed to incorporating these risks into its business strategy.

The Group's initial ESG risk assessment was conducted by its Risk Management and Sustainability departments, which adopted a cross-cutting approach to the main challenges of the ESG world. The risk assessment carried out by the Ferretti Group in 2021, and confirmed for the reporting year 2022, comprised an initial qualitative assessment that took into consideration four risk categories:

— Operational risks: risks that could interrupt or damage the company's business operations;

— Financial risks: risks that could have a direct impact on the Company's financial performance;

— Reputational risks: risks that could have a negative impact on the Group's reputation and image;

— Compliance risks: the risk of non-compliance with applicable laws — which could expose the Group to legal sanctions — the Ethics Code, or internal procedures.

CATEGORY	MATERIAL TOPIC	RISK IDENTIFICATION	DESCRIPTION	RISK TYPE	RESPONSE
ENVIRONMENT	Polluting atmospheric emissions Waste management Water consumption and discharge	Potential risks related to poorly controlled pollutants and waste and water management on the Company premises.	Non-compliance with regulatory requirements and the inefficient management of pollutants, waste and water could lead to higher operating costs and have a greater environmental impact.	Compliance risk Operating risk Reputational risk	• Specialised HSE divisions set up at each of the Group's plants, with a strong corporate vision regarding the improved management of pollutants, waste, and water management on Group premises • ISO 14001:2015 on environmental management systems active at the Forlì and La Spezia (2021), Sarnico, Cattolica and Mondolfo (2022) sites and in the process of being obtained for all the other Group sites • 14001 provides for the planning of simulations and the correct management of waste, etc. • Plant maintenance activities beyond regulatory requirements, regular maintenance to prevent faults and further reduce impact

CATEGORY	MATERIAL TOPIC	RISK IDENTIFICATION	DESCRIPTION	RISK TYPE	RESPONSE
ENVIRONMENT	Tangible assets	Potential risk related to the poor control of investments in products and/or use of materials that are incompatible with environmental protection and/or potentially hazardous to customers and the environment (including the end-of-life of certain materials (e.g., fiberglass shell).	Investing in products and using materials that are incompatible with environmental protection could lead to higher operating costs and have a greater environmental impact.	Compliance risk Operating risk Reputational risk	• ISO 14001:2015 on environmental management systems active at the Forlì and La Spezia (2021), Sarnico, Cattolica and Mondolfo (2022) sites and in the process of being obtained for all the other Group sites • Defining specific initiatives and actions to a) lighten and reduce weight where possible, b) improve fuel efficiency during use, c) improve materials and component types, including the consumption of associated resources, d) improve the end-of-life process, so that yachts and their component parts can be fully dismantled • Qualification of suppliers, who are assessed from an environmental standpoint through 14001 certification
ENVIRONMENT	Reduction and efficiency of energy consumption Atmospheric GHG emissions	Potential risk related to the poor control of energy consumption and consequent GHG emissions on the Company's premises.	The entry into force of stricter energy efficiency requirements could result in the Group not complying with these requirements. A failure to implement energy efficiency strategies could result in a financial risk due to the failure to reduce costs. The Group could incur transitional risks related to climate change, such as compliance or reputational risks caused by the transition to a low-carbon economy. Save for the above, the Company has not identified any additional risks related to significant climate-related issues which have impacted or may impact the Company during the Reporting Period. The Company will monitor the climate-related issues on an on-going basis in order to identify potential risks that may impact the Company in the future and to take mitigation actions as and when approporiate.	Compliance risk Operating risk Reputational risk Finance risk	• Specialised HSE divisions set up at each of the Group's plants, with a strong corporate vision on the improved management of pollutants, waste, and water management on Group premises • ISO 14001:2015 on environmental management systems active at the Forlì and La Spezia (2021), Sarnico, Cattolica and Mondolfo (2022) sites and in the process of being obtained for all the other Group sites • The Group will conduct further analysis on physical risks for a more complete picture
SOCIAL	Creating value for local communities	Potential risk linked to an inability to implement an adequate investment plan to support the local community and interruption of the local supply chain, which comprises artisans and people with specific skills handed down from generation to generation. This could jeopardise business continuity in the future.	The lack of a comprehensive community investment plan could have consequences on the effectiveness of the investments themselves, which would bring reduced benefit to the community and would represent a missed opportunity for the Ferretti Group to improve its reputation through social initiatives.	Reputational risk Finance risk	• Strong link between production activities and employees who come from the areas in which the sites are located • Local activities: during the pandemic, the Ferretti Group worked hard to support hospitals and families in the regions in which it is located

CATEGORY	MATERIAL TOPIC	RISK IDENTIFICATION	DESCRIPTION	RISK TYPE	RESPONSE
SOCIAL	Customer safety and centrality	Potential risk related to a poor response to security standards, the inability to protect customer data, and potential non-compliance with privacy requirements.	Non-compliance with specific safety norms and standards or non-compliance with data privacy regulatory requirements (e.g., data loss/theft) could lead to potential health and safety risks for customers, fines, or reputational damage.	Compliance risk Operating risk Reputational risk	• Maintaining high quality standards, in terms of business processes, customer care and satisfaction • ISO 9001:2015 Certification • Compliance with the European Data Protection Regulation (GDPR) • Performing internal audits on compliance with the data privacy regulation • Carrying out awareness-raising activities on customer protection and privacy
SOCIAL	Occupational health and safety	Potential risk related to the failure to protect the health and safety of direct employees, contractors, and third parties.	Non-compliance with occupational health and safety regulations could lead to fines, as well as a lack of action to prevent accidents and risks to workers' health and safety.	Compliance risk Operating risk Reputational risk Finance risk	• Guarantee employee health and safety • Provide the best possible working conditions at sites • ISO 14001 certifications • Compliance with local 81/2001 H&S decrees • Monthly meeting at each shipyard to discuss incidents and corrective measures • Monthly meeting between the employer and facility managers to discuss the measures taken, practices to be followed, and potential critical issues • Injury reduction targets and severity in the remuneration plans of site managers • Specialised health and safety training courses • Other specific and up-to-date measures and good practices to reduce risks during operations

CATEGORY	MATERIAL TOPIC	RISK IDENTIFICATION	DESCRIPTION	RISK TYPE	RESPONSE
SOCIAL	Research and development	Potential risk linked to the insufficient monitoring of technological developments within the Company.	A failure to monitor technological developments that could improve the quality of products and processes, as well as a failure to streamline costs and to sell products at more competitive prices could harm the Group's economic and financial stability and its reputation. Protecting intellectual and/or industrial property rights is key to the success of the Group's business and products, as well as its competitive standing. The Group is exposed to the risk of third-party interference in the enjoyment and exploitation of its intellectual and/or industrial property rights, as well as to potential disputes and limitations on the exploitation of such rights, which could result in potential liabilities and have negative effects on the Group's economic and financial stability and its reputation.	Reputational risk Finance risk	• Conduct industrial research and encourage experimental developments and process innovations to improve existing products, processes and services • Expand the Group's knowledge base to support its entry into promising new global sectors • Product strategy committee and product operations committee in place for a number of years
SOCIAL	Employee motivation and satisfaction Talent attraction, retention and development	Potential risk related to a lack of qualified employees, the absence of an adequate pipeline for strategic roles/skills, and/or a shortage of qualified personnel in the maritime labour market.	Risk linked to the lack of or inadequate management and development of skills within the Company using a continuous improvement model, as well as a failure to encourage the full expression of personal skills and to adequately cover corporate roles. This risk may arise, for example, due to a lack of or gaps in investment in staff training, resulting in an inability to learn new skills or improve acquired ones. This category includes the risk of inadequate recruitment due to a failure to identify current and future needs or to use the correct recruitment channels.	Operating risk Finance risk	• Strengthening employer branding activities • Supporting regions by monitoring staff turnover on a quarterly basis and defining action plans to reduce it. • Annual survey to monitor employee engagement • Recognition and investment in top performers • Identification of strategic skills/ competencies and top talent needed to support future growth • Continued investment in development and training to accelerate the growth of top talent and to build skills
GOVERNANCE	Business ethics and fairness	Potential risk related to the occurrence of unethical business practices and unfair competition.	Failure by Ferretti Group employees to comply with legislative regulations, the internal code of conduct and procedures (e.g., due to employees' lack of knowledge of the matter) could damage the Group's reputation.	Compliance risk Operating risk Reputational risk	• Ethics Code in place since 2019 and promotion of the Company's values internally and externally • Anti-Corruption Policy at Group level

CATEGORY	MATERIAL TOPIC	RISK IDENTIFICATION	DESCRIPTION	RISK TYPE	RESPONSE
GOVERNANCE	Sustainable supply chain management Selection and sustainability of raw materials	Potential risk related to lack of proper due diligence on potential suppliers, a failure to monitor environmental and social regulations, a lack of supply chain resilience due to unstable factors (such as the COVID-19 pandemic), and relationships with third-party suppliers, contractors, and manufacturers.	The risk that due diligence is not adequately performed on potential suppliers and that the environmental and social regulations in the contracts concluded are not properly monitored, resulting in activities that do not comply with the principles of sustainability (proper use of natural resources, protection of individual rights, etc.).	Operating risk Reputational risk	• Raise awareness of the importance of a resilient and flexible supply chain • Guarantee the continuity of production, including through periods of significant instability (e.g. the COVID-19 pandemic)

An ethical business

The Ferretti Group's values and vision regarding an ethical business are stated in the Ethics Code, published on the Group's website. The Ethics Code constitutes a fundamental tool for the Organisation, Management and Control Model adopted by the Group in order to prevent the offences listed in Legislative Decree No. 231/2001.

Since 2019, the Ferretti Group has adopted the 231 Model, which was brought into force and published on the Group's website from that date onwards. The Supervisory Board oversees the functioning and observance of the 231 Model, assessing its adequacy, communicating necessary updates to the Board of Directors, and monitoring its implementation and updating.

In 2022 the Group updated the Ethics Code, as well as the 231 Model, which has been finalized and approved in the last quarter of 2022; for 2023, a training session involving all employees is planned regarding 231 Model, also including all the provisions regarding anti-corruption and anti-bribery.

The Group adopted a zero-tolerance anti-corruption policy. During the Reporting Period, the Group has complied with the relevant laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering. No episodes of bribery or corruption involving the companies of the Group were reported in the period from 2020 to 2022.

Ferretti Group gives primary importance to the protection of minors and to the repression of exploitation of any kind against them. Furthermore, in order to guarantee total respect for the person, Ferretti, as stated in its Ethical Code, is committed to complying and ensuring its employees, suppliers, collaborators and partners comply with the legislation in force on protection of employment, with specific attention to child labour, as outlined in the Minimum Age Convention No. 138/1973 and the Worst Forms of Child Labour Convention No. 182/1999 adopted by the ILO, and the exploitation of women and foreigners from outside the European Union and also by respecting the principles of the European Charter of Fundamental Rights.

The Group has complied with the relevant laws and regulations that have a significant impact on the Group relating to preventing child and forced labour.

Likewise, no issues or concerns regarding child labour and compulsory labour from suppliers have been identified by the Group along the 2020–2022 reporting period.

Violations of the general principles of the Code of Ethics involve sanctioning mechanisms. To this end, specific clauses are set up in the individual contracts with suppliers. Regarding employees, if any employee becomes aware during his/her work of the commission of acts or behaviours which may harm personal safety as identified above, or constitute the exploitation or subjection of a person, he/she must immediately notify his/her superiors, without prejudice to obligations imposed by law, and the Group will take appropriate actions as and when appropriate.

Ferretti Group has also adopted a dedicated policy to manage Whistleblowing Reports. According to Legislative Decree 231/2001, all Recipients of the 231 Model are obliged to provide circumstantiated reports of any major unlawful conduct or breaches of the Organisation, Management and Control Model adopted by the Company. The Supervisory Body has the task of managing the Reports and treats the reports as confidential and adopts appropriate verification procedures to protect both the Whistleblower's privacy and the reported persons' identity and integrity.

OUR ENVIRONMENTAL IMPACT

The Group is committed to promote environmental stewardship and development, along with a sustainable growth and respect all the relevant laws and legislation regarding emissions and use of resources, and is committed to a principle of continuous improvement.

To achieve this goal, the management has set specific targets for every construction site regarding energy use efficiency, waste management and reduction, air emission monitoring and reduction and water use efficiency, and assigned responsibilities to the employees that are in charge of the environmental impacts in order to reduce them and mitigate the connected risks along its entire value chain. With a view to reducing the environmental impact of its yachts, the Group has undertaken a number of initiatives to reduce their weight over the years, since the weight determines fuel usage and related emissions of polluting and greenhouse gases, and it has focused its attention to the choice and use of recycled materials and application of coating with a low biocide content.

For 2022 the Group confirmed its compliance with the relevant laws and regulations and the absence of sanctioning activities regarding environmental applicable legislation, in particular regarding greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

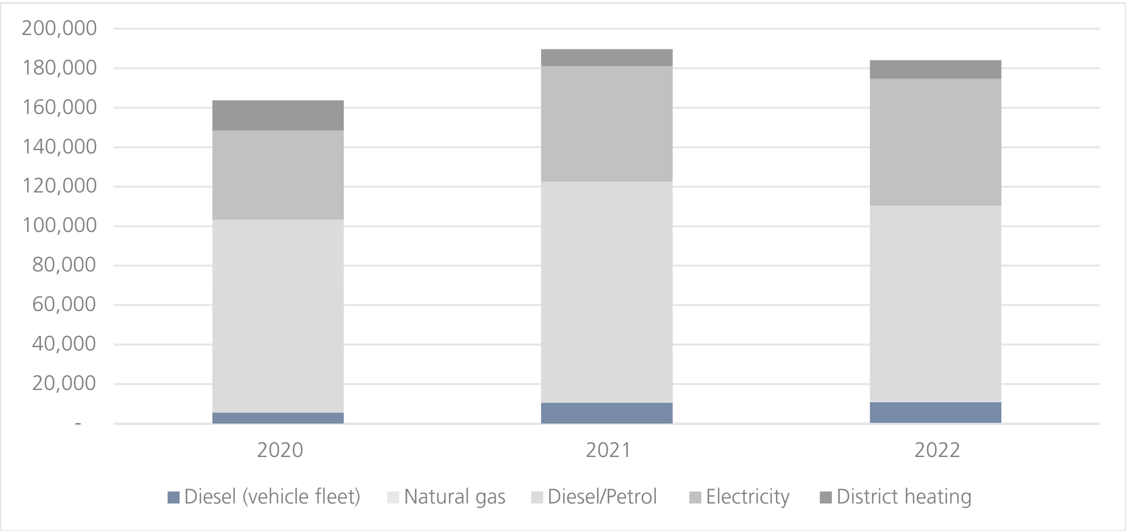
In line with the requirements of ISO 14001, all the certified sites[1] have in place specific monitoring and improvement plans that are validated by the Board of the Directors, in accordance with the principle of continuous improvement. The Board is updated at least once a year on the progresses on the ESG results by the ESG Committee and validate the strategical direction and alignment with Company's values and goals. During the Reporting Period, the Board is of the view that the ESG review result is in line with the strategical direction and values and goals of the Company.

[1] All Italian sites of Ferretti S.p.A. are certified ISO 14001, excluding the Ancona sites.

Energy and climate footprint

The Company is subject to periodic energy diagnosis obligations: several energy audits have been carried out along the past years on all the sites and further campaigns are planned for the future, with the aim of continuously optimising energy consumption.

Total annual energy consumption (GJ) by energy source[2]



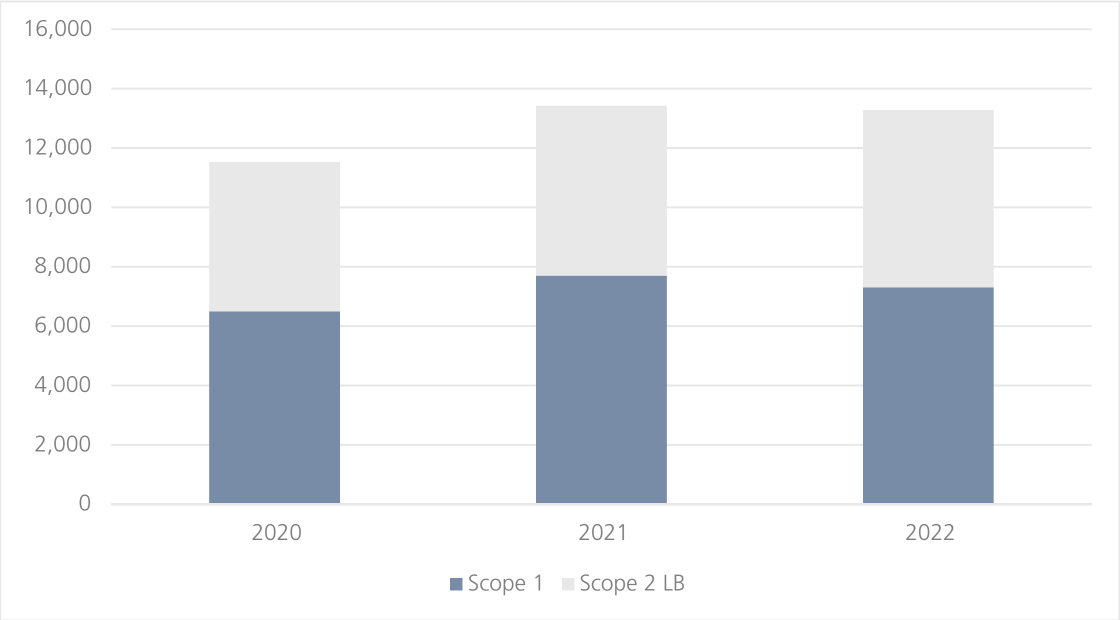
To reduce its climate footprint, at the end of 2019 the Group installed photovoltaic solar panels on Ancona plant's warehouses for the self-production of electricity, thus using the roofs to their full potential. Moreover, in 2020 other two photovoltaic panels were installed in Forlì and La Spezia, entering into operation since 2021.

	Photovoltaic kWh/year		
Site	2020	2021	**2022**
Forlì	—	250,626	**324,852**
La Spezia	—	33,430	**147,974**
Ancona	111,272	195,551	**182,296**
Total	111,272	479,607	**655,122**

[2] For the Fort Lauderdale shipyard (FL, USA), only electricity consumption is measured.

Ferretti Group constantly monitors its emissions to assess the impact and select potential improvement actions to reduce their effect on climate change. Greenhouse Gas (GHG) emissions are calculated using a standardised methodology[3].

GHG emissions (ton CO_2)[4]



Polluting atmospheric emissions monitoring and reduction

The main atmospheric emissions identified for Ferretti Group come from the furnishing and joinery departments, in which the main tasks require dust extraction points and related filtering systems for dust reduction. These include the sanding of wooden models and retouching plaster and polyurethane moulds. Extraction of the relevant plaster and fibreglass dust is carried out using flexible hoses and intake terminals. These atmospheric emissions are subject to authorisation and self-control for compliance with emission limits for dust and volatile organic compounds.

An advanced fibreglass infusion printing system is used at Forlì site. The infusion of composite materials is a production process which is increasingly used to improve the aesthetic quality of the final product and to reduce total labour costs. The general principle of infusion is to "vacuum" resin into the fibres which will be reinforced using vacuum technology. The system is equipped with an active carbon filter that allows highly professional finishes to be achieved in complete safety.

A second spray booth is being added at the Mondolfo shipyard, whilst two powder and one solvent emission booth are being added at the La Spezia shipyard, which is undergoing renovation. A third spray booth was added in the Forlì shipyard in 2022.

3 "GHG Protocol Corporate Accounting and Reporting Standard (2004)" (available at https://ghgprotocol.org/corporate-standard)

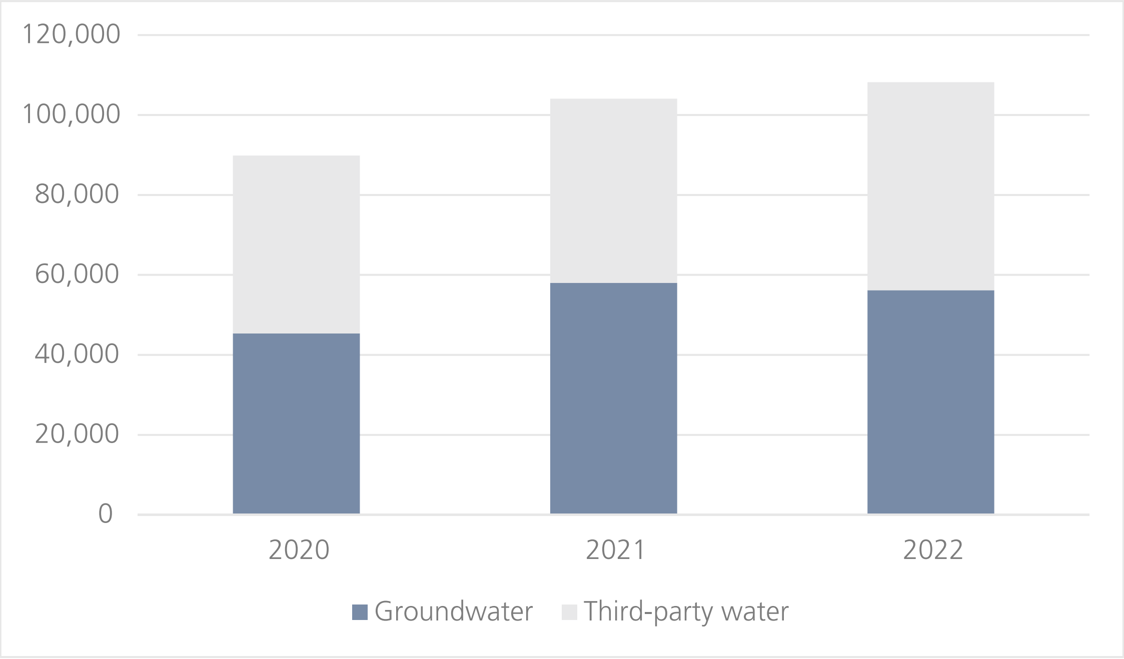
4 For the Fort Lauderdale shipyard (FL, USA), only emissions linked to electricity consumption are measured.

Water

The Ferretti Group's shipyards do not require significant water consumption, and, depending on the site, water is sourced chiefly from mains water, with a lower percentage coming from well water. None of the sites is located in water-stressed or particularly sensitive areas. Drinking water is used for hygienic and sanitation purposes. Process water, on the other hand, is used to fill tanks in which buoyancy tests for finished yachts are carried out (at Mondolfo and Forlì), if no quays are available to allow the tests to be conducted sea, as they are at La Spezia. Pressurised water is used to clean hulls and facilities.

As shown in the chart below, in 2022 the Group withdrew a total of 107,284 m^3 of water, 48% of which came from third parties (e.g., aqueducts) while the remainder was sourced from wells.

Total withdrawal by source (m^3)[5]



[5] Group water data reported in this table do not include figures for the Fort Lauderdale shipyard (FL, USA). 2020 and 2021 data have been updated, compared to the previous Sustainability Report, for a refinement of the calculation methodology.

Waste

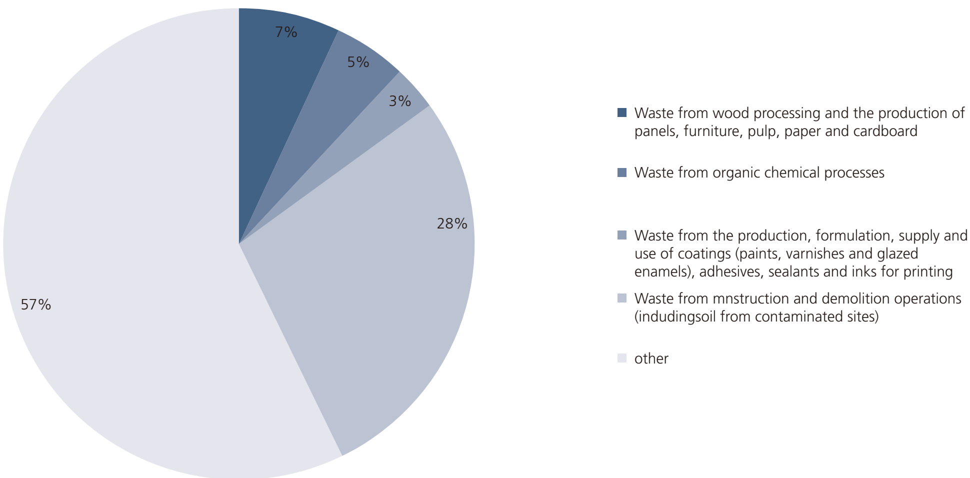
Non-hazardous waste from the production process is generally waste from internal and external preparation and industrial cleaning processes and is duly sorted.

Waste defined as hazardous (around 8% of the total) comprises solvent mixtures, products used in painting booths, fibreglass scraps, or oils, waste emulsions and dirty packaging in general.

In 2022, waste production has increased versus previous years and this is mostly due to a production increase in Forlì site and a relevant methodological change in the waste management law requirements in Cattolica.

A breakdown of waste produced[6] by the Group during the reporting year is shown below:

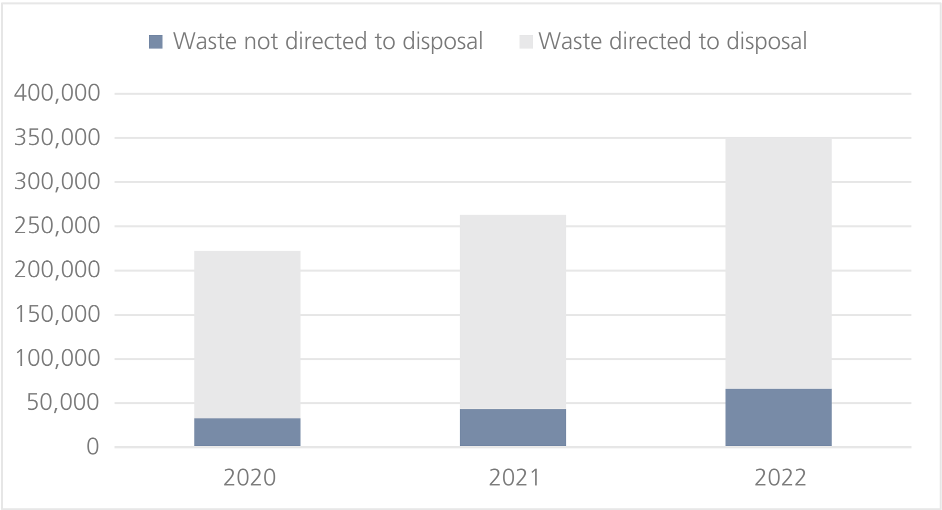
Total waste 2022 by CER code



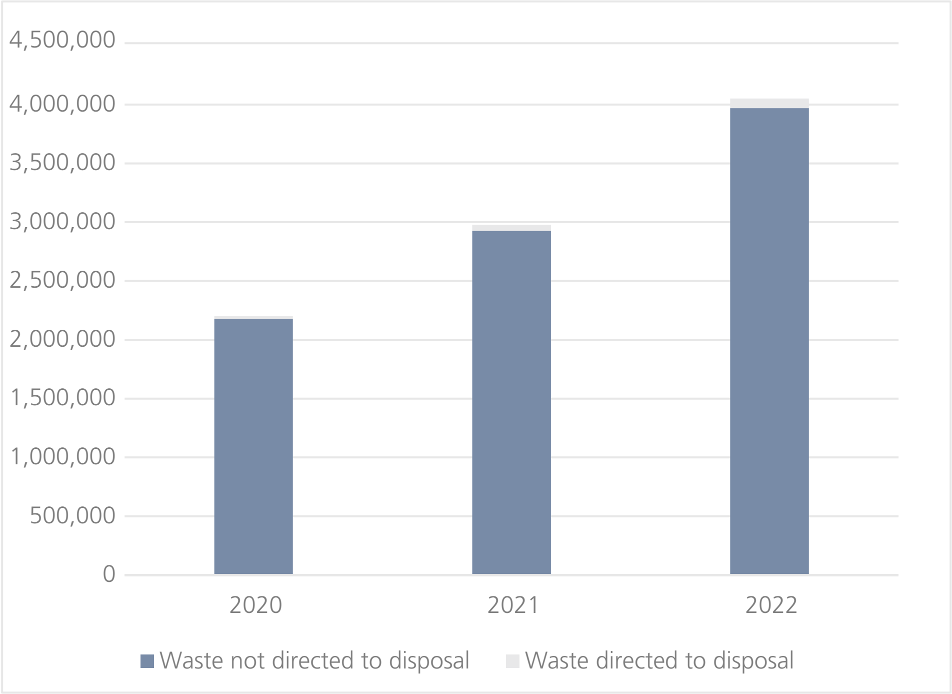
Waste management is made according to relevant legislations and standards, with specific attention to the country in which the operations are based.

6 Group waste data reported in this table do not include figures for the Fort Lauderdale shipyard (FL, USA).

Hazardous waste by disposal method (Kg)



Non-hazardous waste by disposal method (Kg)



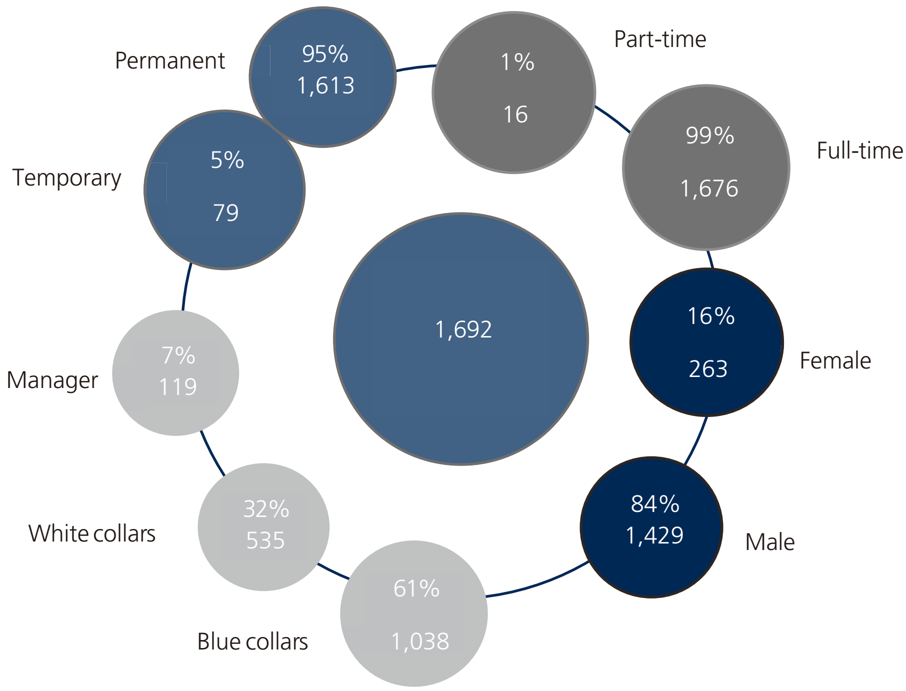
OUR SOCIAL IMPACT

Our people

People are the center of the Group's strategy: as stated in its Code of Conduct, the Group is strongly committed to build an environment with equal rights and opportunities and fair compensation and does not tolerate any physical or psychological abuse.

During the Reporting Period, the Group has complied with the relevant laws and regulations that have a significant impact of the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

At the end of 2022, the Group employed a total of 1,692 employees, with a slight increase on previous years (+5.8% compared to 2021); of these, the vast majority are hired on a full-time permanent contract.



Total employees by geographical region

	2020		2021		**2022**	
Geographical region	EMEA & APAC	AMAS	EMEA & APAC	AMAS	**EMEA & APAC**	**AMAS**
Number of employees as of 31st December	1,490	47	1,545	55	**1,633**	**59**
Total	1,537		1,600		**1,692**	
Geographical region	EMEA & APAC	AMAS	EMEA & APAC	AMAS	**EMEA & APAC**	**AMAS**
Hiring rate	5.6%	19.1%	9.2%	25.5%	**12.4%**	**40.7%**
Group hiring rate	6.0%		9.8%		**13.4%**	
Geographical region	EMEA & APAC	AMAS	EMEA & APAC	AMAS	**EMEA & APAC**	**AMAS**
Termination rate	5.1%	25.5%	5.6%	10.9%	**7.0%**	**33.9%**
Group termination rate	5.7%		5.8%		**8.0%**	

There are no particular trends in staff terminations, which remain related chiefly to retirements and voluntary resignations.

In addition to its internal workforce, Ferretti Group also makes use of an external workforce through subcontracting agreements with third parties, mainly related to the creation of on-board systems for yachts (electrical systems, painting and air conditioning systems).

Continuous growth and skills development for all employees are essential pillars of the Group's strategy; in 2022, a total of 19,635 training hours were provided to all employees of the Group, with a 19% increase with respect to the previous year, confirming the positive trend already started in 2021, after a period of serious restrictions caused by the spread of the COVID-19 pandemic.

Total training hours

2020	2021	**2022**
8,756	16,522	**19,635**

Further main purposes of the Group consist in ensuring a healthy workplace and objective performance evaluations for its employees, to avoid any discrimination and unconscious bias. For this reason, Ferretti Group adopted the following internal procedures:

— Policy on MBO linked compensation that regulates rules and instruction for the assignment of MBO objectives and evaluations;

— Hiring and Job rotation policies in order to define the activities of onboarding of new hires in communicative, organizational and contractual terms from the signing of the letter of commitment to employment and any subsequent changes in the employment relationship;

— Policy regarding working hours, additional to the formal contractual agreements;

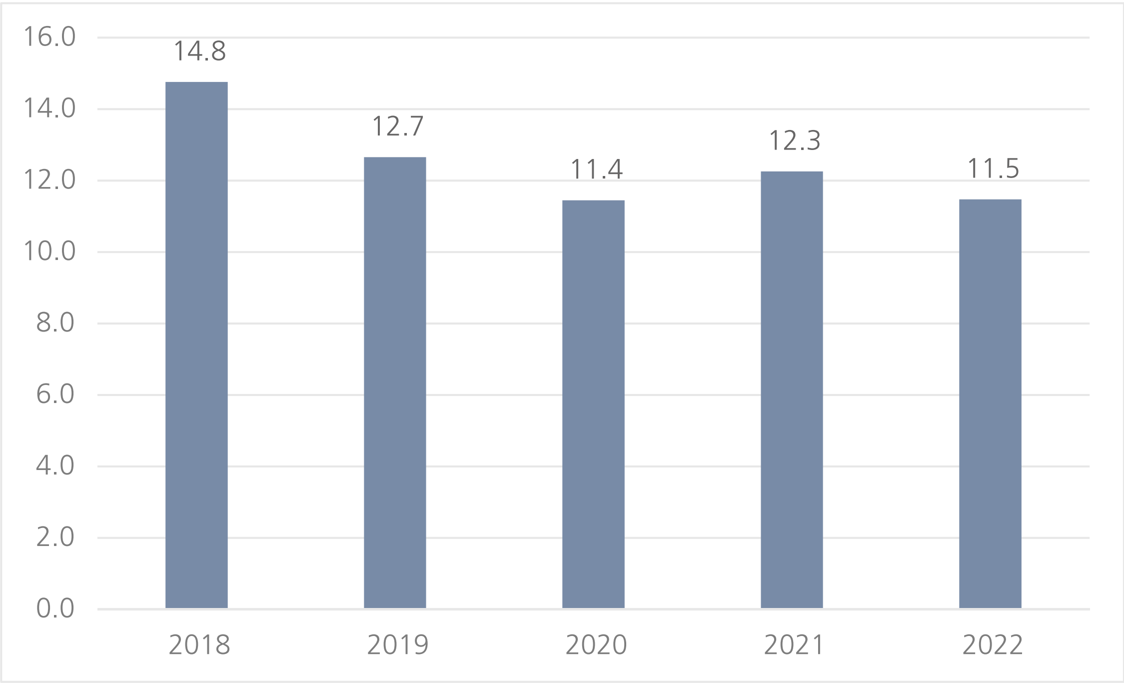
— Policy regarding trainings and qualification of employees, including induction to new hires.

No reports on discrimination issues have been received in 2022.

Health & Safety

In the last years, thanks to a series of measures and policies designed to lower the number of accidents involving its workers, Ferretti Group has reduced its injury rate (that is, the number of injuries per million hours worked).

Injury frequency rate (no. of injuries/million hours worked)



In 2022, two events of serious injuries (i.e., those entailing an absence of over six months) were reported by the companies of the Group, which will continue to work towards a zero injuries workplace and to possibly keep reducing accident and injury rates. One of the tools used by the Group to achieve such goals is represented by constant HS training activities, conducted both on the basis of the law requirements and on the specific needs of its workforce, in accordance with the main relevant figures (workers, RLS, Supervisors, etc.).

Specifically, in order to prevent potential injuries, each employee receives detailed training on the risks to which he or she is exposed, including practical training. Every month an occupational health and safety meeting is performed, with the participation of the Prevention & Protection Service Manager (PPSM), the Facility Director and the EHS Manager, the Contact Person (an experienced employee in charge of checking, supervising, and coordinating the works of its colleagues) along with their colleagues. This meeting is an opportunity to share the procedures adopted and practices to be used, and critical issues, injuries and near-misses that have emerged in previous weeks are discussed, as are the related corrective actions.

In the event of an accident or near-miss (any event that could have caused an injury or damage to health but which, by pure chance, did not) involving an employee or contractor or subcontractor, a report is drawn up which includes a detailed description of the event, the corrective measures identified, the person appointed to implement said measures and the date by which they will be carried out. Each of these events is then illustrated, commented on and shared with the Employer and all Facility Managers at a specific meeting that is held monthly and is called the "OMT Meeting". The involvement of Executives and attention to every single accident or near-miss event is fundamental in sharing situations of potential risk and implementing prevention measures across all the Group's shipyards.

In 2022, the Group reported a total of twelve cases of work-related ill health.

Labour standards

Fair retribution is recognized by Ferretti Group as a strategic pillar to improve employees wellbeing and retention.

All employees are covered by the national collective bargaining agreements, that guarantees:

— **Life Insurance** (for Executives);

— **Healthcare** (as a fringe benefit and therefore in the form of reimbursement of medical expenses for Executives, or from the Fondo Altea fund for the timber sector);

— **Social Security** (through the Fondo ARCO Fund for the timber sector and through Previndai for Executives);

— **Assistance** for workers seconded abroad (for all company personnel);

The group also guarantees for its employees[7] several benefits, depending on their organizational role:

— **Unisalute Healthcare** for managers and expatriates;

— **Assistance for work-related and non-work-related injuries** (for Executives and Directors);

— **Copertura Kasco coverage**, allowing use of a car for workers on company business;

— **the Corporate Welfare System**, according to second level bargaining agreements.

In 2022 the rush of inflation, also driven by the continuous increases in the energy costs, inevitably affected the workers' purchasing power. To meet their needs and help them in this challenging time, Ferretti Group in 2022 granted to most of its employees an average amount of 5,600 euros gross more than the agreed annual salary.

[7] These benefits are only provided for full-time temporary employees.

Community initiatives

Ferretti Group is very careful in evaluating its potential impact on the community in which it operates, addressing all the efforts in improving the community environment. For this reason, every year the Group chooses carefully which projects to support in order to be consistent with its values and the needs of the community.

Among all the initiatives, the Group is willing to highlight a special one, that has been launched in in September 2022 to support children in El Salvador by improving their access to child protection systems. In particular, Ferretti Group, together with the 7 Fund (a fund jointly created by UNICEF and David Beckham), identified six municipalities in the poorest and most degraded areas of El Salvador in which to intervene to prevent and actively respond to acts of violence against minors and developing infrastructures that allow an increasingly active school participation and represent safe places where children are protected and accompanied.

With the aim to contribute to the initiative, Ferretti Group has decided to take the field and concretely help 7 Fund by offering one of the only 18 examples of Riva Anniversario model that will be auctioned to allocate the entire cost to the child protection project in El Salvador.

The aim is not only of collecting fundamental resources to support those children, but also to raise awareness of the situation of El Salvador and its many young people who deserve a better life.

OUR SUPPLIERS, OUR CLIENTS AND OUR ECONOMIC IMPACT

Supply chain

Working with suppliers is key to reach a seamless integration towards sustainable operating practices. The Group takes into account, for the selection of suppliers, not only technical, economic and structural elements but also ESG aspects, in particular for new suppliers.In 2022 all new suppliers were evaluated on ESG characteristics.

The Group assesses in particular environmental criteria, such as certifications and permits for waste management and emissions, in compliance with relevant law, and social criteria, in particular regarding health and safety. The Group suppliers receive training on the Group's Code of Conduct, which imposes standards on ethical business, respect of workers' human rights, product quality and other ESG topics. In the event that the Group is aware of any violation of the Group's Code of Conduct by the suppliers, the Group will evaluate the situation and take appropriate measures.

All suppliers whose activities are directly erogated on site are trained on the safety measures described in the Group's policies and practices. By doing so, not only does the Group ensure the highest safety standards, but it also generates awareness on the importance of having a safe and committed workplace for everybody.

The vast majority (91%) of Ferretti S.p.A., Zago S.p.A. and RAM S.r.l 's suppliers are located within the national territory, and the non-Italian exceptions are well-structured, reliable multinational-companies, such as suppliers of engine parts or electronic components.

	Number of Suppliers			Purchase volumes[8]		
	2020	2021	**2022**	2020	2021	**2022**
Italy	1,468	1,750	**2,168**	€ 298,636,415	€ 525,726,231	**€ 568,420,309**
Europe	110	73	**118**	€ 48,355,204	€ 30,775,052	**€ 98,818,425**
Extra-Europe	34	45	**95**	€ 25,879,857	€ 18,690,052	**€ 47,214,156**
Total	1,612	1,868	**2,381**	€ 372,871,477	€ 575,191,336	**€ 714,452,889**

Client and quality at the core

A seamless customer experience is at the Core of the Group's actions with the goal of guarantee our client at all times the pleasure of experiencing the sea in absolute safety.

The Group's clients receives technical training and an accompanying service for the yacht's maiden voyage at the time of the delivery of the product. The Group provides a specific professional training school for after sales staff, The Service University", that issues a wide range of training, updated annually and improved with new contents to support a broad spectrum of skills: from managerial to customer satisfaction and to technical, commercial and operational expertise.

The data privacy of its clients and suppliers is fundamental for the reputation and conduct of the Group. The Group has complied with the European Personal Data Protection Regulation (GDPR), the EU Regulation that provides strict rules for any entity that handles personal data of EU citizens including the publication of a privacy policy,in order to protect its clients and guarantee maximum confidentiality and security in the processing of their data. In 2022, there were no reports of customer privacy violations. The Group's privacy policy is available at https://www.ferrettigroup.com/en-us/Legal-notice.

Quality assurance

The Ferretti Group obtained the ISO 9001:2015[9] certification in 2006 in order to ensure excellence within the organisation and in the management of the processes involved in creating products and offering services, from development to final delivery, with the establishment of a consolidated heritage of best practices and know-how.

In addition to ISO 9001:2015, the Group has recently obtained the following additional certifications:

— ISO 14001:2015 on environmental management systems, currently active at all Group's sites, excluding Ancona.

8 The number of suppliers and the total value of orders issued by the Group includes the companies Ferretti S.p.A, Zago S.p.A and RAM srl, while purchases made between Group companies (inter-company purchases) are excluded from the overall calculation. Furthermore, the volume of purchases cannot be reconciled with the item in the income statement linked to the "Value distributed to suppliers of goods and services", for the following reasons: i) orders to foreign companies (mainly those of Ferretti Group of America, Allied Marine and Ferretti Group Asia Pacific) are not included in the purchase orders; ii) purchases of used vessels are not included in the purchase orders; iii) difference in reporting of information related to Capex purchases and user costs; iv) delay between the date of the purchase order and the actual accrual of the cost of said order.

9 All sites of Ferretti Spa are covered by the certication excluding Ancona Ferretti Superyacht (ex Ancona CRN).

— Biosafety Trust certification RINA: active at all Group sites (except Zago S.p.A. and Fort Lauderdale shipyard), this is the first voluntary certification for infection prevention and control. It is owned by RINA and is currently being accredited by Accredia.

The quality system sets out specific responsibilities at two different levels.

At the first level, the Quality Assurance function guarantees the direct control of some key aspects of the value chain from the customer satisfaction and customer experience perspective, via the direct management of After Sales and continuous product improvement, thanks to an evolved and systematic dedicated problem-solving process, by Brand and Production Site.

At the second, plant managers are entrusted with product quality control, with local supervision of production processes through quality control of assembled products, the assembly process, testing and approval.

The product quality is certified by appropriate marking and certifications. The CE mark is valid in the European Economic Area for the sale of newly built boats up to 24 metres long. This requirement guarantees the health and safety of passengers, product quality, environmental impact and consumer protection. Through the CE marking process, the Ferretti Group makes sure that their yachts meet the highest safety standards, protecting their commercial value and quality throughout the life of the yacht.

For boats over 24 metres, the same guarantees are provided by specific approval procedures overseen by certification bodies, mainly RINA, for "pleasure yachts". Certificates are issued to prove that the product meets the requirements of the relevant approval standards, including tests for the various components.

In 2022 there were no non-conformities related to consumer health and safety aspects of the vessels produced and sold. Also, no recall or complaints were received on Ferretti Group's products. The Group considers complaints as an opportunity for improvement, to overcome conflicts and to recover customer trust and satisfaction. Due to the unique and bespoke nature of its products and direct relationship with its clients, eventual complaints or quality issues of the products are managed according to the specific situation.

The Group protects its intellectual property through means such as the registration of trademarks and the filing of patents. From time to time, the Group enters into coexistence agreements with third parties who own trademarks that are "formally similar" but not identical in substance. In addition, the Group seeks to protect the inventories generated through product development and innovation activities by means of patents, and protect proprietary know-how and trade secrets by implementing procedures designed to safeguard the confidentiality of its internal processes and to restrict access to information relating there.

METHODOLOGICAL NOTE

Reporting criteria

Ferretti Group has reported the information cited in this GRI content index for the period 1 January 2022 to 31 December 2022 with reference to the GRI Standards. In addition, following the listing process concluded in 2022, reference was made to the disclosures in the ESG Reporting Guide (Main Board Listing Rules — Appendix 27) of the Hong Kong Stock Exchange, which are set out in the Content Index. This Sustainability Report refers to specific standards of the framework that have been chosen for reporting. They are summarised in the GRI Content Index and HKEX index table below.

The purpose of the document is to describe the activities, objectives and performance achieved by the Group in the three-year reference period regarding issues identified through the materiality analysis, described in chapter "Materiality Analysis" of this document.

The Group's Sustainability Report is published annually and it is distributed to stakeholders through the Company's usual communication channels. The previous Sustainability Report, published in May 2022, is available at: https://www.ferrettigroup.com/Portals/4/skins/FG_2017/_assets/_assets/FG-Bilancio-sostenibilita%CC%80–2021_EN.pdf.

All figures reported refer to the reporting year between January 1, 2022 and December 31, 2022, and refer to all Group companies on a consolidated basis with the exception of some data expressly indicated in the text. The reporting boundary and reporting period are the same as the information reported in the 2022 Annual Report and are consistent with those of the previous year, with the addition of the firm RAM Srl, acquired at the end of 2021.

Moreover, Ferretti Group acquired in September 2022 two other companies, F.lli Canalicchio Spa and Il Massello Srl, whose data has not been included in this Sustainability Report.

All data are presented in comparison with the two years prior to this Report, namely 2021 and 2020, in order to provide greater detail and highlight the main trends occurring during the three-year period. Save for the changes that are expressly indicated in this ESG Report, the main methodology and the KPIs adopted in this ESG Report have not been modified compared to the 2021 ESG Report.

The sources of the parameters used to calculate the data presented in this report are as follows:

- **The Conversion to Lower Calorific Power (PCI) of energy sources** used by the Group was carried out using the conversion factors provided by the Ministry for the Environment and Protection of the Land and the Sea (MATTM) in the National Standard Parameters Table for 2021.

- **Direct GHG emissions (Scope 1)** produced by the Group and due to the consumption of natural gas were calculated using the factors provided by the Ministry for the Environment and Protection of the Land and the Sea (MATTM) in the National Standard Parameters Table for 2021. As regards consumption of diesel and petrol, on the other hand, the factors used were those provided by the UK Government's Department for Environment, Food and Rural Affairs (DEFRA), available in the document "Greenhouse gas reporting: conversion factors 2022". Specifically, in calculating CO2 emissions associated with the vehicle fleet, the reference factor for "Upper medium" vehicles was used.

- When calculating energy indirect **(Scope 2) Location-Based** GHG emissions, the factors used were those published by Terna in the document "International Comparisons 2020–2019 data". For **Scope 2 Market-Based** emissions the emission factor used was the one published in 2021 by the Association of Issuing Bodies in the document "European Residual Mixes — Results of the calculation of Residual Mixes for the calendar year 2021"[10].

No reference has been made to Comply or Explain Provision KPI A 2.5 *(Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced)* that is not deemed applicable to the Group's business. As regards KPI B6.3 *(Description of practices relating to observing and protecting intellectual property rights)*, please see the discussion of this topic in the "Business — Intellectual Property" section of the Prospectus published in March 2022 on the Group's website.

For any information regarding this document please contact Margherita.Sacerdoti@ferrettigroup.com.

GRI CONTENT INDEX & HKEX INDEX

Ferretti Group has reported the information cited in this GRI content index for the period 01/01/2022–31/12/2022 with reference to the GRI Standards.

GRI 1 used: GRI 1: Foundation 2021

Applicable GRI Sector Standard(s): N/A

Material topics — Specific standard disclosure

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	REFERENCE TO HKEXESG REPORTING GUIDE	LOCATION	OMISSION		
				REQUIREMENT(S) OMITTED	REASON	EXPLANATION
General disclosures						
GRI 2: General Disclosures 2021	2–1 Organizational details		Methodological Note	Reasons for omission are not permitted for these disclosures.		
	2–2 Entities included in the organization's sustainability reporting		Methodological Note			
	2–3 Reporting period, frequency and contact point		Methodological Note			
	2–4 Restatements of information		Methodological Note			
	2–5 External assurance		This Report is not subject to external assurance.			

10 The Location-Based approach uses an average emission factor which refers specifically to the Italian electricity production mix, while the Market-Based approach uses emission factors based on rates defined contractually with electricity suppliers. Given the absence of specific electricity agreements between the companies of the Group and the suppliers (e.g. a Guarantee of Origin purchase), for this calculation an emission factor related to the national "residual mix" was used.

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	REFERENCE TO HKEXESG REPORTING GUIDE	LOCATION	OMISSION		
				REQUIREMENT(S) OMITTED	REASON	EXPLANATION
	2–7 Employees		Our People Appendix			
	2–9 Governance structure and composition		Financial Statement: Corporate Governance Report			
	2–10 Nomination and selection of the highest governance body		Financial Statement: Corporate Governance Report			
	2–11 Chair of the highest governance body		Financial Statement: Corporate Governance Report			
	2–12 Role of the highest governance body in overseeing the management of impacts		Financial Statement: Corporate Governance Report			
	2–22 Statement on sustainable development strategy		Financial Statement: ESG Commitment of Ferretti Group			
	2–26 Mechanisms for seeking advice and raising concerns	B7.2	An Ethical Business			
	2–27 Compliance with laws and regulations[11]	GD A1	During 2022 Ferretti Group received no significant fines and non-monetary sanctions for non-compliance with laws and/or regulations			
	2–29 Approach to stakeholder engagement		Our Commitment towards sustainability			
	2–30 Collective bargaining agreements		Appendix			

11 The GRI 2–27 defines as Laws and Regulations:
— international declarations, conventions, and treaties;
— national, subnational, regional, and local regulations;
— binding voluntary agreements made with regulatory authorities and developed as a substitute for implementing a new regulation; and
— voluntary agreements (or covenants), if the organization directly joins the agreement, or if public agencies make the agreement applicable to organizations in their territory through legislation or regulation.

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	REFERENCE TO HKEXESG REPORTING GUIDE	LOCATION	OMISSION		
				REQUIREMENT(S) OMITTED	REASON	EXPLANATION
Material topics						
ECONOMIC PERFORMANCE INDICATORS						
GRI 3: Material Topics 2021	3–1 Process to determine material topics		Materiality Analysis	Reasons for omission are not permitted for these disclosures.		
	3–2 List of material topics		Materiality Analysis			
Anti-corruption						
GRI 3: Material Topics 2021	3–3 Management of material topics	G.D. B7	ESG Risk Management An Ethical Business			
GRI 205: Anti-corruption 2016	205–3 Confirmed incidents of corruption and actions taken	KPI B7.1 KPI B7.2 KPI B7.3	An Ethical Business			
ENVIRONMENTAL PERFORMANCE INDICATORS						
Energy						
GRI 3: Material Topics 2021	3–3 Management of material topics	G.D. A2	Our Environmental Impact			
GRI 302: Energy 2016	302–1 Energy consumption within the organization	KPI A2.1	Energy and Carbon Footprint Appendix			
	302–3 Energy Intensity	KPI A2.1	Appendix			
	302–4 Reduction of energy consumption	KPI A2.3	Energy and Carbon Footprint			
Water and effluents						
GRI 3: Material Topics 2021	3–3 Management of material topics	G.D. A2	Water			
GRI 303: Water and Effluents 2018	303–1 Interactions with water as a shared resource	KPI A2.2 KPI A2.4	Water			
	303–2 Management of water discharge-related impacts	Water				
	303–3 Water withdrawal	KPI A2.2 KPI A2.4	Water Appendix			
	303–5 Water Consumption	KPI A2.2	Water			

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	REFERENCE TO HKEXESG REPORTING GUIDE	LOCATION	OMISSION		
				REQUIREMENT(S) OMITTED	REASON	EXPLANATION
Emissions						
GRI 3: Material Topics 2021	3–3 Management of material topics	G.D. A1 G.D. A4	Energy and Carbon Footprint			
GRI 305: Emissions 2016	305–1 Direct (Scope 1) GHG emissions	KPI A1.1 KPI A1.2	Appendix			
	305–2 Energy indirect (Scope 2) GHG emissions	KPI A1.1 KPI A1.2	Appendix			
	305–5 Reduction of GHG emissions	KPI A1.5 KPI A4.1	ESG Risk Management			
	305–7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	KPI A1.1	Polluting atmospheric emissions monitoring and reduction			
Waste						
GRI 3: Material Topics 2021	3–3 Management of material topics	G.D. A1 G.D. A3	Waste			
GRI 306: Waste 2020	306–1 Waste generation and significant waste-related impacts	KPI A3.1	Waste			
	306–2 Management of significant waste-related impacts	KPI A1.6 KPI A3.1	Waste			
	306–3 Waste generated	KPI A1.3 KPI A1.4	Appendix			
	306–4 Waste diverted from disposal	KPI A1.3 KPI A1.4	Appendix			
	306–5 Waste directed to disposal	KPI A1.3 KPI A1.4	Appendix			
Supplier environmental assessment						
GRI 3: Material Topics 2021	3–3 Management of material topics	G.D. B5 KPI B5.2 KPI B5.3 KPI B5.4	Supply Chain ESG Risk Management			

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	REFERENCE TO HKEXESG REPORTING GUIDE	LOCATION	OMISSION		
				REQUIREMENT(S) OMITTED	REASON	EXPLANATION
SOCIAL PERFORMANCE INDICATORS						
Employment						
GRI 3: Material Topics 2021	3–3 Management of material topics	G.D. B1	Labour Standards			
GRI 401: Employment 2016	401 -1 New employee hires and employee turnover	KPI B1.2				
	401–2 Benefits provided to full-time employees that are not provided to temporary or part-time employees		Labour Standards			
Occupational health and safety						
GRI 3: Material Topics 2021	3–3 Management of material topics	G.D. B2	Health & Safety			
GRI 403: Occupational Health and Safety 2018	403–1 Occupational health and safety management system	G.D. B2 KPI B2.3	Health & Safety			
	403–2 Hazard identification, risk assessment, and incident investigation	G.D. B2	Health & Safety			
	403–3 Occupational health services	KPI B2.3	Health & Safety			
	403–5 Worker training on occupational health and safety	KPI B2.3	Health & Safety			
	403–6 Promotion of worker health		Labour Standards			
	403–7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	KPI B2.3	Health & Safety			
	403–9 Work-related injuries	KPI B2.1 KPI 2.2	Health & Safety Appendix			
Training and education						
GRI 3: Material Topics 2021	3–3 Management of material topics	G.D. B3	Our People			
GRI 404: Training and Education 2016	404–1 Average hours of training per year per employee	KPI B3.1 KPI B3.2	Appendix			

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	REFERENCE TO HKEXESG REPORTING GUIDE	LOCATION	OMISSION		
				REQUIREMENT(S) OMITTED	REASON	EXPLANATION
Diversity and equal opportunity						
GRI 3: Material Topics 2021	3–3 Management of material topics	G.D. B1	Our People			
GRI 405: Diversity and Equal Opportunity 2016	405–1 Diversity of governance bodies and employees	KPI B1.1	Appendix			
Non-discrimination						
GRI 3: Material Topics 2021	3–3 Management of material topics	G.D. B1	Our People			
GRI 406: Non-discrimination 2016	406–1 Incidents of discrimination and corrective actions taken	G.D. B1	Our People No incidents of discrimination occurred during the three-year reporting period			
Child labor						
GRI 3: Material Topics 2021	3–3 Management of material topics	G.D. B4	Ethical Business			
GRI 408: Child Labor 2016	408–1 Operations and suppliers at significant risk for incidents of child labor	KPI B4.1 KPI B4.2	Ethical Business			
Forced or compulsory labor						
GRI 3: Material Topics 2021	3–3 Management of material topics	G.D. B4	Ethical Business			
GRI 409: Forced or Compulsory Labor 2016	409–1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	KPI B4.1 KPI B4.2	Ethical Business			
Supplier social assessment						
GRI 3: Material Topics 2021	3–3 Management of material topics	G.D. B5	Supply Chain			
GRI 414: Supplier Social Assessment 2016	414–1 New suppliers that were screened using social criteria	KPI B5.2 KPI B5.3	Suppy Chain			
Customer health and safety						
GRI 3: Material Topics 2021	3–3 Management of material topics	G.D. B6 KPI B6.4	Client and Quality at the Core			
GRI 416: Customer Health and Safety 2016	416–2 Incidents of non-compliance concerning the health and safety impacts of products and services	G.D. B6 KPI B6.1 KPI B6.2	No incidents occurred during the three-year reporting period			

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	REFERENCE TO HKEXESG REPORTING GUIDE	LOCATION	OMISSION		
				REQUIREMENT(S) OMITTED	REASON	EXPLANATION
Marketing and labeling						
GRI 3: Material Topics 2021	3–3 Management of material topics	G.D. B6	Quality assurance			
GRI 417: Marketing and Labeling 2016	417–2 Incidents of non-compliance concerning product and service information and labeling	G.D. B6 KPI B6.3	No incidents occurred during the three-year reporting period			
Customer Privacy						
GRI 418: Customer Privacy 2016	418–1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	KPI B6.5	Client and quality at the core No incidents occurred during the three-year reporting period			
Community Investments						
Non GRI Topics		G.D. B8 KPI B8.1 KPI B8.2	Community Initiatives			
		KPI B5.1	Suppy Chain			

APPENDIX

Environmental data — Energy[12]

ENERGY SOURCE	MEASUREMENT UNIT	2020	2021	2022
NATURAL GAS	m^3	1,866,209	2,229,590	**1,616,711**
DIESEL	lt	888,863	909,385	**1,233,540**
of which for heating	lt	59,932	65,000	**75,100**
of which for yacht testing	lt	816,498	828,771	**1,144,918**
of which for movement of vehicles and yachts	lt	12,433	15,614	**13,522**
DIESEL (vehicle fleet)	lt	152,861	290,783	**301,258**
PETROL	lt	124	12,885[13]	**29,421**
ELECTICITY CONSUMPTION	kWh	12,552,620	16,291,389	**17,692,157**
DISTRICT HEATING	kWh	4,429,000	2,374,000	**2,726,000**

Environmental data — GHG emissions[14]

CATEGORY	MEASUREMENT UNIT	2020	2021	2022
SCOPE 1	**ton CO_2**	**6,503**	**7,699**	**7,509**
From gas	ton CO_2	3,703	4,421	**3,206**
From diesel	ton CO_2	2,389	2,460	**3,403**
From diesel (vehicle fleet)	ton CO_2	411	787	**831**
From petrol	ton CO_2	0.29	30.15	**68.84**
SCOPE 2 LOCATION BASED	**ton CO_2**	**4,618**	**5,726**	**5,977**
From electricity	ton CO_2	4,307	4,223	**5,511**
From district heating	ton CO_2	311	405	**465**
SCOPE 2 MARKET BASED	**ton CO_2**	**5,500**	**6,771**	**6,842**
From electricity	ton CO_2	5,190	5,076	**6,376**
From district heating	ton CO_2	311	405	**465**

12 For the Fort Lauderdale shipyard (FL, USA), only electricity consumption is measured.

13 The 2021 increase is due to an improvement of the data gathering process and data availability.

14 For the Fort Lauderdale shipyard (FL, USA), only emissions linked to electricity consumption are measured.

Environmental data — Energy and emissions intensity

ENERGY INTENSITY	MEASUREMENT UNIT	2020	2021	2022
REVENUE	GJ/mln €	256.4	208.9	**178.7**

LENGTH (FT)	MEASUREMENT UNIT	2020	2021	2022
Ancona CL[15]	GJ/ft	16.5	14.9	**12.8**
Mondolfo	GJ/ft	19.2	12.8	**11.0**
Cattolica	GJ/ft	6.4	6.1	**5.6**
Forlì	GJ/ft	7.2	5.5	**6.1**
Sarnico	GJ/ft	9.2	7.5	**6.9**
La Spezia	GJ/ft	11.1	8.6	**10.7**

EMISSIONS INTENSITY	MEASUREMENT UNIT	2020	2021	2022
REVENUE	tCO_2e (Sc.1 + Sc.2 Location Based)/ mln €	17.4	14.8	**13.1**

LENGTH (FT)	MEASUREMENT UNIT	2020	2021	2022
Ancona CL	tCO_2e (Sc.1 + Sc.2 Location Based)/ft	1.2	1.1	**0.9**
Mondolfo	tCO_2e (Sc.1 + Sc.2 Location Based)/ft	1.3	0.9	**0.8**
Cattolica	tCO_2e (Sc.1 + Sc.2 Location Based)/ft	0.5	0.4	**0.4**
Forlì	tCO_2e (Sc.1 + Sc.2 Location Based)/ft	0.5	0.4	**0.4**
Sarnico	tCO_2e (Sc.1 + Sc.2 Location Based)/ft	0.7	0.5	**0.5**
La Spezia	tCO_2e (Sc.1 + Sc.2 Location Based)/ft	0.8	0.6	**0.7**

15 2020 and 2021 data have been updated, compared to the previous Sustainability Report, for a refinement of the calculation methodology.

Environmental data — Polluting atmospheric emissions

POLLUTING AMTOSPHERIC EMISSIONS[16]	MEASUREMENT UNIT	2020	2021	**2022**
NOx	kg	1,129	1,309	**1,110**
Volatile Organic Compounds (VOC)	kg	5,174	6,099	**8,188**
Particles (PM)	kg	42	49	**50**
CO	kg	121	140	**77**

Enviornmental data — Water

WATER WITHDRAWAL BY SOURCE[17]	MEASUREMENT UNIT	2020	2021	**2022**
Total withdrawal from groundwater (e.g. wells)[18]	m^3	45,372	58,036	**56,224**
Total withdrawal from third parties (e.g. mains water)	m^3	44,480	46,032	**51,060**
Total water withdrawal	m^3	89,852	104,068	**107,284**

WATER INTENSITY	MEASUREMENT UNIT	2020	2021	**2022**
Cattolica	m^3/unit	0.81	0.72	**0.87**
Forlì	m^3/unit	3.20	2.24	**2.89**
Mondolfo	m^3/unit	6.71	4.19	**2.74**
Sarnico	m^3/unit	32.14	26.37	**26.26**
La Spezia	m^3/unit	4.91	4.48	**5.46**
Ancona CL	m^3/unit	1.83	3.62	**4.32**

WATER DISCHARGE BY SOURCE[19]	MEASUREMENT UNIT	2020	2021	**2022**
TOTAL WATER DISCHARGE	**m^3**	**30,716**	**32,042[20]**	**31,643**
Water discharge to third-parties (e.g. to public sewers)	m^3	30,716	32,042	**31,643**

16 The data reported in the table refer only to the Sarnico and Zago sites. The pollutant emission data for Zago site are estimates, since the data for 2022 are not yet available. Specifically, the value of NOx, Volatile Organic Compounds, Particulate Matter and CO has been re-proportioned on the basis of site energy consumption. The 2020 amount of VOCs produced by Zago S.p.A. refers only to H2 2020.

17 Group water withdrawal data reported in the tables do not include figures for the Fort Lauderdale shipyard (FL, USA).

18 2020 and 2021 data have been updated, compared to the previous Sustainability Report, for a refinement of the calculation methodology.

19 Group water discharge data reported in the tables do not include figures for the Fort Lauderdale shipyard (FL, USA).

20 2021 data have been updated, compared to the previous Sustainability Report, for a refinement of the calculation methodology.

Environmental data — Waste[21]

NON-HAZARDOUS WASTE	MEASUREMENT UNIT	2020	2021	**2022**
Cattolica	t	10.8	61.2	**251.2**[22]
Forlì	t	944.3	1,048.9	**1,636.7**
Mondolfo	t	279.1	328.9	**499.7**
Sarnico	t	137.4	146.6	**152.1**
La Spezia	t	436.8	514.7	**468.1**
Ancona FSY + CL	t	516.0	593.4	**714.6**
Zago	t	197.6	284.2	**298.8**
RAM	t	N/D	N/D	**39.0**

HAZARDOUS WASTE	MEASUREMENT UNIT	2020	2021	**2022**
Cattolica	t	16.3	15.9	**14.5**
Forlì	t	71.6	70.9	**148.3**
Mondolfo	t	33.4	48.1	**57.2**
Sarnico	t	12.8	12.2	**13.1**
La Spezia	t	55.3	26.5	**35.4**
Ancona FSY + CL	t	71.2	82.3	**71.1**
Zago	t	8.0	7.3	**7.6**
RAM	t	N/D	N/D	**3.6**

21 Group waste data reported in the tables do not include figures for the Fort Lauderdale shipyard (FL, USA).

22 The increment in data in 2022 was due to a change in regulatory requirement.

Human Resources data — Staff breakdown

CONTRACT TYPE	M.U.	2020	2021	2022
PERMANENT CONTRACT	Female	232	231	**252**
	Male	1,259	1,305	**1,361**
	Other	N/A	N/A	**0**
	Not disclosed	N/A	N/A	**0**
	Total	1,491	1,536	**1,613**
TEMPORARY CONTRACT	Female	10	18	**11**
	Male	36	46	**68**
	Other	N/A	N/A	**0**
	Not disclosed	N/A	N/A	**0**
	Total	46	64	**79**
NON-GUARANTEED HOURS EMPLOYEES	Female	N/A	N/A	**0**
	Male	N/A	N/A	**0**
	Other	N/A	N/A	**0**
	Not disclosed	N/A	N/A	**0**
	Total	0	0	**0**
TOTAL		1,537	1,600	**1,692**

CONTRACT TYPE	M.U.	2020	2021	2022
FULL-TIME	Female	236	243	**254**
	Male	1,289	1,345	**1,422**
	Other	N/A	N/A	**0**
	Not disclosed	N/A	N/A	**0**
	Total	1,525	1,588	**1,676**
PART-TIME	Female	6	6	**9**
	Male	6	6	**7**
	Other	N/A	N/A	**0**
	Not disclosed	N/A	N/A	**0**
	Total	12	12	**16**
TOTAL		1,537	1,600	**1,692**

Human Resources data — Employees by age group and gender

GENDER	AGE GROUP	2020	2021	2022
Female	< 30	24	31	**34**
	31–40	60	48	**50**
	41–50	118	122	**123**
	> 50	40	48	**56**
Total Female		242	249	**263**
Male	< 30	71	88	**141**
	31–40	290	282	**287**
	41–50	524	535	**533**
	> 50	410	446	**468**
Total Male		1,295	1,351	**1,429**
Other	< 30	N/A	N/A	**0**
	31–40	N/A	N/A	**0**
	41–50	N/A	N/A	**0**
	> 50	N/A	N/A	**0**
Total Other		N/A	N/A	**0**
Not disclosed	< 30	N/A	N/A	**0**
	31–40	N/A	N/A	**0**
	41–50	N/A	N/A	**0**
	> 50	N/A	N/A	**0**
Total Not disclosed		N/A	N/A	**0**
TOTAL		1,537	1,600	**1,692**

Human Resources data — Employees covered by collective bargaining agreements[23]

EMPLOYEES	M.U.	2020	2021	2022
Total number of employees at December 31	n.	1,490	1,545	**1,633**
Number of employees covered by collective bargaining agreements	n.	1,490	1,545	**1,633**
Percentage of employees covered by collective bargaining agreements	%	100%	100%	**100%**

Human Resources data — New hires during the reporting period

GENDER	AGE GROUP	2020	2021	2022
			NEW HIRES	
Female	< 30	10	18	**13**
	31–40	4	10	**14**
	41–50	3	6	**13**
	> 50	2	0	**3**
Total Female		19	34	**43**
Male	< 30	22	46	**73**
	31–40	26	42	**54**
	41–50	19	22	**38**
	> 50	6	12	**19**
Total Male		73	122	**184**
Other	< 30	N/A	N/A	**0**
	31–40	N/A	N/A	**0**
	41–50	N/A	N/A	**0**
	> 50	N/A	N/A	**0**
Total Other		N/A	N/A	**0**
Not disclosed	< 30	N/A	N/A	**0**
	31–40	N/A	N/A	**0**
	41–50	N/A	N/A	**0**
	> 50	N/A	N/A	**0**
Total Not disclosed		N/A	N/A	**0**
TOTAL		92	156	**227**

23 Group data related to the number of employees covered by collective bargaining agreement, reported in this table do not include figures for the Fort Lauderdale shipyard (FL, USA).

Human Resources data — Employee departures during the reporting period

GENDER	AGE GROUP	2020	2021	2022
		NUMBER OF DEPARTURES		
Female	< 30	6	6	**5**
	31–40	7	12	**10**
	41–50	2	4	**10**
	> 50	2	5	**4**
Total Female		17	27	**29**
Male	< 30	7	15	**9**
	31–40	10	22	**31**
	41–50	17	6	**22**
	> 50	37	23	**44**
Total Male		71	66	**106**
Other	< 30	N/A	N/A	**0**
	31–40	N/A	N/A	**0**
	41–50	N/A	N/A	**0**
	> 50	N/A	N/A	**0**
Total Other		N/A	N/A	**0**
Not disclosed	< 30	N/A	N/A	**0**
	31–40	N/A	N/A	**0**
	41–50	N/A	N/A	**0**
	> 50	N/A	N/A	**0**
Total Not disclosed		N/A	N/A	**0**
TOTAL		88	93	**135**

Human Resources data — Training and education

TOTAL TRAINING HOURS BY EMPLOYEE CATEGORY	U.M.	2020				
		MALE	FEMALE	OTHER	NOT DISCLOSED	TOTAL
MANAGER	H	619	366	N/A	N/A	985
WHITE COLLARS	H	2,552	1,297	N/A	N/A	3,849
BLUE COLLARS	H	3,817	105	N/A	N/A	3,922
TOTAL	H	6,988	1,768	N/A	N/A	8,756

TOTAL TRAINING HOURS BY EMPLOYEE CATEGORY	U.M.	2021				
		MALE	FEMALE	OTHER	NOT DISCLOSED	TOTAL
MANAGER	H	1,447	395	N/A	N/A	1,842
WHITE COLLARS	H	5,072	2,593	N/A	N/A	7,665
BLUE COLLARS	H	6,704	311	N/A	N/A	7,015
TOTAL	H	13,223	3,299	N/A	N/A	16,522

TOTAL TRAINING HOURS BY EMPLOYEE CATEGORY	U.M.	2022				
		MALE	FEMALE	OTHER	NOT DISCLOSED	TOTAL
MANAGER	H	1,695	569	0	0	2,264
WHITE COLLARS	H	6,676	2,843	0	0	9,519
BLUE COLLARS	H	7,180	672	0	0	7,852
TOTAL	H	15,551	4,084	0	0	19,635

AVERAGE TRAINING HOURS BY EMPLOYEE CATEGORY	U.M.	2020				
		MALE	FEMALE	OTHER	NOT DISCLOSED	TOTAL
MANAGER	H	6.6	14.6	N/A	N/A	8.3
WHITE COLLARS	H	9.2	7.2	N/A	N/A	8.4
BLUE COLLARS	H	4.1	2.8	N/A	N/A	4.1
TOTAL	H	5.4	7.3	N/A	N/A	5.7

AVERAGE TRAINING HOURS BY EMPLOYEE CATEGORY	U.M.	2021				
		MALE	FEMALE	OTHER	NOT DISCLOSED	TOTAL
MANAGER	H	14.3	14.6	N/A	N/A	14.4
WHITE COLLARS	H	16.7	14.2	N/A	N/A	15.8
BLUE COLLARS	H	7.1	8.0	N/A	N/A	7.1
TOTAL	H	9.8	13.2	N/A	N/A	10.3

AVERAGE TRAINING HOURS BY EMPLOYEE CATEGORY	U.M.	2022				
		MALE	FEMALE	OTHER	NOT DISCLOSED	TOTAL
MANAGER	H	18.2	21.9	0	0	19.0
WHITE COLLARS	H	19.6	14.7	0	0	17.8
BLUE COLLARS	H	7.2	15.6	0	0	7.6
TOTAL	H	10.9	15.5	0	0	11.6

Health & Safety data

WORK-RELATED INJURIES	M.U.	2020	2021	2022
			EMPLOYEES	
Employee worked hours	n.	2,270,814	2,529,259	**2,701,828**
Total number of recordable work-related injuries	n.	26	31	**31**
of which communiting incidents	n.	2	0	**1**
of which high-consequence work-related injuries	n.	0	0	**2**
of which fatalities	n.	0	0	**0**
Rate of recordable work-related injuries	—	11.4	12.3	**11.5**
Rate of high-consequence work-related injuries	—	0.0	0.0	**0.7**
Rate of fatalities	—	0.0	0.0	**0.0**
Lost work days due to injuries	n.	N/A	N/A	**745**

WORK-RELATED ILL HEALTH	M.U.	2020	2021	2022
			EMPLOYEES	
Cases of recordable work-relates ill health	n.	7	8	**12**
Fatalities resulting from work-related ill health	n.	0	0	**0**

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 62, is the Chairman of the Board and non-executive Director. Mr. Tan was appointed to the Board on July 3, 2012. He is responsible for the high level oversight of the Board and 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 technical innovation and 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 and the committee member of the 14th National Committee of the Chinese People's Political Consultative Conference. 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, the Top Science and Technology Award of Shandong Province* in December 2020, the Outstanding Engineer Award* by the International Scientific Exchange Foundation of China in December 2020 and the Outstanding Entrepreneur Award of Shandong Province* in November 2021.

Mr. Tan currently serves as the vice president of the China Federation of Chairmen of Industrial Economics Committee, the vice president and executive general manager of the China Enterprise Confederation/China Entrepreneur Association, the vice president of the China Mechanical Engineering Association and the deputy manager of the China Internal Combustion Engine Industry Association.

Mr. Tan obtained a doctorate degree in Engineering.

Biographical Details of Directors and Senior Management

Executive Director

Mr. Alberto Galassi, aged 58, is the Chief Executive Officer and executive Director. He was appointed to the Board on October 23, 2013 and became our Chief Executive Officer on May 23, 2014. Mr. Galassi was recently re-appointed as our Chief Executive Officer on March 8, 2023. 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 defense 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 the chief executive officer of Piaggio Aerospace in 2009. Mr. Galassi left his position and became the Piaggio Aerospace's chairman in 2014.

Mr. Galassi has also been a board member of Manchester City Football Club since June 2012 and a non-executive director of Palermo F.C. since July 2022.

Mr. Galassi obtained a degree in Law from the University of Modena in 1990 in Italy and was admitted as a lawyer to the Italian Bar Association in 1996.

Non-executive Directors

Mr. Piero Ferrari, aged 77, 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 and the management and operations of our Group.

Mr. Ferrari is the 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 the 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 the 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 59, 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 37, 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 and 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 54, 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. 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 works, 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;

— 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); and

— from July 2021 to October 2022, Mr. Hua was the chief executive officer of Chempartner Pharmatech Co., Ltd, a company listed on Shenzhen Stock Exchange (stock code: 300149).

Mr. Hua obtained his bachelor's degree in English from Shanghai International Studies University in the PRC in July 1989. He obtained his master's degree in Business Administration from the International University of Japan in June 1997 in Japan.

Mr. Stefano Domenicali, aged 57, is appointed as an independent non-executive Director on December 21, 2021. 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 30 years extensive experience in automobile industry, luxury brands and organization promotion. He began his professional career in 1991 with Ferrari where he held various positions, including heading up the Direzione Sportiva F1 from 2004 and the Team Principal for its Formula 1 team from 2008, where he won a total of 14 titles in the F1 Constructors' and Drivers' Championships. From 2009 to 2014, Mr. Domenicali represented Ferrari in the FIA World Motor Sport Council.

In November 2014, he became the vice president of the new business initiatives at AUDI AG, the world's leading producers of premium cars. In March 2016, he became the chief executive officer of Automobili Lamborghini, the 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 succeeded within both motorsport and commercial roles.

Mr. Domenicali studied Economics and Commerce at the University of Bologna in Italy and graduated in 1991.

Mr. Patrick Sun, aged 64, is appointed as an independent non-executive Director on December 21, 2021. 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 Kunlun Energy Company Limited (stock code: 00135) since February 2016 and AustAsia Group Limited (stock code: 2425) since December 2022, respectively. Mr. Sun was an independent non-executive director of China Railway Signal & Communication Corporation Limited (stock code: 3969) from May 2015 to August 2018, Trinity Limited (in liquidation) (stock code: 891) from October 2008 to November 2020, China NT Pharma Group Company Limited (stock code: 1011) from March 2010 to December 2019, and Sihuan Pharmaceutical Holdings Group Ltd. (stock code: 00460) from October 2010 to April 2023, 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 in 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 in the United States, in 2000. Mr. Sun is a fellow of the Association of Chartered Certified Accountants in 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.

Senior Management

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

Mr. Marco Zammarchi, aged 58, 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 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" from the University of Siena in 1994 in Siena, Italy.

Mr. Stefano De Vivo, aged 44, 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, working on projects for various leading companies in fashion and automotive groups with a particular focus on the Chinese market from the beginning of 2012 to the end of May 2014.

Mr. De Vivo has been appointed as the managing director of Wally Yachts S.A. since January 2019. Mr. De Vivo obtained a BSc degree in Naval Architecture and Ocean Engineering from University College London in September 2001 in England and an MBA from the Hong Kong University of Science & Technology School of Business and Management in December 2013 in Hong Kong.

Mr. Matteo Cecada, aged 51, joined 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, 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 the director of Genova Sestri Ponente plant in January 2009.

Mr. Cecada obtained a master's degree in Aerospace Engineering from the University of Pisa (Italy) in May 1998.

Mr. Giuliano Felten, aged 61, was appointed as the FSD Director of 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 the 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 50, 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 and 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 47, 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 49, 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 human resources manager. From September 2004 to January 2008, he served as a human resources director in IRCE S.p.A., where he was responsible for human resources management, and from February 2008 to August 2009, he worked in the company as a human resources manager of the industrial and quality areas. From September 2009 to January 2012, he worked in Fincantieri S.p.A., where he started as a human resources manager and then was promoted as the 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 51, 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 the 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 42, 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 and 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 as the 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 refueling operations.

Mr. Pallesi obtained a Juris Doctor degree from Luiss Guido Carli University in November 2004 in Italy, a master degree (LLM) in international tax law from the University of Leiden in August 2006 in the Netherlands and a master degree (LLM) in business law from University of California Berkeley School of Law in May 2007 in the U.S. Mr. Pallesi was admitted to the New York Bar Association in May 2008 and to the Italian Bar Association in May 2009. Mr. Pallesi was also admitted to practice as a notary public and real estate agent in the state of New York in 2008.

Ms. Margherita Sacerdoti, aged 39, joined 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 also has experience in international organizations. She 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 117 to 227, which comprise the consolidated statement of financial position as of December 31, 2022, 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 as of December 31, 2022, 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.

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, 2022, the Group reports significant amount of revenue for the construction of boats, whose obligations are fulfilled over time. These net revenues are recognized on a percentage of completion basis. The processes and methodologies for measuring such revenue are based on complex calculation algorithms and assumptions that for their nature require judgment 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 methodology used by the management through inquiries with the management; • the assessment of the reasonableness of the criteria used by the management for the determination of cost-to-cost method applied; • the 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 of Intangible asset	
As of December 31, 2022, the Group reports intangible assets of Euro 264 million, mostly for trademarks that have an indefinite useful life (Euro 244.4 million) and goodwill (Euro 8.9 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 judgment, 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 2023–2027 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 2022 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.

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 partner on the audit resulting in this independent auditor's report is Marco Mignani.

EY S.p.A.

Marco Mignani
Recognized PIE Auditor
Milan

March 8, 2023

Ferretti S.p.A.

Consolidated financial statements at December 31, 2022

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated January 27, 2010

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 "**Parent Company**") and its subsidiaries (the "**Group**" or "**Ferretti Group**"), which comprise the consolidated statement of financial position as of December 31, 2022, and the consolidated statement of income, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of December 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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

We are independent of the Ferretti S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

The statutory audit committee ("**Collegio Sindacale**") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

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

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

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

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

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

- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

REPORT ON COMPLIANCE WITH OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated January 27, 2010

The Directors of Ferretti S.p.A. are responsible for the preparation of the Report on Operations of Ferretti Group at December 31, 2022, including its consistency with the related consolidated financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italian. 720B, in order to express an opinion on the consistency of the Report on Operations, with the consolidated financial statements of Ferretti Group at December 31, 2022 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the consolidated financial statements of Ferretti Group at December 31, 2022 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated January 27, 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Bologna, March 8, 2023

EY S.p.A.
Signed by: Marco Mignani, Auditor

This report has been translated into the English language solely for the convenience of international readers.

Consolidated Income Statement

For the year ended December 31, 2022

(in thousands Euro)	*Notes*	**December 31, 2022**	December 31, 2021
Revenue		**1,072,449**	927,477
Commissions and other costs related to revenue		**(42,350)**	(29,056)
NET REVENUE	7	**1,030,099**	898,421
Change in inventories of work-in-process, semi-finished and finished goods	8	**35,181**	(32,650)
Cost capitalized	9	**31,982**	28,063
Other income	10	**16,002**	14,034
Raw materials and consumables used	11	**(514,468)**	(424,277)
Contractors costs	12	**(166,051)**	(138,027)
Costs for trade shows, events and advertising	13	**(19,963)**	(12,485)
Other service costs	14	**(117,680)**	(95,196)
Rentals and leases	15	**(8,931)**	(6,913)
Personnel costs	16	**(128,810)**	(112,417)
Other operating expenses	17	**(9,052)**	(7,062)
Provisions and impairment	18	**(33,115)**	(15,099)
Depreciation and amortization	19	**(53,089)**	(48,519)
Share of loss of a joint venture	20	**(44)**	(24)
Financial income	21	**2,328**	224
Financial expenses	22	**(4,452)**	(5,940)
Foreign exchange gains/(losses)	23	**9,448**	(1,459)
PROFIT BEFORE TAX		**69,385**	40,674
Income tax	24	**(8,839)**	(3,291)
PROFIT FOR THE YEAR		**60,546**	37,383
Attributable to:			
Shareholders of the Company		**60,274**	37,545
Non-controlling interests		**271**	(162)
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
Basic and diluted (€)	44	**0.19**	0.15

Consolidated Comprehensive Income Statement

For the year ended December 31, 2022

(in thousands Euro)	*Notes*	**December 31, 2022**	December 31, 2021
PROFIT FOR THE YEAR		**60,546**	37,383
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:			
Actuarial gain on defined benefits plan	42	**891**	161
Income tax effect	42	**(214)**	(39)
		676	122
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Gains from the translation of foreign operations	42	**3,641**	746
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**4,317**	868
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**64,862**	38,251
Attributable to:			
Shareholders of the Company		**64,588**	38,413
Non-controlling interests		**274**	(162)

Consolidated Statement of Financial Position

As at December 31, 2022

(in thousands Euro)	*Notes*	**December 31, 2022**	December 31, 2021
CURRENT ASSETS			
Cash and cash equivalents	25	**317,759**	173,010
Trade and other receivables	26	**59,432**	41,689
Contract assets	27	**115,372**	111,794
Inventories	28	**198,120**	144,387
Advances on inventories	28	**39,156**	24,606
Other current assets	29	**86,732**	8,731
Income tax recoverable	26	**2,091**	982
		818,663	505,199
NON-CURRENT ASSETS			
Property, plant and equipment	30	**303,394**	259,854
Intangible assets	31	**264,070**	258,174
Other non-current assets	32	**5,031**	5,189
Deferred tax assets	33	**16,397**	17,660
		588,893	540,877
TOTAL ASSETS		**1,407,556**	1,046,076

Consolidated Statement of Financial Position

As at December 31, 2022

(in thousands Euro)	*Notes*	**December 31, 2022**	December 31, 2021
CURRENT LIABILITIES			
Minority Shareholders' loan	34	**1,000**	—
Bank and other borrowings	34	**14,500**	31,157
Provisions	39	**42,946**	31,056
Trade and other payables	35	**337,364**	278,809
Contract liabilities	36	**185,914**	131,664
Income tax payable	37	**1,683**	754
		583,408	473,440
NON-CURRENT LIABILITIES			
Bank and other borrowings	38	**24,056**	57,326
Provisions	39	**13,049**	9,383
Non-current employee benefits	40	**7,646**	7,506
Trade and other payables	35	**1,006**	355
		45,757	74,570
TOTAL LIABILITIES		**629,165**	548,010
SHARE CAPITAL AND RESERVES			
Share capital	41	**338,483**	250,735
Reserves	42	**439,525**	247,543
Equity attributable to shareholders of the Company		**778,007**	498,278
Non-controlling interests	43	**384**	(212)
TOTAL EQUITY		**778,391**	498,066
TOTAL LIABILITIES AND EQUITY		**1,407,556**	1,046,076

	December 31, 2022	December 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before tax	**69,385**	40,674
Depreciation and amortization	**53,089**	48,519
Loss/(gain) on disposal of property, plant and equipment	**(100)**	391
Provisions	**15,696**	(4,540)
Financial income	**(13,761)**	(224)
Financial expenses	**4,452**	5,940
Share of loss of joint venture	**44**	24
Impairment of trade receivables, net	**558**	746
Provision/(reversal of provision) against inventories, net	**678**	(528)
Decrease/(increase) in inventories	**(64,167)**	23,615
Change in contract assets and contract liabilities	**50,672**	140,200
Decrease/(increase) in trade and other receivables	**(18,060)**	19,745
Increase/(decrease) in trade and other payables	**52,370**	(848)
Change in other operating liabilities and assets	**(612)**	(2,087)
Income tax paid	**(4,546)**	—
Cash flows from operating activities (A)	**145,697**	271,627
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment and intangible assets	**(81,453)**	(76,314)
Proceeds from disposal of property, plant and equipment and intangible assets	**1,330**	2,665
Acquisition of subsidiaries (Note 45)	**(9,153)**	(719)
Other financial investments	**(75,278)**	—
Interest received	**1,923**	224
Cash flows used in investing activities (B)	**(162,632)**	(74,144)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of shares	**234,753**	0
Dividends paid	**(6,707)**	(3,510)
New bank and other borrowings	**2,723**	57,673
Repayment of bank and other borrowing	**(70,143)**	(106,249)
Interest paid	**(2,582)**	(5,964)

Consolidated Cash Flow Statement

For the year ended December 31, 2022

	December 31, 2022	December 31, 2021
Cash flows from/(used in) financing activities (C)	**158,044**	(58,050)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (D=A+B+C)	**141,109**	139,433
Cash and cash equivalents at beginning of year (E)	**173,010**	32,830
Effect of foreign exchange rate changes, net (F)	**3,641**	747
CASH AND CASH EQUIVALENTS AT END OF YEAR (G=D+E+F)	**317,759**	173,010
Cash and cash equivalents as stated in the consolidated statements of financial position	**317,759**	173,010

Consolidated Statement of Changes in Equity

For the year ended December 31, 2022

(in thousands Euro)	Share capital	Share premium*	Legal reserve*	Translation reserve*	Other reserves*	Equity attributable to the shareholders of the company	Non-controlling interests	Total equity
At January 1, 2021	250,735	281,293	5,819	3,583	(78,055)	463,375	(50)	463,325
Profit for the year					37,545	37,545	(162)	37,383
Other comprehensive income for the year:								
Actuarial gain on defined benefits plan, net of tax					122	122		122
Exchange differences on translation of foreign operations				746		746		746
Total comprehensive income for the year				746	37,667	38,413	(162)	38,251
Transfer to the legal reserve			1,291		(1,291)	0		0
Dividends					(3,510)	(3,510)		(3,510)
At December 31, 2021	250,735	281,293	7,110	4,329	(45,189)	498,278	(212)	498,066
Profit for the year					**60,274**	**60,274**	**271**	**60,546**
Other comprehensive income for the year:								
Actuarial gain on defined benefits plan, net of tax					**673**	**673**	**3**	**676**
Exchange differences on translation of foreign operations				**3,641**		**3,641**		**3,641**
Total comprehensive income for the year				**3,641**	**60,948**	**64,588**	**274**	**64,862**
Transfer to the legal reserve			**1,177**		**(1,177)**	**0**		**0**
Dividends					**(6,707)**	**(6,707)**		**(6,707)**
Issue of share capital (Note 41-42)	**87,748**	**143,748**				**231,496**		**231,496**
Transaction costs (Note 42)					**(8,176)**	**(8,176)**		**(8,176)**
Acquisition of subsidiaries (Note 45)					**(1,476)**	**(1,476)**	**321**	**(1,155)**
At December 31, 2022	**338,483**	**425,041**	**8,287**	**7,970**	**(1,775)**	**778,007**	**384**	**778,391**

* These reserve accounts comprise the consolidated reserves of €439,525 thousand (2021: €247,543 thousand) in the consolidated statements of financial position.

Notes to the Consolidated Financial Statements

1. CORPORATE INFORMATION

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

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

2. BASIS OF PREPARATION

The financial information presented herein are based on the Consolidated Financial Statements for the year ended December 31, 2022 of the Group.

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

At the date of presentation of these consolidated financial statements, there were no differences between the IFRSs endorsed by the European Union and applicable to the Group and those issued by the IASB.

The consolidated financial statements have been prepared on the basis that the Group can operate as a going concern since the Company's management has verified that there are no uncertainties with regard to this. They include the statement of financial position, the income statement, the comprehensive income statement, the cash flow statement, the statement of changes in equity and notes of the Group.

The consolidated financial statements have been presented in Euro and prepared on the basis of the accounts for the year ended December 31, 2022 (January 1, December 31), of the companies within the consolidation perimeter, as approved by the Boards of Directors.

For the purposes of clarity and to make this document more readily understandable, all the amounts listed are stated in thousands of Euro, except when otherwise indicated.

3. CONSOLIDATION AREA AND CONSOLIDATION PRINCIPLES

These financial statements have been prepared by consolidating the financial statements of the Company and its subsidiaries at the reporting dates indicated.

Pursuant to IFRS 10, control arises when the Group is exposed, or has rights, to variable returns from its involvement with the investee and at the same time has the ability to influence those returns through its power over the said investee.

Specifically, the Group controls an investee if, and only if, the Group has:

— power over the investee (i.e., existing rights that give the current ability to direct the relevant activities of the investee);

— exposure, or rights, to variable returns from its involvement with the investee;

— ability to exert power over the investee to influence the amount of the investor's returns.

It is generally presumed that the majority of voting rights implies control. In support of this assumption, where the Group holds less than the majority of voting rights (or similar rights), the Group considers all facts and circumstances relevant to determining whether it controls the investee, including:

— contractual agreements with other vote-holders;

— rights under contractual agreements;

— the Group's actual and potential voting rights.

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 subsidiaries exceeds the corresponding interest in the underlying equity at the time of acquisition is offset against the incremental value attributable to assets and liabilities. Any residual amount is recognized 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 amortizes 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 recognized 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 recognized 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, unrealized 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 recognized on the original date of acquisition and in subsequent changes in equity. Subsequently, any losses attributable to the non-controlling shareholders in excess of their interest in the underlying equity are charged against Group interest in equity, unless the non-controlling shareholders have a binding obligation to cover those losses and have the resources to do so.

At December 31, 2022, non-controlling interests related to the shareholders that own 25% of the share capital of the subsidiary Sea Lion Srl, 20% of share of Ram S.p.A., included the company Ma.ri.na. s.r.l. indirectly owned through Ram S.p.A. and 15% of the share capital of Il Massello s.r.l., included the companies Parola s.r.l. and Smart Wodd s.r.l. indirectly owned through Il Massello s.r.l..

3. CONSOLIDATION AREA AND CONSOLIDATION PRINCIPLES (CONTINUED)

The table below shows the names, registered offices and interests in capital held directly and indirectly by the Company in subsidiaries at December 31, 2022.

SUBSIDIARIES

(consolidated line by line, with an indication of the percentage of share capital)

Name	Principal country of operation	Registered office	Currency	Share capital (in units)	% controlling interest	
					Direct	Indirect
Zago S.p.A.	Italy	Scorzé (Venice)	Euro	120,000	100%	
Il Massello s.r.l.	Italy	Sant'Ippolito (Pesaro-Urbino)	Euro	30,000		85%
Smart Wood s.r.l.	Italy	Sant'Ippolito (Pesaro-Urbino)	Euro	10,000		85%
Parola s.r.l.	Italy	Sant'Ippolito (Pesaro-Urbino)	Euro	10,000		85%
Sea Lion Srl	Italy	Forlì (Forlì-Cesena)	Euro	10,000	75%	
Ram Srl	Italy	Sarnico (Bergamo)	Euro	520,000	80%	
Ma.ri.na. s.r.l.	Italy	Sarnico (Bergamo)	Euro	10,400		80%
Ferretti Tech Srl	Italy	Cattolica (Rimini)	Euro	10,000	100%	
Allied Marine Inc.	USA	Fort Lauderdale (USA)	US Dollar	10	100%	
Fratelli Canalicchio S.p.A.	Italy	Narni (Terni)	Euro	500,000	60%*	
Ferretti Group of America Holding Company Inc.	USA	Delaware (USA)	US Dollar	10	100%	
BY Winddown Inc.	USA	Miami (USA)	US Dollar	10		100%
Ferretti Group of America Llc.	USA	Fort Lauderdale (USA)	US Dollar	100		100%
Ferretti Group Asia Pacific Ltd.	China	Hong Kong (China)	Hong Kong Dollar	100,000	100%	
Ferretti Asia Pacific Zhuhai Ltd.**	China	Hengqin (Zhuhai)	Reminbi	1,000,000	100%	
Ferretti Group (Monaco) S.a.M.	Monaco	Principality of Monaco	Euro	150,000	99.4%***	
Ferretti Group UK Limited	United Kingdom	United Kingdom	Pound sterling	1	100%	
Ferretti Gulf Marine-Sole Proprietorship Llc.	Arab Emirates	Arab Emirates	Emirati Dirham	300,000	100%	

3. CONSOLIDATION AREA AND CONSOLIDATION PRINCIPLES (CONTINUED)

SUBSIDIARIES (Continued)

* The remaining 40% is subject to put and call options exercisable from September 19, 2027 to September 19, 2028. The terms of put and call options over these non-controlling interests, mean that they give to the Group a present ownership interest in the underlying securities, accordingly this business combination was accounted for on the basis that the underlying shares subject to the put and call options have been acquired. Thus, the Group does not recognize non-controlling interests and recorded liabilities for shareholders under the options.

** Registered as a wholly-foreign-owned enterprise under PRC law.

*** The investment of 0.6% is owned by the three directors of Ferretti Group (Monaco) S.a.M. for their role, as provided for by the Bylaws.

These consolidated financial statements are presented in Euro, as this is the currency in which most of the Group's operations are conducted. The separate financial statements of each company in the Group are prepared in the currency of their primary economic environment (functional currency), while for the purposes of the consolidated accounts the financial statements of each foreign entity are presented in Euro.

The assets and liabilities of foreign subsidiaries with functional currencies other than the Euro are translated into Euro at the exchange rate in force at the end of the year. The income statement is translated at the average rate for the year. Any resulting translation differences are recognized in the equity under "Translation reserve", which is part of the financial statements. This reserve is recognized in the income statement as a gain or a loss in the year when the subsidiary involved is sold.

Interest in a joint venture

On April 28, 2021, the company Restart S.p.A. was incorporated in Milan. Equally owned by the Ferretti Group and PN Sviluppo s.r.l., a wholly owned subsidiary of Sanlorenzo S.p.A., in relation to the project to acquire Perini Navi S.p.A., it is classified as a joint venture (i.e., as a contractual agreement whereby two or more parties undertake a business operation subject to joint control pursuant to IFRS 11). On December 23, 2022 the extraordinary meeting of the shareholders approved the voluntary dissolution of the company due to the termination of the purpose for which it was established and the company was renamed in Restart S.p.A. in liquidazione. The company was accounted for using the equity method.

Translation of the Financial Statements of Foreign Companies into Euro

The consolidated financial statements for the year ended December 31, 2022 have been presented in Euro, which is the functional and presentation currency adopted by Ferretti. Each Group company defines its functional currency, which is used to measure the items in the individual financial statements. The Group uses the direct consolidation method. The profit or loss reclassified to the income statement at the time of sale of an international subsidiary represents the amount resulting from the use of this method.

3. CONSOLIDATION AREA AND CONSOLIDATION PRINCIPLES (CONTINUED)

SUBSIDIARIES (Continued)

Group Companies

The assets and liabilities of Group companies are translated into Euro at the spot exchange rate at the reporting date, and the revenues and costs in each separate comprehensive income statement or income statement are translated at the spot exchange rates at the transaction date. The foreign exchange differences resulting from this translation are taken to the comprehensive income statement. Upon the disposal of a foreign operation, the part of the comprehensive income statement relating to such foreign operation is taken to the income statement.

Goodwill on the acquisition of a foreign operation and adjustments to the fair value of the carrying amounts of assets and liabilities arising from the acquisition of a foreign operation are accounted for as assets and liabilities of that foreign operation. They are therefore presented in the functional currency of the foreign operation and translated at the spot exchange rate at year-end.

The conversion into Euro of the financial statements of the non-EU subsidiaries of Ferretti (located in the USA), consolidated line by line, was done adopting the current exchange rate in force at the end of the period of reference for the statement of financial position (1 EUR equal to USD1.06660), and for the income statement items by applying the average exchange rate of the period of reference (1 EUR equal to USD1.05304). Similarly, the conversion into Euro of the financial statements of the subsidiary located in the United Kingdom, also consolidated line by line, was done adopting the current exchange rate at the reporting date December 31, 2022 (1 EUR equal to GBP 0.88693) for the statement of financial position, and for the income statement items by applying the average exchange rate of the period from January 1, 2022 to December 31, 2022 (1 EUR equal to GBP 0.85275).

The Group does not have any assets or liabilities in currencies of hyperinflationary economies.

4. ACCOUNTING POLICIES

The following accounting standards have been consistently applied by all Group companies.

Business Combinations

Business combinations are recognized 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.

4. ACCOUNTING POLICIES (CONTINUED)

Business Combinations (Continued)

The assets, liabilities and identifiable contingent liabilities of the acquired company that meet the criteria for recognition set forth in IFRS 3 are recognized 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 recognized at fair value, less costs to sell.

The acquiree measures contingent consideration at fair value at acquisition date. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity. The change in fair value of contingent consideration classified as an asset or liability, in that it is a financial instrument falling within the scope of IFRS9 — Financial Instruments, must be recognized 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 recognized through profit or loss.

Goodwill is initially recognized 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 recognized at the acquisition date. If the review again identifies a fair value of net acquired assets exceeding the consideration, the difference (profit) is recognized 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 that do not have a significant impact on the future cash flows of the transferred net assets — The principle of the continuity of values

The adoption of the principle of the continuity of values results in the recognition on the statement of financial position of values that are the same as those that would be used if the companies that are parties to the business combination had always been combined.

Therefore, if the transfer values are higher than the historical values, the buyer/recipient of the transferred assets must make a reversing entry for the amount of the surplus and adjust downward its equity by a charge to a reserve, whether or not the goodwill paid has economic value.

Transactions that have a significant impact on the future cash flows of the transferred net assets

In this case, the transaction is recognized based on the fair value of the transferred net assets at the date transaction accordingly with the method provided by IFRS 3, including the goodwill.

4. ACCOUNTING POLICIES (CONTINUED)

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 recognizes 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 fulfillment of the obligations concerned (i.e., at a point in time or over time).

In accordance with IFRS 15, the Group only recognizes 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 recognized through other comprehensive income or profit or loss. The Group has elected to recognize 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 recognized 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.

4. ACCOUNTING POLICIES (CONTINUED)

Recognition of revenue from contracts with customers (Continued)

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

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

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

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

Commissions and other costs related to revenue

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

4. ACCOUNTING POLICIES (CONTINUED)

Government Grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual installments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of reduced depreciation charge. Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to the statement of profit or loss over the expected useful lives of the relevant assets by equal annual installments. Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for "Financial liabilities" above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual installments.

Interest Income and Expense

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

Income Taxes

Income taxes comprise current tax expenses and deferred tax expenses.

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

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

4. ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

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 recognized directly in earnings, except for those related to items that are recognized directly in equity, in which case the related deferred taxes are also recognized in equity.

The Italian companies Ferretti S.p.A. and Zago S.p.A. have opted for group taxation pursuant to Articles 117 et seq. of TUIR Consolidated Law on Income Tax (Law No. 917 of December 22, 1986). This option allows the parent company to immediately offset any loss incurred by its subsidiaries against the Group's overall profit.

Cash and Cash Equivalents

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

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 recognized at their face value, less a write-down capable to recognize 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.

4. ACCOUNTING POLICIES (CONTINUED)

Trade and other receivables and contract assets (Continued)

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance). The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 26 and Note 27 to the financial statements, respectively.

Inventories

Inventories of raw materials, auxiliary materials, supplies, semi-finished goods and work in process are valued at the lower of purchase or production cost, determined by the average weighted cost method, and the corresponding market or estimated realizable 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 amortized cost, fair value through other comprehensive income ("**OCI**") and fair value recognized in the income statement.

  The classification of financial instruments at the time of initial recognition depends on the characteristics of the financial asset contractual cash flows and on the business model used by the Group for its operations. Except for trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus the transaction costs, in the case of a financial asset not at fair value recognized 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 amortized cost or fair value through OCI, it must generate cash flows that depend only on the principal and interest on the amount of the principal to be repaid (so-called "**solely payments of principal and interest (SPPI)**"). This measurement is indicated as an SPPI test and is carried out at instrument level. The Group's business model for managing financial assets refers to the way in which it manages its financial assets in order to generate cash flows. The business model decides whether the cash flows will derive from the collection of contractual cash flows, the sale of financial assets or both. The purchase or sale of a financial asset requiring its delivery within a period of time generally set by regulation or market practices (so-called regular way trade) is recognized on the deal date, namely the date on which the Group undertook to buy or sell the asset.

4. ACCOUNTING POLICIES (CONTINUED)

Financial Instruments: recognition and measurement (Continued)

Financial Assets (Continued)

- *Subsequent measurement*

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

— financial assets at amortized cost (debt instruments);

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

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

— financial assets at fair value through profit or loss.

1) Financial assets at amortized cost (debt instruments) represent the category of greatest significance for the Group. The Group measures a financial asset at amortized 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 recognized in profit or loss when the asset is derecognized, modified or becomes impaired.

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

The expected losses are recognized 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 recognized. 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 recognized in full.

4. ACCOUNTING POLICIES (CONTINUED)

Financial Instruments: recognition and measurement (Continued)

Financial Assets (Continued)

- *Subsequent measurement (Continued)*

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

3) Investments in equity instruments: upon the initial recognition, the Group may irrevocably elect to classify its investments as equity instruments recognized at fair value through OCI when they meet the definition of equity instruments under IAS 32 'Financial Instruments: Presentation' and are not held for trading. The classification is determined for each individual instrument. Gains and losses realized on those financial assets are never reversed through the income statement. Dividends are recognized as other income in the income statement when the right to payment has been approved, except when the Group benefits from that income as the recovery of part of the cost of the financial asset, in which case such gains are recognized in OCI. Equity instruments recognized at fair value through OCI are not subject to to an impairment test. The Group has chosen to irrevocably classify its unlisted equity investments in this category.

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

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

4. ACCOUNTING POLICIES (CONTINUED)

Financial Instruments: recognition and measurement (Continued)

Financial Assets (Continued)

- *Subsequent measurement (Continued)*

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

- *Derecognition*

  A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (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 recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes 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 recognized at fair value, in addition to directly attributable transaction costs, in the cases of loans, financing and payables.

4. ACCOUNTING POLICIES (CONTINUED)

Financial Instruments: recognition and measurement (Continued)

Financial liabilities (Continued)

- *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 recognized through profit or loss include liabilities held for trading and financial liabilities at fair value with changes recognized through profit or loss.

  — Loans and borrowings

  This is the category of greatest significance for the Group. Loans are measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liability is extinguished, as well as through the amortization process. Amortized 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. Amortization 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 derecognized when the obligation underlying the liability is extinguished, canceled 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 derecognizing the original liability and recognizing a new liability, with any differences between carrying amounts recognized in the income statement.

4. ACCOUNTING POLICIES (CONTINUED)

Property, Plant, Machinery and Equipment

Buildings and land are recognized 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 installments in accordance with standard depreciation rates based on the residual useful lives of the assets.

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

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

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

Buildings	
Buildings	3.0%–6.0%
Prefabricated structures	10%
Leasehold improvements	The shorter of the lease term and the estimated useful lives of the assets
Plant, machinery and equipment	
Manufacturing plants and automated machines	11.5%–15.0%
Manufacturing and distribution equipment	25.0%
Models and moulds	
Models and moulds	20%–33%
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 capitalized 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 recognized 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 amortized over the remaining useful life of the asset, if they satisfy the definition of asset.

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

IFRS 16 — Leases

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

Rights-of-use assets

The Group recognizes 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 recognized, 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.

4. ACCOUNTING POLICIES (CONTINUED)

IFRS 16 — Leases (Continued)

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 recognized 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 judgment 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.

Intangible assets with indefinite useful life

Goodwill and other assets that have an indefinite useful life (trademarks) or are not available for use are not amortized on a regular basis. Instead, their recoverable value is tested annually for impairment at the level of the cash generating unit to which management allocated the goodwill. Once recognized, 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.

4. ACCOUNTING POLICIES (CONTINUED)

Intangible Assets Generated Internally — Research and Development Costs

Research costs are charged to the income statement in the period in which they are incurred.

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

— the asset is identifiable (e.g., software or new processes);

— it is likely that the asset will generate future economic benefits;

— the costs incurred to develop the asset can be measured reliably; and

— there is a technical and financial capacity to complete the asset and render it available for use or sale.

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

When assets generated internally may not be recognized 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 recognized as assets when it is likely that their use will generate future economic benefits and their cost can be measured reliably.

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

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

Other intangible assets are initially recognized at their acquisition cost and are amortized 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 amortized over three years.

4. ACCOUNTING POLICIES (CONTINUED)

Intangible Assets Generated Internally — Research and Development Costs (Continued)

Other intangible assets (Continued)

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

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

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

— its expected long term profitability;

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

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

— its age.

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

Impairment of Assets

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

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

4. ACCOUNTING POLICIES (CONTINUED)

Impairment of Assets (Continued)

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

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

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

Equity investments

Associated companies

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

Post-employment Employee Benefits

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

In the case of defined-benefit plans (which include the employee severance benefit plans of Italian Group companies), the cost of benefits provided is determined in accordance with the projected unit credit method by making actuarial valuations at the end of each year. The new standard re-organizes 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.

4. ACCOUNTING POLICIES (CONTINUED)

Provisions

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

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

Basic and diluted earnings per share (EPS)

Accounting standard IAS 33 — *Earnings per Share* regulates the calculation and disclosure of information to be provided to users of financial statements regarding basic and diluted earnings per share. The classes of financial instruments identified by the standard that have to be considered when calculating the aforesaid indicators are options, warrants, instruments convertible to shares (e.g. convertible bonds) and similar.

Basic earnings per share are calculated based on earnings for the year attributable to shareholders of the Company divided by the weighted average number of ordinary shares in issue during the financial year.

Diluted earnings per share are calculated based on diluted earnings for the year attributable to shareholders of the Company, divided by the weighted average number of ordinary shares in issue during the financial year amended by the number of potentially dilutive ordinary shares.

The Company has no potentially dilutive financial instruments and so the two indicators are the same.

Use of estimates and assumptions

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

4. ACCOUNTING POLICIES (CONTINUED)

Use of estimates and assumptions (Continued)

Impairment of non-financial assets

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

Deferred tax assets

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

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 judgments. 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.

4. ACCOUNTING POLICIES (CONTINUED)

Commitments

Commitments are those that may give rise to a future outflow of cash or other resources for contractual commitments for the acquisition of property, plant and equipment and intangible assets, for construct or develop investment property or for repairs, maintenance or enhancements. The total commitments the Group has made but not recognized at the reporting date (including its share of commitments made jointly with other investors with joint control of a joint venture) relating to its interests in joint ventures will be eventually disclosed.

Segment Report

For management purposes the Group has a single operating segment relevant for reporting. This segment is the design, construction and marketing of yachts and pleasure craft. Since it is the only operating segment on which the Group reports, no additional analysis of its operating segment is provided.

Geographical information — non-current assets

Since over 90% of the Group's non-current assets is located in Italy, no additional information by geographical sector is provided.

Information on main customers

No single external customer accounts for 10% or more of the Group's revenues.

Changes in accounting policies and disclosure

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

Onerous Contracts — Costs of Fulfilling a Contract — Amendments to IAS 37

An onerous contract is a contract under which the unavoidable of meeting the obligations under the contract costs (i.e., the costs that the Group cannot avoid because it has the contract) exceed the economic benefits expected to be received under it. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labor and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfill the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group applied the amendments to the contracts for which it had not fulfilled all of its obligations at the beginning of the reporting period. Prior to the application of the amendments, the Group had not identified any contracts as being onerous as the unavoidable costs under the contracts, which were the costs of fulfilling them, comprised only incremental costs directly related to the contracts. These amendments had no impact on the consolidated financial statements of the Group.

4. ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies and disclosure (Continued)

Reference to the Conceptual Framework — Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. In accordance with the transitional provisions, the Group applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). These amendments had no impact on the consolidated financial statements of the Group as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.

Property, Plant and Equipment: Proceeds before Intended Use — Amendments to IAS 16

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. In accordance with the transitional provisions, the Group applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 1 First-time Adoption of International Financial Reporting Standards — Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. These amendments had no impact on the consolidated financial statements of the Group as it is not a first-time adopter.

4. ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies and disclosure (Continued)

IFRS 9 Financial Instruments — Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement. In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no impact on the consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the period.

Standards issued but not yet effective

The standards and interpretations that have already been issued, but are not yet effective at the date of issuance of the Group's financial statements, are disclosed below. The Group intends to adopt such standards when they enter into force and does not foresee any material impacts on its consolidated financial statements:

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

— IFRS 17 Insurance Contracts and Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 — Comparative Information

— Amendments to IAS 1: Classification of Liabilities as Current or Non-current

— Definition of Accounting Estimates — Amendments to IAS 8

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

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

5. ACCOUNTING STATEMENTS

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

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

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

— there is an expectation that it will be realized/settled or will be sold or used during the Group's regular operating cycle;

— it is owned primarily for trading purposes; or

— the Group expects to sell it/settle it within 12 months of the closing date of the financial statements.

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

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

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

6. FINANCIAL RISK MANAGEMENT

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

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

Financial assets

	December 31, 2022	December 31, 2021
Derivatives not designated as hedging instruments	**—**	—
Derivatives designated as hedging instruments	**—**	—
Financial assets at fair value through profit or loss	**—**	—
Life insurance with "Bipiemme Vita S.p.A.",	**4,900**	—
Life insurance with "CNP Vita Assicurazione S.p.A."	**38,008**	—
Equity instruments designated at fair value through OCI	**—**	—
Debt instruments at fair value through OCI	**—**	—
Total financial assets at fair value	**42,908**	—
Debt instruments at amortized cost		
Trade receivables	***17,011***	*9,124*
Financial assets included in other receivables	***2,563***	*2,911*
Other current assets	***3,465***	*8,731*
Other non-current assets	***2,530***	*1,759*
Total financial assets*	**68,477**	22,525

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

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

In addition during the year ended December 31, 2022, the Company has signed time deposit accounts agreements with four primary banks, in order to benefit of increasing interest rates, with maturities ranging from one month to six months as follows:

Fixed Interest Period	Bank	Currency	Amount	Rate %	Expire Date
Two weeks	Unicredit S.p.A.	USD	28,127	4.70%	01/10/2023
One month	BNL S.p.A. – BNP P Group	Euro	30,000	1.60%	01/27/2023
Two months	Unicredit S.p.A.	Euro	10,000	1.25%	01/04/2023
Two months	Barclays Bank Ireland PLC	Euro	20,000	1.89%	02/23/2023
Three months	BNL S.p.A. – BNP P Group	Euro	30,000	1.45%	01/27/2023
Three months	Unicredit S.p.A.	Euro	10,000	1.45%	02/06/2023
Three months	Credit Agricole CIB S.a.	Euro	40,000	1.85%	02/24/2023
Three months	Credit Agricole CIB S.a.	Euro	20,000	2.12%	03/28/2023
"Time deposit accounts " under "Cash and Cash Equivalents"			**188,127**		
Six months	Unicredit S.p.A.	Euro	20,000	1.95%	05/04/2023
Six months	Barclays Bank Ireland PLC	Euro	20,000	1.94%	05/03/2023
Interests			359		
"Time deposit accounts " under "Other Current Assets"			40,359		

The credit risk related to liquid assets is very limited because the counterparties are major national and international banking institutions; the currency of the cash and cash equivalents were mainly denominated in Euro. The time deposits accounts with a maturity of more than three months are classified as current financial assets (see Note 29).

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial liabilities

	December 31, 2022	December 31, 2021
Interest-bearing loans and borrowings		
Bank and other borrowings	***6,811***	*57,682*
Lease liabilities	***28,158***	*30,801*
Minority Shareholder Loan	***1,000***	—
Other	***1,676***	—
Total Interest-bearing loans and borrowings	**37,645**	88,483
Other financial liabilities		
Derivatives not designated as hedging instruments		
Derivatives designated as hedging instruments		
Financial liabilities at fair value through profit or loss		
Liability arising on business combination	***1,912***	—
Total financial instruments at fair value	**1,912**	—
Other financial liabilities at amortized cost, other than interest-bearing loans and borrowings		
Trade and other payables	**293,150**	242,155
Total other financial liabilities	**332,707**	330,638

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair Value Measurement

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

	December 31, 2022		December 31, 2021	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets				
Life insurance with "Bipiemme Vita S.p.A."	**4,900**	**4,900**	—	—
Life insurance with with "CNP Vita Assicurazioni S.p.A."	**38,008**	**38,008**	—	—
Total	**42,908**	**42,908**	—	—
Bank and other borrowings	**6,811**	**6,811**	57,682	57,682
Lease liabilities	**28,158**	**28,158**	30,801	30,801
Minority Shareholder Loan	**1,000**	**1,000**	—	—
Other	**1,676**	**1,676**	—	—
Liability arising on business combination	**1,912**	**1,912**	—	—
Total	**39,557**	**39,557**	88,483	88,483

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

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

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

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair Value Measurement (Continued)

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

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

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

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

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

	December 31, 2022				December 31, 2021			
Financial statement line item	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Financial Other current assets	**—**	**—**	**42,908**	**42,908**	—	—	—	—
Bank and other borrowings	**—**	**6,811**	**—**	**6,811**	—	57,682	—	57,682
Lease liabilities	**—**	**28,158**	**—**	**28,158**	—	30,801	—	30,801
Minority Shareholders' Loan	**—**	**1,000**	**—**	**1,000**	—	—	—	—
Other	**—**	**1,676**	**—**	**1,676**	—	—	—	—
Liability arising on business combination	**—**	**—**	**1,912**	**1,912**	—	—	—	—

The Financial Other current asset under Level 3 for € 42.908 thousand refers to the value of two financial investments in the form of life insurance policies subscribed in May 2022 detailed as follows:

	Financial Other current assets — Level 3
At December 31, 2021 and January 1, 2022	**—**
Life insurance with "Bipiemme Vita S.p.A."	**4.900**
Life insurance with "CNP Vita Assicurazioni S.p.A."	**37.999**
Unrealized fair value changes recognized in profit or loss	**9**
At December 31, 2022	**42,908**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair Value Measurement (Continued)

The financial debt has been calculated on the base of the current value reported by the insurance companies as of the reporting date.

The following table presents a sensitivity analysis of the Financial Other current assets — Level 3, keeping all other variables constant, with a disinvestment occurring 12 months after the relevant subscription date.

(in thousand Euro) **Change % interest rate**	**At December 31, 2022** **Financial Other current assets — Level 3**
-0.5%	**13**
+0.5%	**(13)**

The Bank and other borrowings non-current under Level 3 for € 1,912 thousand refer to the value of the put and call options for the acquisition of the non-controlling interest of Fratelli Canalicchio S.p.A. and Il Massello s.r.l., both exercisable from September 2027 to September 2028.

	Bank and other borrowings non-current — Level 3
At December 31, 2021 and January 1, 2022	**—**
Liability arising on business combination for Fratelli Canalicchio S.p.A.	**436**
Liability arising on business combination for Il Massello	**1,476**
Unrealized fair value changes recognized in profit or loss	**—**
At December 31, 2022	**1,912**

The financial debt has been calculated on the basis of the agreements with non-controlling interests that links the price of exercise of this put/call option to the financial performance of the subsidiaries and the Net Present Value has been discounted using the rate of 9.5%.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair Value Measurement (Continued)

The following table presents *a sensitivity analysis* of the Bank and other borrowings non-current — Level 3, keeping all other variables constant.

(in thousand Euro) **Change % interest rate**	**At December 31, 2022** **Bank and other borrowings non-current — Level 3**
- 0.5%	**44**
+ 0.5%	**(44)**

Liquidity Risk

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

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

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

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, 2022 and at the end of the previous fiscal year, with a breakdown of the Group's financial payables by contractually stipulated due dates:

	Balance at December 31, 2022	**Future financial flows**					**Total financial flows**
		Less than 3 months	**4 to 9 months**	**10 to 12 months**	**1 to 5 years**	**More than 5 years**	
Bank and other borrowings (excluding lease liabilities)	**(11,399)**	**(5,246)**	**(414)**	**(1,208)**	**(3,715)**	**(1,343)**	**(11,927)**
Minority Shareholders' Loan	**(1,000)**	**—**	**—**	**(1,000)**	**—**	**—**	**(1,000)**
Other	**(1,676)**	**(1,676)**	**—**	**—**	**—**	**—**	**(1,676)**
Liability arising on business combination	**(1,912)**	**—**	**—**	**—**	**(1,912)**	**—**	**(1,912)**
Lease liabilities	**(28,158)**	**(2,558)**	**(5,035)**	**(2,472)**	**(16,885)**	**(5,008)**	**(31,957)**
Trade and other payables	**(293,150)**	**(245,786)**	**(45,758)**	**(1,606)**	**—**	**—**	**(293,150)**
Total	**(332,707)**	**(255,266)**	**(51,209)**	**(6,285)**	**(22,512)**	**(6,351)**	**(341,622)**

	Balance at December 31, 2021	Future financial flows					Total financial flows
		Less than 3 months	4 to 9 months	10 to 12 months	1 to 5 years	More than 5 years	
Bank and other borrowings (excluding lease liabilities)	(57,682)	(1,411)	(11,548)	(11,473)	(35,605)	—	(60,037)
Lease liabilities	(30,801)	(2,087)	(4,169)	(2,079)	(18,936)	(4,745)	(32,016)
Trade and other payables	(242,155)	(189,334)	(51,112)	(1,709)	—	—	(242,155)
Total	(330,638)	(192,832)	(66,829)	(15,261)	(54,541)	(4,745)	(334,208)

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

The following table presents *a sensitivity analysis*, at the end of each of the financial years, of the Group's profit before tax and equity (excluding losses carried forward) to a reasonably possible change in the exchange rate with the US dollar, keeping all other variables constant.

(in thousand Euro)	**At December 31, 2022**		At December 31, 2021	
Change % EUR/USD exchange rate	**+/- Profit before tax**	**+/- Equity**	+/- Profit before tax	+/- Equity
- 5%	**522**	**15,038**	2,357	14,593
+ 5%	**(473)**	**(13,606)**	(2,133)	(13,203)

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

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, 2022 and December 31, 2021 of the Group's financial debt (assuming that Euribor is above zero, considering the zero-floor condition generally applied to the Group's main borrowings).

(in thousand Euro)

Change in 6M Euribor		**At December 31, 2022**		At December 31, 2021	
(+)	(-)	**(+)**	**(-)**	(+)	(-)
+50 BP	-50 BP	**175**	**(175)**	461	(461)
+100 BP	-100 BP	**350**	**(350)**	923	(923)
+200 BP	-200 BP	**700**	**(700)**	1,845	(1,845)
+300 BP	-300 BP	**1,050**	**(1,050)**	2,768	(2,768)

Credit Risk

The credit risk is the risk of potential losses due to the inability of counterparties to fulfill 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, 2022) are considered fully recoverable:

	Balance at December 31, 2022	**Not due**	**30 days**	**Past due 30–60**	**60–90**	**Beyond**
Cash and cash equivalents	**317,759**	**317,759**	**—**	**—**	**—**	**—**
Trade receivables*	**17,011**	**6,975**	**2,305**	**1,363**	**1,456**	**4,912**
Other current assets	**86,732**	**86,732**	**—**	**—**	**—**	**—**
Financial assets included in other receivables	**2,563**	**2,563**	**—**	**—**	**—**	**—**
Financial assets included in other non-current assets	**2,530**	**2,530**	**—**	**—**	**—**	**—**
Total at December 31, 2022	**426,595**	**416,559**	**2,305**	**1,363**	**1,456**	**4,912**

(*) Net of the allowance for doubtful accounts of €3,216 thousand.

	Balance at December 31, 2021	Not due	30 days	Past due 30–60	60–90	Beyond
Cash and cash equivalents	173,010	173,010	—	—	—	—
Trade receivables*	9,124	2,367	2,045	395	229	4,088
Other current assets	8,731	8,731	—	—	—	—
Financial assets included in other receivables	2,911	2,911	—	—	—	—
Financial assets included in other non-current assets	1,759	1,759	—	—	—	—
Total at December 31, 2021	195,535	188,778	2,045	395	229	4,088

(*) Net of the allowance for doubtful accounts of €5,745 thousand.

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, 2022) are considered fully recoverable:

	Balance at December 31, 2022	Not due	Past due 30 days	Past due 30–60	Past due 60–90	Past due Beyond
%	**16%**	**0%**	**0%**	**1%**	**8%**	**38%**
Trade receivables	**20,227**	**6,975**	**2,309**	**1,373**	**1,586**	**7,984**
Provision for doubtful accounts	**3,216**	**0**	**3**	**9**	**131**	**3,073**
Total at December 31, 2022	**17,011**	**6,975**	**2,305**	**1,363**	**1,456**	**4,912**

	Balance at December 31, 2021	Not due	Past due 30 days	Past due 30–60	Past due 60–90	Past due Beyond
%	39%	0%	0%	0%	0%	58%
Trade receivables	14,869	2,367	2,045	395	229	9,833
Provision for doubtful accounts	5,745					5,745
Total at December 31, 2021	9,124	2,367	2,045	395	229	4,088

CAPITAL MANAGEMENT

The goals of managing the Group's capital are safeguarding continuing operation and improving financial performance, as indicated by profit before tax, financial charges (Notes 20–23), depreciation and amortization (Note 19), of €115,194 thousand for the year ended December 31, 2022 (2021: €96,392 thousand), in addition to maintenance of sound capital ratios in support of its business and maximizing value for shareholders.

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

The Group is not subject to externally imposed capital requirements.

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

NOTES TO THE MAIN COMPONENTS OF THE INCOME STATEMENT

The following notes provide a review of the individual components of the income statement for the fiscal year ended December 31, 2022, compared with those in the income statement for the fiscal year ended December 31, 2021.

7. NET REVENUE

The following table provides the breakdown of the item net revenue for 2022, compared with the same item for 2021:

	31/12/2022	31/12/2021
Total revenue from contracts with customers	**1,072,449**	927,477
Commissions and other costs related to revenue	**(42,350)**	(29,056)
Total net revenue	**1,030,099**	898,421

The table below shows the breakdown of net revenue by production type:

	31/12/2022	31/12/2021
Composite yachts	**439,309**	464,291
Made-to-measure yachts	**405,810**	249,734
Super yachts	**95,441**	84,561
Other businesses	**89,539**	99,835
Total net revenue	**1,030,099**	898,421

Revenue arising from other businesses is broken down below.

	31/12/2022	31/12/2021
Boat brokerage	**14,312**	13,237
Sales and provision of carpentry products and services	**16,909**	15,259
FSD	**2,945**	10,676
Used boats	**33,980**	46,998
Provision of services and sales of replacement parts, merchandise and other goods	**14,894**	9,677
Wally sailboats	**6,500**	3,988
Total other businesses	**89,539**	99,835

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 12 and 24 months.

Commissions and other costs related to revenue mainly represents the costs incurred by the Group for the intermediation activities carried out by the dealers and brokers.

"Boat brokerage" refer to the activity related to yacht brokerage and yacht charters performed by the U.S. subsidiary Allied Marine.

"Sales and provision of carpentry products and services" relate entirely to subsidiary Zago S.p.A., concerning assembly works and wooden furnishings for yachts of over 100 feet produced by third-party sites and cruise ships.

"Provision of services and sales of replacement parts, merchandise and other goods" partly refer to the refit activity that the Group carried out, and partly regard the sale of replacement parts and other assistance services rendered in Italy and worldwide on boats previously sold. In addition, in 2022 as well the Group continued to sell Riva brand luxury accessories, as part of the Riva Brand Experience project.

The breakdown of net revenue by geographical area was as follows:

	31/12/2022	31/12/2021
EMEA	**376,756**	376,021
APAC	**95,876**	49,280
AMAS	**372,487**	288,724
Global*	**95,441**	84,561
Other businesses	**89,539**	99,835
Total net revenue	**1,030,099**	898,421

* The item "Global" refers to net revenue from super-yachts not attributed to a single geographical area, 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 shown below with a breakdown into obligations fulfilled at a point in time and those that are fulfilled over time.

	31/12/2022	31/12/2021
At a point in time	75,133	87,850
Over time	954,966	810,571
Total net revenue	1,030,099	898,421

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

	31/12/2022	31/12/2021
Revenue from contract liabilities	126,282	54,023

The following table shows the amount of transaction price for existing contracts outstanding at December 31, 2022 which will be converted into revenue from contracts with customers within one year or after one year.

	31/12/2022	31/12/2021
Within one year	471,924	411,338
After one year	277,985	99,595
	749,908	510,933

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognized 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 recognized as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained, that is included in contract liabilities.

During the Relevant Period, revenue to Russian and Ukraine purchasers accounted for less than 3% of our total revenue for the same period. Therefore, Russian and Ukraine sales are deemed immaterial to our business, results of operations and financial condition as a whole. Furthermore, in the event of a customer default, we are able to freely resell the yacht to another customer.

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

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

9. COST CAPITALIZED

This item, amounting to €31,982 thousand, consists mainly of costs incurred for labor, materials and manufacturing overhead that were capitalized 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

	31/12/2022	31/12/2021
Cost over-accruals	**2,891**	2,195
Discounts from suppliers	**2,550**	3,725
Rental income	**1,285**	733
Rebilling of miscellaneous costs to customers and dealers	**1,050**	961
Damage settlements	**205**	1,530
Gains on sales of assets	**205**	14
Other	**7,816**	4,876
Total other income	**16,002**	14,034

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

The item "Discounts from suppliers" regards the discounts received from suppliers which co-operate with the Group, and the Company in particular, in accordance with the sales agreements entered into in the financial year.

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

The item "Other" includes, approximately €2,055 thousand for invoices to suppliers due to non-compliance of materials received, proceeds from sundry activities not directly connected with shipbuilding such as: income from promotional, marketing and co-branding agreements entered into with other internationally-renowned firms.

11. RAW MATERIALS AND CONSUMABLES USED

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

12. CONTRACTORS COSTS

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

13. COSTS FOR TRADE SHOWS, EVENTS AND ADVERTISING

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

14. OTHER SERVICE COSTS

	31/12/2022	31/12/2021
Transportation and customs clearing costs	**23,793**	17,667
Technical consulting	**15,138**	11,799
Tax, legal and administrative consulting services	**11,447**	13,233
Utilities	**8,607**	4,165
Fees paid to members of corporate governance bodies	**8,287**	5,435
Insurance	**6,222**	4,966
Entertainment expenses	**4,739**	3,622
Maintenance	**4,569**	4,092
Travel and per diem expenses	**4,186**	3,168
Recruiting and training costs	**2,678**	2,448
Other	**28,014**	24,601
Total other service costs	**117,680**	95,196

The item "Technical consulting" amounting to €15,138 thousand refers to consultancy on production issues and services rendered by engineering firms and designers with regard to the design of boats and new models of vessels, interiors and other studies and research bearing on the shipbuilding process. It also includes the costs of certifications or services from other entities of a technical nature.

The item "Tax, legal and administrative consulting services" mainly included €4,268 thousand for legal advice and notaries' fees and €3,079 thousand relating to administrative consulting, including accounts auditing, and tax assistance. Moreover, €477 thousand referred to IT consulting.

14. OTHER SERVICE COSTS (CONTINUED)

In the fiscal year ended December 31, 2022, "Fees paid to members of corporate governance bodies" included €8,063 thousand for fixed and variable compensation, benefits and remuneration paid to Directors, including the Management Incentive Plan, as well as €142 thousand in fees paid to Statutory Auditors and €82 thousand for the Supervisory Body.

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

The item "Recruiting and training costs" mainly refers to the costs incurred by Group companies for the company canteen and meal vouchers (as provided for contractually), as well as remuneration for project workers and the costs of training.

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

15. RENTALS AND LEASES

The Group recognized 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 recognized based on the carrying amount, discounted using the incremental borrowing rate. For some lease contracts, the right-of-use assets were recognized 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 recognized. Lease liabilities were recognized at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of first time application.

	31/12/2022	31/12/2021
Short-term rentals and leases	**4,510**	3,626
Rentals and leases for low-value assets	**682**	377
Royalties	**3,739**	2,910
Total rentals and leases	**8,931**	6,913

16. PERSONNEL COSTS

	31/12/2022	31/12/2021
Wages and salaries	94,426	80,761
Social security contributions	28,692	26,721
Non-current employee benefits and other provisions	5,691	4,935
Total personnel costs	128,810	112,417

The five highest-paid employees during the year ended December 31, 2022 and 2021 include a director, whose details are given in Note 48, and four employees, who are not directors and whose personnel costs are as follows:

	31/12/2022	31/12/2021
Wages and salaries	11,326	3,054
Social security contributions	375	548
Non-current employee benefits and other provisions	99	73
Total personnel costs	11,800	3,675

The number of highest-paid non-direct employees whose remuneration, including the special cash bonus paid under the Management Incentive Plan approved on April 28, 2022, fell into the following ranges was as follows:

	31/12/2022	31/12/2021
HK$5,500,001–HK$15,500,000	4	4
Total number of employees	4	4

17. OTHER OPERATING EXPENSES

	31/12/2022	31/12/2021
Cost under-accruals	**1,619**	1,305
Taxes and fees other than income taxes	**1,426**	1,432
Re-billable costs	**1,293**	617
Reward vouchers and other benefits for employees	**1,164**	18
Settlement agreements	**793**	1,221
Memberships in trade associations	**702**	556
Advertising and promotional material	**585**	634
Charity initiatives	**358**	300
Losses on asset sales	**105**	405
Losses on receivables	**3**	95
Sundry operating costs	**1,005**	480
Total other operating expenses	**9,052**	7,062

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

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

The item "Settlement agreements" related to several private agreements entered into in the course of the year ended December 31, 2022.

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

18. PROVISIONS AND IMPAIRMENT

This item is shown net of utilizations and releases to income made during the year ended December 31, 2022 and 2021.

	31/12/2022	31/12/2021
Allocations to the provision for product warranties	**26,097**	18,767
Provision for miscellaneous risks, net	**6,493**	(4,414)
Allocations to the provision for doubtful accounts	**525**	746
Total provisions and impairment	**33,115**	15,099

19. DEPRECIATION AND AMORTIZATION

	31/12/2022	31/12/2021
Depreciation of property, plant and machinery	**40,396**	35,045
Depreciation of rights-of-use assets	**7,706**	6,627
Amortization of intangible assets	**4,986**	6,847
Total depreciation and amortization	**53,089**	48,519

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

20. SHARE OF LOSS OF A JOINT VENTURE

The item "Share of loss of a joint venture" amounted to €(44) thousand and referred to the accounting using the equity method of Restart S.p.A. in liquidazione, a company incorporated in 2021, as described in detail in Note 2.

21. FINANCIAL INCOME

	31/12/2022	31/12/2021
Interest income from banks	**636**	15
Interest and other financial income	**1,692**	209
Total financial income	**2,328**	224

22. FINANCIAL EXPENSES

	31/12/2022	31/12/2021
Interest on banks and other loans	**3,037**	4,566
Interest on lease liabilities	**153**	187
Interest on provision for severance benefits and pensions	**41**	10
Other financial expenses	**1,221**	1,177
Total financial expenses	**4,452**	5,940

23. FOREIGN EXCHANGE GAINS/(LOSSES)

At December 31, 2022, the Group does not have exchange rate risk hedging contracts in force; as a result, creditor and debtor balances denominated in foreign currency are subject to changes on the basis of the exchange rates in force at December 31, 2022. It refers for €11,393 to exchange rate gains related to financial transactions, among which mainly the change of the proceeds of the listing process from HK dollars to Euro.

24. INCOME TAX

As shown in the table that follows, the "Income tax" amount for the year ended December 31, 2022 was tax expenses of €8,839 thousand, as detailed below:

	31/12/2022	31/12/2021
Corporate income tax (IRES)	**(837)**	0
Regional tax (IRAP)	**(2,891)**	(2,009)
Federal taxes and other foreign taxes	**(2,516)**	(1,566)
Total current taxes	**(6,244)**	(3,575)
Prior-year taxes	**1,296**	748
Deferred taxes	**(3,891)**	(464)
Total income tax	**(8,839)**	(3,291)

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

The IRAP (Imposta regionale sulle attività produttive) taxable base of several companies was positive, and therefore a provision was made for this tax based on the rate in force in the regions in which the value of production is calculated. The increase is attributable to the higher taxable income for the year.

For companies based in the United States, federal and state taxes of €2,510 thousand are due, up as a result of the greater taxable income during the period.

24. INCOME TAX (CONTINUED)

The following table provides a reconciliation between the nominal and effective tax rate of the Group for the fiscal year ended December 31, 2022 and 2021:

	31/12/2022	31/12/2021
Theoretical taxable base*	**69,385**	40,674
IRES 24%	**(16,650)**	(9,762)
IRAP 3.90%	**(2,706)**	(1,586)
Total theoretical tax	**(19,356)**	(11,348)
Credit used for ACE (Allowance for Corporate Equity) of the year	**2,570**	1,715
Utilization of tax losses	**7,873**	6,250
Other differences	**76**	92
Effective tax recognized in the income statement	**(8,839)**	(3,291)

(*) 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, 2022 compared with December 31, 2021.

CURRENT ASSETS

25. CASH AND CASH EQUIVALENTS

	31/12/2022	31/12/2021
Bank and postal accounts	**129,615**	172,957
Time deposit accounts	**188,127**	—
Cash and securities on hand	**17**	53
Total cash and cash equivalents	**317,759**	173,010

The items listed above can be converted readily into cash and are not exposed to a significant risk that their value may change. There are no obligations or restrictions on use except for time deposits accounts which do not bear interests at the agreed rate, if not maintained util the maturity date. Amounts collected and held in escrow accounts are classified as current assets, under the line item "Other current assets".

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

During the year ended December 31, 2022, the Company has signed time deposit accounts agreements with four primary banks, in order to benefit of increasing interest rates, with maturities ranging from one month to six months.

The time deposits accounts with a maturity of more than three months are classified as current financial assets (see Note 29).

The credit risk related to liquid assets is very limited because the counterparties are major national and international banking institutions and the currency of the cash and cash equivalents were mainly denominated in Euro (for details see Note 6).

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

26. TRADE AND OTHER RECEIVABLES

	31/12/2022	31/12/2021
Trade receivables	17,011	9,124
Other receivables	42,421	32,565
Total trade and other receivables	59,432	41,689

Trade receivables

	31/12/2022	31/12/2021
Accounts receivable from customers	20,227	14,869
(Less) Provision for doubtful accounts	(3,216)	(5,745)
Total trade receivables	17,011	9,124

"Accounts receivable from customers" at December 31, 2022 relate primarily to sales and services other than boat sales, for which the balance is generally received before delivery based on the contractual terms and conditions in force. Therefore, they refer to paid after-sales services, sales of material and spare parts, merchandising and provision of joinery works. These are considered to be receivable within 12 months.

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

	31/12/2022	31/12/2021
At beginning of year	5,745	6,589
Impairment losses, net	558	746
Amount written off as uncollectible	(3,089)	(1,590)
At end of year	3,216	5,745

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 aging 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 aging 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

	31/12/2022	31/12/2021
Other tax receivables	27,206	16,825
Accruals, deferrals and other receivables	15,215	15,740
Total other receivables	42,421	32,565

Other tax receivables refers to VAT.

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

	31/12/2022	31/12/2021
Receivables owed by social security institutions	223	396
Commissions advances	4,890	4,844
Advances, prepayments and sundry receivables from suppliers	3,876	3,443
Others	305	291
Accruals and deferrals	5,922	6,766
Total accruals, deferrals and other receivables	15,215	15,740

"Receivables owed by social security institutions" at December 31, 2022 refer mainly to receivables from the Italian workman's compensation agency (INAIL) of €168 thousand, for advances and payments to employees, as well as, for the residual amount, advances against the Redundancy Fund paid to employees on behalf of the Italian social security administration (INPS), still to be refunded for €2 thousand.

The balance relating to "Advances, prepayments and sundry receivables from suppliers" at December 31, 2022 mainly refers for about €1,310 thousand to advances already paid for the main industry trade shows to be held in the first months of 2023, such as those in Dusseldorf and Miami. The balance also includes several insurance indemnities requested during the current year, which will be paid in the following months, in addition to advances paid to suppliers for services that have not yet been completed or work progress payments for goods not yet delivered.

As at December 31, 2022, the loss allowance of other receivables was assessed to be minimal.

Income tax recoverable

As at December 31, 2022 Income tax recoverable includes mainly tax credits recognized under Italian incentive laws ("**Industria 4.0**") for €1,494 thousand and advances for IRES and IRAP for €474 thousand paid in excess of the amount due at year end by some Group subsidiaries.

27. CONTRACT ASSETS

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

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

The following table provides the breakdown arising from "Contract assets" at December 31, 2022, compared to those at December 31, 2021.

	31/12/2022	31/12/2021
Gross value of contract assets	**544,483**	514,077
Advances collected	**(429,111)**	(402,283)
Total contract assets	**115,372**	111,794

28. INVENTORIES

		31/12/2022			31/12/2021	
	Gross value	**Allowance for write-downs**	**Net amount**	Gross value	Allowance for write-downs	Net amount
Raw materials and components inventory	**64,896**	**(8,354)**	**56,541**	52,534	(6,928)	45,606
Work in progress and semi-finished goods	**92,783**	**0**	**92,783**	62,919	0	62,919
New boats	**32,263**	**(230)**	**32,032**	20,931	(330)	20,601
Used boats	**19,856**	**(3,093)**	**16,763**	19,003	(3,742)	15,261
Total inventories	**209,797**	**(11,678)**	**198,120**	155,387	(11,000)	144,387

The "Raw materials and components inventory" is adjusted by an allowance for write-downs of €8,354 thousand at December 31, 2022 (€6,928 thousand at December 31, 2021) that reflects an estimate of slow-moving and/or potentially obsolete inventory items.

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

The item "New boats", refers to boats not covered by orders, whose production had been completed at the closing date of the financial year. The carrying amount of finished boats not covered by orders was adjusted by means of an allowance for write-downs of €230 thousand in order to bring it down to the lower of the cost or estimated realizable value.

The carrying amount of the used boats was adjusted by means of an allowance for write-downs of €3,093 thousand, in order to bring the purchase cost down to its estimated realizable value.

28. INVENTORIES (CONTINUED)

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

	31/12/2022	31/12/2021
Within one year	**193,002**	139,470
Beyond one year	**5,118**	4,917
Total inventories	**198,120**	144,387

28. ADVANCES ON INVENTORIES

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

29. OTHER CURRENT ASSETS

The item "Other current assets" totalled €86,732 thousand at December 31, 2022 detailed as follow:

	31/12/2022	31/12/2021
Escrow accounts	**1,346**	2,224
Time deposit accounts and other financial investments	**83,267**	0
Incidental borrowing costs	**641**	0
Other	**1,478**	6,508
Total Other Current Assets	**86,732**	8,731

The escrow accounts for €1,346 thousand at December 31, 2022 refers to the deposits received by the subsidiary Allied Marine Inc. for its brokerage service (€2,224 thousand at December 31, 2021). These funds, which are provided by customers upon the signing of an order, are held in escrow until the boat is delivered to the corresponding customer.

During the year ended December 31, 2022, the Company has signed time deposit accounts agreements with four primary banks, in order to benefit of increasing interest rates. The deposits have maturities ranging from one month to six months and outstanding amounts with a maturity of more than three months are classified as "Other current assets" for a total of €40 million (see Note 6 for further details).

The residual part mainly refers to two financial investments in the form of life insurance policies subscribed in May 2022 detailed as follows:

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

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

The "Incidentals borrowing costs" refer for €641 thousands to the committed "Revolving Credit Facility" and "Revolving Pre-Finance Facility, not in use on December 31, 2022 but available until August 2024 (Note 34).

A residual amount of €1,432 thousand refers to a receivable claimed by the Company from Perini Navi S.p.A., purchased from a financial institution (Banca Ifis S.p.A.). This receivable amounts to around one-third of the nominal value of the receivable. This receivable was purchased in relation to the project to acquire Perini Navi S.p.A. and will be collected in the first months of the year 2023.

NON-CURRENT ASSETS

30. PROPERTY, PLANT AND EQUIPMENT

Movements in this item in the year 2022 were as follows:

	Land and buildings	Plant, machinery and equipment	Other property, plant and equipment	Models and moulds	Total
At January 1, 2022					
Cost	221,210	59,620	40,537	276,068	597,435
Accumulated depreciation	(67,560)	(44,210)	(24,042)	(201,769)	(337,581)
Net carrying amount	153,650	15,410	16,495	74,299	259,854
At January 1, 2022, net of accumulated depreciation	153,650	15,410	16,495	74,299	259,854
Additions — owned assets	36,938	6,605	5,508	32,081	81,131
Additions — right-of-use assets	4,400	0	2,165	0	6,564
Acquisition of subsidiaries	2,339	1,341	252	0	3,932
Disposals	(1,298)	(20)	(12)	(0)	(1,327)
Disposals — right-of-use assets	0	(209)	0	0	(209)
Depreciation — owned assets	(6,696)	(3,124)	(3,205)	(27,371)	(40,396)
Depreciation — right-of-use assets	(6,510)	(207)	(989)	0	(7,706)
Reclassification	135	(1,281)	1,987	130	970
Exchange realignment	141	200	115	130	585
At December 31, 2022, net of accumulated depreciation	183,098	18,714	22,315	79,268	303,394
At December 31, 2022					
Cost	263,335	67,720	50,980	307,492	689,527
Accumulated depreciation	(80,237)	(49,005)	(28,665)	(228,224)	(386,131)
Net carrying amount	183,098	18,714	22,315	79,268	303,394

As at December 31, 2022, the net carrying amounts of land and buildings, plant, machinery and equipment, and other equipment and vehicles included right-of-use assets amounting to €16,194 thousand, €82 thousand and €1,764 thousand, respectively.

30. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Movements in this item in 2021 were as follows:

	Land and buildings	Plant, machinery and equipment	Other property, plant and equipment	Models and moulds	Total
At January 1, 2021					
Cost	190,298	53,200	37,982	255,476	536,956
Accumulated depreciation	(56,064)	(41,962)	(20,908)	(186,371)	(305,305)
Net carrying amount	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

As at December 31, 2021, the net carrying amounts of land and buildings, plant, machinery and equipment, and other equipment and vehicles included right-of-use assets amounting to €18,069 thousand, €498 thousand, and €484 thousand, respectively.

31. INTANGIBLE ASSETS

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

	Goodwill	Trademarks	Other intangible assets	Total
At January 1, 2022				
Cost	1,631	243,980	53,701	299,312
Accumulated amortization	—	—	(41,138)	(41,138)
Net carrying amount	1,631	243,980	12,563	258,174
At January 1, 2022, net of accumulated amortization	1,631	243,980	12,563	258,174
Acquisition of subsidiaries	7,283	132	474	7,888
Additions	—	345	3,784	4,129
Disposals				
Amortization	—	—	(4,987)	(4,987)
Reclassification	—	—	(970)	(970)
Exchange realignment	—	(8)	(155)	(163)
At December 31, 2022, net of accumulated amortization	8,914	244,448	10,709	264,070
Cost	8,914	244,448	56,833	310,195
Accumulated amortization	—	—	(46,125)	(46,125)
Net carrying amount	8,914	244,448	10,709	264,070

31. INTANGIBLE ASSETS (CONTINUED)

Movements in this item in the fiscal 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 amortization	—	—	(34,291)	(34,291)
Net carrying amount	1,631	243,840	16,878	262,349
At January 1, 2021, net of accumulated amortization	1,631	243,840	16,878	262,349
Additions	—	138	3,204	3,342
Disposals	—	—	(693)	(693)
Amortization	—	—	(6,847)	(6,847)
Exchange realignment	—	2	21	23
At December 31, 2021, net of accumulated amortization	1,631	243,980	12,563	258,174
At December 31, 2021				
Cost	1,631	243,980	53,701	299,312
Accumulated amortization	—	—	(41,138)	(41,138)
Net carrying amount	1,631	243,980	12,563	258,174

Goodwill

Goodwill is related to the investment in the subsidiary Zago S.p.A., the subsidiary Ferretti Group (Monaco) S.a.M. and the new subsidiaries acquired during the year ended December 31, 2022 Il Massello S.r.l. and Fratelli Canalicchio S.p.A., as shown in the table below.

	31/12/2022	31/12/2021
Zago S.p.A.	**332**	332
Ferretti Group (Monaco) S.a.M.	**1,299**	1,299
Fratelli Canalicchio S.p.A.	**2,699**	0
Il Massello S.r.l.	**4,584**	0
Total goodwill	**8,914**	1,631

31. INTANGIBLE ASSETS (CONTINUED)

Trademarks

A breakdown of the value of "Trademarks" at December 31, 2022 is as follows:

	31/12/2022	31/12/2021
Ferretti Yachts	95,318	95,318
Crn	46,528	46,528
Custom Line	36,718	36,718
Riva	30,848	30,716
Wally	25,434	25,434
Pershing	8,609	8,609
Easy Boat	9	9
Costs for trademark protection	983	648
Total trademarks	**244,448**	243,980

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 summarized in the following table, and are the same for all the CGUs:

	31/12/2022	31/12/2021
Interest rate for riskless assets	**3.00%**	0.74%
Discount rate pre-tax — WACC	**11.82%**	8.37%
Perpetuity growth rate (g-rate)	**2.00%**	2.00%

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 analyzes 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 analyzes done, the management of the Group has not identified that a reasonable possible change in the key parameters that could cause the carrying amount of the CGUs to exceed the recoverable amount as at the end of 2022 and 2021.

Other Intangible Assets

	31/12/2022	31/12/2021
Concessions	**1,519**	1,507
Intellectual property rights	**8,151**	9,595
Software	**1,038**	1,461
Total other intangible assets	**10,709**	12,563

31. INTANGIBLE ASSETS (CONTINUED)

Other Intangible Assets (Continued)

This item includes:

— "Concessions" with a net book value of €1,519 thousand and referring chiefly to the costs incurred to acquire docking rights in a marina located in Cattolica within the framework of the Detailed Public Initiative Plan for Port Facilities in the Municipality of Cattolica. The docking rights will be valid until 2053. Besides the docking right in the marina Porto Mirabello, in the Gulf of La Spezia, the net value of the investment is €613 thousand; the right will remain valid until 2067;

— "Intellectual property rights" with a net book value of €8,151 thousand include the costs of the projects carried out by the Group, which extended to the main business areas, in view of constant improvement and complete integration of the various Group companies operating in Italy and abroad, as part of the reorganization of the Group initiated in previous years. This item also includes the design work to develop naval platforms for the construction of the CRN models. The Group conducted research and development on innovative solutions for each model to be applied to all units built. In particular, the projects being developed include: the creation of special gates, built on land before the steel boat structure arrives in the shipyard; standardization of the plant processes; study of the installation of plastic pipes to optimize footprint; development of an engine room optimized for the passage of pipes and conduits; and the study and development of light-weight furnishings, with support from the Engineering Department.

— the residual value of the item "Other intangible assets" (€1,038 thousand) referred to the net value of licenses for new IT applications and the net value of patents.

32. OTHER NON-CURRENT ASSETS

A breakdown of this item is as follows:

	31/12/2022	31/12/2021
Equity investments designated at fair value through income statement	**120**	325
Investment in a joint venture	**12**	31
Deposits	**1,655**	1,565
Commissions advances	**1,102**	2,727
Other assets	**1,766**	541
Incidental borrowing costs	**378**	0
Total other non-current assets	**5,031**	5,189

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) Commissions advances

The balances mainly refer to advances on commissions paid on the basis of interim receipts from customers for boats that will be delivered after the following year.

c) Other assets

The item "Other assets" chiefly refer to prepaid expenses due after year-end.

33. DEFERRED TAX ASSETS

As at December 31, 2022 and December 31, 2021 deferred tax assets have been restated on the basis of the option afforded by IAS 12 net of deferred tax liabilities as they relate to Italian Group companies that are part of tax consolidation.

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

	Provisions	Inventory write-downs	Provision for doubtful accounts	Differences in depreciation and amortization for reporting rather than tax purposes	Goodwill relevant for income tax purposes	Tax losses	Other sundry differences	Total
At December 31, 2021 and January 1, 2022	**10,054**	**2,663**	**1,218**	**9,525**	**1,256**	**61,698**	**500**	**86,914**
Credited/(charged) to:								
profit or loss	3,719	(10)	(585)	959	(142)	(4,015)	(2,831)	(2,906)
Acquisition of subsidiaries	—	—	—	—	—	—	71	71
other reserves	—	—	—	—	—	—	3,164	3,164
At December 31, 2022	**13,773**	**2,653**	**633**	**10,484**	**1,114**	**57,683**	**904**	**87,242**

33. DEFERRED TAX ASSETS (CONTINUED)

	Depreciation of land and other assets valued at less than 516/k	Trademarks	Leases	Other	Total
At December 31, 2021 and January 1, 2022	**1,315**	**60,659**	**5,549**	**1,731**	**69,254**
Charged/(credited) to:					
profit or loss	—	—	(129)	1,115	986
other comprehensive income	—	—	—	214	214
Acquisition of subsidiaries	—	—	—	55	55
Exchange differences	—	—	—	335	335
At December 31, 2022	**1,315**	**60,659**	**5,420**	**3,450**	**70,845**

In detail, movements for the year ended December 31, 2021 are as follows:

	Provisions	Inventory write-downs	Provision for doubtful accounts	Differences in depreciation and amortization 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

For the purpose of their presentation in financial statements, some tax assets and liabilities have been set off each other in the statement of financial position. Below is an analysis of Group's deferred tax assets:

	31/12/2022	31/12/2021
Deferred tax assets	**16,397**	17,660
Deferred tax liabilities	**—**	—
Total deferred tax assets	**16,397**	17,660

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

	31/12/2022	31/12/2021
Tax losses and interest expense	**9,632**	16,345

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 €67,315 thousand and €78,044 thousand as at December 31, 2022 and 2021 that are available without any time limit for offsetting against future taxable profits of the entities included in Group tax consolidation scheme in the limit of 80% of the income (the Italian tax regulations permits to deduce in future periods tax losses and surplus of financial deduct expense that were not deducted in the past). Deferred tax assets were recognized, consistently with IAS 12 requirements, only to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized.

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

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

NOTES TO THE MAIN LIABILITIES AND EQUITY ITEMS

CURRENT LIABILITIES

34. MINORITY SHAREHOLDERS' LOAN AND BANK AND OTHER BORROWINGS

	31/12/2022			31/12/2021		
	Effective interest rate	**Maturity**	**Amount**	Effective interest rate	Maturity	Amount
Due to banks — secured	**Euribor* +1.6**	**2023**	**150**	Euribor* + 1.5–2.9	2022	23,047
Due to banks — unsecured	**Euribor* +1.0–3.5**	**2023**	**3,878**	1.8–9.2	2022	1,354
Incidental borrowing costs			**—**			(1,275)
Due to banks net of incidental borrowing costs			**4,025**			23,126
Due for maturity factor			**—**			—
Lease liabilities	**1.7–4.7**	**2023**	**8,799**	1.7–4.7	2022	8,031
Minority Shareholders' Loan	**—**	**2023**	**1,000**			
Others			**1,676**			—
Total short-term financial payables			**15,500**			31,157

	31/12/2022			31/12/2021		
	Effective interest rate	**Maturity**	**Amount**	Effective interest rate	Maturity	Amount
Due to banks — secured	**Euribor* +1.6**	**2024**	**1,605**	Euribor* + 1.5–2.9	2024	35,792
Due to banks — unsecured	**Euribor* +1.0–3.5**	**2024**	**1,181**			
Incidental borrowing costs			**—**			(1,236)
Due to banks net of incidental borrowing costs			**2,786**			34,556
Lease liabilities	**1.7–4.7**	**2031**	**19,359**	1.7–4.7	2031	22,770
Liabilities arising on Business Combinations			**1,912**			
Total medium-/long-term financial payables			**24,056**			57,326
Total bank and other borrowings			**39,556**			88,483

(*) If Euribor is lower than zero, Euribor should be deemed equal to zero

34. MINORITY SHAREHOLDERS' LOAN AND BANK AND OTHER BORROWINGS (CONTINUED)

The Minority Shareholders' Loan refers to the loan of the company Fratelli Canalicchio S.p.A. granted by the minority shareholders.

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

(a) an amortizing medium-to-long term line of credit with a total maximum amount of €70 million for the Company, to be repaid according to an amortization 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 cancelation of the facility for the part repaid.

At December 31, 2022 and December 31, 2021, all covenants had been fulfilled.

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

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

34. MINORITY SHAREHOLDERS' LOAN AND 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.

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

Ferretti S.p.A. is "Guarantor" under the Loan Agreement, meaning that, inter alia, it guarantees, jointly and severally, to the Lenders prompt, full compliance by each borrower of all the related payment obligations for the borrower under the Loan Agreement and other financial documents. Please refer to section "Guarantees provided to third parties".

The current financial debts include € 1,676 thousand due to Banca Ifis S.p.A in consideration of a collection of receivable from Perini Navi S.p.A (Note 29).

The item "Liabilities arising on Business Combinations" of Bank and other borrowings refers for € 1,912 thousand to the value of the put and call options for the acquisition of the non-controlling interest of Fratelli Canalicchio S.p.A. and Il Massello s.r.l., both exercisable from September 2027 to September 2028.

With regard to the analysis of bank and other borrowings based on maturity, please refer to Note 6 "Financial risk management".

All borrowings are denominated in Euro.

35. TRADE AND OTHER PAYABLES

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

	31/12/2022	31/12/2021
Trade payables	**289,653**	238,687
Other payables	**48,717**	40,477
Total trade and other payables	**338,370**	279,164

	31/12/2022	31/12/2021
Trade and other payables — current	**337,364**	278,809
Trade and other payables — non-current	**1,006**	355
Total trade and other payables	**338,370**	279,164

35. TRADE AND OTHER PAYABLES (CONTINUED)

a. Trade payables

A breakdown of this item is as follows:

	31/12/2022	31/12/2021
Accounts payable to suppliers	**289,653**	238,687
Total trade payables	**289,653**	238,687

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

For an analysis of future flows of trade payables, based on their maturity, please refer to Note 6 "Financial risk management".

b. Other payables

	31/12/2022	31/12/2021
Payables due to pension and social security institutions	**12,504**	11,781
Amounts payable to employees	**23,411**	17,824
Amounts payable to directors	**2,849**	1,255
Other tax payable	**3,344**	5,190
Miscellaneous payables	**3,464**	3,468
Accrued expenses	**1,426**	432
Deferred income	**714**	172
Government authorisation fees — non current	**229**	355
Deferred income — non current	**776**	0
Total other payables	**48,717**	40,477

The item "Payables due to pension and social security institutions" reflects the amounts owed to these institutions at December 31, 2022 by Group companies and their employees for the December payroll and for accrued and deferred remuneration.

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

The item "Amounts payable to directors" refers to remuneration which has accrued but was not yet paid as of December 31, 2022.

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 January 2023.

The items "Accrued expenses and deferred income" consists mainly of insurance premiums and other transactions recognized on an accrual basis.

The item "Government authorisation fees non-current", totalling €229 thousand at December 31, 2022, relates mainly to prepayments of public grants received by the Group of €195 thousand authorized in favor of the former Riva S.p.A., now merged in the Company and €35 thousand authorized in favor of the former subsidiary CRN S.p.A., now also merged in the Company. Said deferred income was classified under "Non-current liabilities" for the portion due after the following year. These grants will be recognized in the income statement along with the amortization periods of the corresponding assets once the underlying framework agreements expire.

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

36. CONTRACT LIABILITIES

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

37. INCOME TAX PAYABLE

The item "Income tax payable" at December 31, 2022 refers to income taxes accrued that will be paid in the following year.

NON-CURRENT LIABILITIES

38. BANK AND OTHER BORROWINGS

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

39. PROVISIONS

The table below shows the changes that occurred in "Provisions" during the year ended December 31, 2022 and the year ended December 31, 2021:

	Provision for product warranties	**Provisions for miscellaneous risks**	**Total provisions**
Balance at January 1, 2022	**18,867**	**21,572**	**40,438**
Additions	**26,097**	**16,302**	**42,399**
Utilizations during the year	**(18,663)**	**(8,181)**	**(26,843)**
Total at December 31, 2022	**26,300**	**29,693**	**55,995**

	Provision for product warranties	Provisions for miscellaneous risks	Total provisions
Balance at January 1, 2021	15,258	29,432	44,690
Additions	18,767	7,346	26,113
Utilizations during the year	(15,158)	(15,206)	(30,364)
Total at December 31, 2021	18,867	21,572	40,439

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.

	31/12/2022	31/12/2021
Current portion	**13,251**	9,484
Non-current portion	**13,049**	9,383
Total provision for product warranties	**26,300**	18,867

b. Provisions for miscellaneous risks

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

	31/12/2022	31/12/2021
Legal proceedings and tax and employment law litigation	**9,171**	6,359
Dealer incentives	**10,007**	8,392
Provisions for completion of boats	**2,813**	1,512
Provisions for other risks	**7,702**	5,309
Total provisions for miscellaneous risks	**29,693**	21,572

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

39. PROVISIONS (CONTINUED)

The Group is involved mainly in two tax litigation proceedings: (i) litigation related to VAT for the 2009 period and its appeal was granted in the first and second instance from the Company. The Italian Revenue Agency lodged an appeal in the third instance, but no hearing has been scheduled at this time; (ii) litigation related to the so-called "splafonamento" (VAT threshold) for the 2012 tax year. The Provincial Tax Commission accepted the appeal presented by the Company, against which The Revenue Agency notified its appeal. The value of the two litigations is approximately €5 million.

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

The "Provisions for other risks" were established to cover liabilities that are likely to arise as a result of other legal actions and proceedings that Group companies could face in the normal course of business.

In addition, in connection with the Company's development project for public land in La Spezia, the Company presented a new project entailing significant modifications from the original one approved in 2006 in relation to the reclamation of seabed. It should be noted that any changes to the project require further inquiries relating to the initiatives to be pursued to conclude the process of reclaiming the seabed since the procedure has yet to be completed pursuant to Article 242 et seq. of Legislative Decree No. 152/2006. The expected costs of this reclamation project have been estimated by the Company to amount to between €200 thousand and €400 thousand and as of the date of approval of the Financial Statements, the Group is waiting for indications from the Port Authority of La Spezia on the actions to be taken.

40. NON-CURRENT EMPLOYEE BENEFITS

The breakdown of this item at December 31, 2022 and December 31, 2021 are as follows:

	31/12/2022	31/12/2021
Provision for employee benefits	6,783	6,609
Provision for leaving indemnity	863	897
Total non-current employee benefits	7,646	7,506

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 authorized to provide a technical analysis of this issue (Abi, Assirevi and the National Board of Actuaries) concluded that the severance benefits that vest from January 1, 2007 on (or on the date that the option for employees who opted to pay into supplemental pension funds starts) and are invested in supplemental pension funds or deposited in the Treasury Fund maintained by the INPS should be treated as being part of a defined-contribution plan and, as such, are no longer subject to actuarial valuation.

The 2015 Stability Law, which allows employees, on request, to receive in their 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 Mr. Tommaso Viola ("**Mr. Viola**"), being an Italian independent actuary and a member of the Italian "Ordine Nazionale degli Attuari", with the same procedure followed at December 31, 2021, involved the following steps:

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

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

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

40. NON-CURRENT EMPLOYEE BENEFITS

a. Employee benefits (Continued)

The following table provides the movements in the item "Provision for employee benefits" at December 31, 2022 and December 31, 2021:

	31/12/2022	31/12/2021
Present value of the initial obligation	**6,609**	6,849
Acquisition of subsidiaries	**725**	284
Interest cost	**40**	10
Service cost	**21**	—
Actuarial gains	**(215)**	(110)
Use for indemnities paid and advances	**(397)**	(424)
Present value of the final obligation	**6,783**	6,609

At December 31, 2022, the following assumptions were made:

Demographic Assumptions

— Probability of death of active employees (grouped by age and gender) obtained by reducing by 30% the death probabilities for the Italian population in 2021 (source: ISTAT);

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

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

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

40. NON-CURRENT EMPLOYEE BENEFITS (CONTINUED)

a. Employee benefits (Continued)

Financial Assumptions

- Annual inflation rate: 3.0% for the entire valuation period;
- annual revaluation rate of severance indemnity benefits: fixed at 1.5% for the entire valuation period plus 75% of the inflation rate;
- technical discounting rate applied to value defined-benefit plan obligations and the current service cost relating to December 31, 2022: 3.3%;
- technical discounting rate for the valuation of financial charges for the period January 1, 2022 — December 31, 2022, equal to the discounting rates for valuations of the defined-benefit obligations at December 31, 2021 (interest cost): 1.0%;
- technical discounting rate at December 31, 2022, based on the yield of the iBoxx Euro 10+ AA Allostock Corporate Bond Index: 3.3926%.

In 2022, an actuarial gain amounting to €891 thousand (before tax), gross of fiscal effect, was recognized under the "Other equity reserves" item.

The amounts recognized in the income statement are summarized below:

(in thousand Euro)	**31/12/2022**
Interest cost	**41**
Service cost	**30**
Total	**71**

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 Mr. Viola.

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

At December 31, 2022, the following assumptions were made:

Demographic Assumptions

— Probability of death of active employees (grouped by age and gender) obtained by reducing by 30% the death probabilities for the Italian population in 2021 (source: ISTAT);

— probability of termination of employment for various reasons (resignation, dismissal), equal to 3% annually for all employees aged 65 or younger;

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

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, 2022: 3.3%;
- technical discounting rate for the valuation of financial charges for the period January 1, 2022 — December 31, 2022, equal to the discounting rates for valuations of the defined-benefit obligations at December 31, 2021 (interest cost): 1.0%;
- technical discounting rate at December 31, 2022, based on the yield of the iBoxx Euro 10+ AA Allostock Corporate Bond Index: 3.3926%.

The actuarial valuation performed in accordance with the method explained above shows that the provision had a value of €424 thousand at December 31, 2022, including the respective contributions.

The provision for indemnities payable upon termination of employment, which had a balance of €439 thousand at December 31, 2022, is attributable to Zago S.p.A.

The table below provides an analysis of the sensitivity of the parameters applied in the actuarial valuation to an increase or decrease in the technical discounting rate for measuring the value of the final obligation in relation to future employee benefits.

	Increase/ (decrease) of the interest rate of %	**Increase/ (decrease) of Provision for employee benefits Euro thousand**
December 31, 2022	**0.25**	**144**
	(0.25)	**(132)**

	Increase/ (decrease) of the interest rate of %	Increase/ (decrease) of Provision for employee benefits Euro thousand
December 31, 2021	0.25	130
	(0.25)	(134)

SHARE CAPITAL AND RESERVES

Equity amounted to €778,391 thousands at December 31, 2022, as detailed below together with the main components of "Share capital and reserves".

41. SHARE CAPITAL

	31/12/2022	31/12/2021
Issued and fully paid	**338,483**	250,735

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

A summary of movements in the Company's share capital is as follows:

Ordinary shares issued and fully paid	Thousands	€000
At January 1, 2021 and December 31, 2021	250,735	250,735
Issued on March 31, 2022 for Listing	83,580	83,580
Issued on April 27, 2022 for Over-allotment option exercise	4,168	4,168
At December 31, 2022	**338,483**	**338,483**

The share capital increased from €250,735 thousand as at the end of December 2021 to €338,483 thousand as at the ended of December 2022 due to the issue of n°83,580,000 shares of the company on March 31, 2022 in relation to the listing of the company on the Main Board of The Stock Exchange of Hong Kong Limited ("**SEHK**") and the issue of n°4,167,700 shares on April 27, 2022 due to the partial exercise of the Over-allotment Option by the Sole Global Coordinator on behalf of the International Underwriters on April 22, 2022. The total number of the shares of the company issued and fully paid at December 31, 2022 is equal to n°338,482,654 for a value of €338,482,654.00.

The new shares were issued by the Company at HK$22.88 per Share, being the Offer Price per Share under the Global Offering. The proceed of the listing were in total €231.5 million with stock issue costs for €8.2 million, net of fiscal effects.

42. RESERVES

The share premium reserve increased from €281,293 thousand as at the end of December 2021 to €425,041 thousand as at December 31, 2022 due to the listing process described above, for the amount not allocated to share capital. A summary of movements in the Company's share premium reserve is as follows:

	€000
At January 1, 2021 and December 31, 2021	281,293
Issuance of share capital on March 31, 2022 for Listing	136,433
Issuance of share capital on April 27, 2022 for Over-allotment option exercise	7,315
At December 31, 2022	**425,041**

The legal reserve, set up pursuant to applicable laws, amounts to €8,287 thousand. In the fiscal year ended December 31, 2022 the reserve increased for €1,176,672.60 due to the approval by the Annual General Meeting of the Shareholders held on May 25, 2022 of the allocation of 5% of the net income of the Company, for the year ended December 31, 2021, as per Article 2430 of the Civil Code.

The translation Reserves, amounting to €7,970 thousand at December 31, 2022, reflects the foreign exchange differences that arise from the conversion of the equity opening balances and income statement of the US and UK subsidiaries of the Company, which are translated into Euro at the U.S. dollar and Great Britain Pound exchange rate in force at December 31, 2022 and at the average exchange rate for the period, respectively. During the year, the reserve changed by €3,641 thousand, as reported in the consolidated comprehensive income statement.

The item "Other reserves", at €(1,775) thousand at December 31, 2022, mainly includes:

— Reserve for transaction costs for issued share capital of €(8,176) thousand, formed during the current year by allocating the costs incurred by the company to undertake the capital increases in relation to the listing of the company described above. In particular, the Group in 2022 incurred in €14.6 million of listing expenses categorized into underwriting-related expenses of approximately of €9.3 million and non-underwriting-related expenses of €5.3 million (fees and expenses of legal advisors and accountants). Approximately €3.2 million have been recognized as administrative and other operating expenses and the remaining approximately €11.3 million has been recognized as a deduction in equity. The reserve is stated net of tax effects of €3,164 thousand;

— the overall effect of the income/(loss) on defined-benefit plans: the reserve amounting to €577 thousand at December 31, 2022 was set up in accordance with IAS 19 — Employee Benefits; during the period the amount of the reserve changed by €676 thousand, net of the tax effect, as reported in the consolidated Comprehensive income statement;

— the remaining part is mainly referred to accumulated earnings/(losses)

42. RESERVES (CONTINUED)

Dividends

	31/12/2022	31/12/2021
Dividends	6,707	3,510

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

The General Shareholders' Meeting convened on May 11, 2021, authorized a dividend payout for €3,510 thousand, equal to €1.40 cents per share, made on June 14, 2021.

On March 8, 2023, the board of directors of the Company proposed dividend of €19,903 thousand (equal to €5.88 cents per share), which is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

43. NON-CONTROLLING INTERESTS

Non-controlling interests are non material and represented by:

— 25% of Sea Lion S.r.l.'s shares;

— 20% of Ram S.p.A.'s shares;

— 15% of Il Massello S.r.l.'s shares.

44. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY BASIC AND DILUTED

Earnings per share were calculated as the ratio of net profit for the year attributable to shareholders of the Company to the weighted average number of shares in issue during the year, as indicated in the table below, and coincides with the earnings per share diluted due to the absence of partially dilutive instruments.

	31/12/2022	31/12/2021
Profit attributable to shareholders of the company (in thousand Euro)	60,274	37,545
Weighted average number of shares during the year	316,778,344	250,734,954
Earnings per share attributable to shareholders of the company: basic and diluted (in Euro)	0.19	0.15

45. BUSINESS COMBINATIONS

2022

On July 29, 2022, the Group acquired a 100% interest in MA.RI.NA. s.r.l. through a cash payment of €468 thousand.

MA.RI.NA. s.r.l. is a company specialized in the sale of spare parts for Riva boats.

	Fair value recognized at acquisition date
Cash and cash equivalents	99
Trade and other receivables	170
Other current assets	411
Property, plant and equipment	96
Trademark	132
Current liabilities	(352)
Non-current employee benefits	(82)
Other non-current liabilities	(6)
Total net assets at fair value	468
Payment made	468

Below is an analysis of the cash flows relating to the acquisition of, MA.RI.NA. s.r.l.:

Payment of the consideration	(468)
Cash available at acquisition date	99
Cash outflows for the investment	(369)

From the date of acquisition, MA.RI.NA. s.r.l. contributed €162 thousand of revenue and €0.3 thousand to profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of 2022, the Group's revenue from continuing operations would have been €1,030,286 thousand and the profit before tax from continuing operations would have been €69,366 thousand.

The Company's management believes that, as allowed by IFRS 3, it is preferable to treat the allocation described above as temporary.

On September 19, 2022, the Group acquired a 60% interest in Fratelli Canalicchio S.p.A. through a cash payment of € 100 thousand. The remaining 40% is subject to put and call options exercisable from September 19, 2027 to September 19, 2028. The terms of put and call options over these non-controlling interests, mean that they give to the Group a present ownership interest in the underlying securities, accordingly this business combination was accounted for on the basis that the underlying shares subject to the put and call options have been acquired. Thus, the Group does not recognize non-controlling interests and recorded liabilities for shareholders under the options. Details and input considered to estimate the fair value of these liabilities are disclosed in Note 6.

45. BUSINESS COMBINATIONS (CONTINUED)

2022 (Continued)

	Fair value recognized at acquisition date
Cash and cash equivalents	567
Trade and other receivables	4,256
Other current assets	2,678
Property, plant and equipment	2,468
Other non-current assets	908
Deferred tax	21
Current liabilities	(6,038)
Non-current employee benefits	(530)
Other	(3,393)
Total net assets at fair value	937
Non-controlling interests	—
Goodwill	2,699
Payment made	3,200
Liability arising on business combination (Note 6)	436
Total	3,636

Below is an analysis of the cash flows relating to the acquisition of Fratelli Canalicchio S.p.A.:

Payment of the consideration	(3,200)
Cash available at acquisition date	567
Cash outflows for the investment	(2,633)

45. BUSINESS COMBINATIONS (CONTINUED)

2022 (Continued)

From the date of acquisition, Fratelli Canalicchio S.p.A. contributed €976 thousand of revenue and €11 thousand to profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of 2022, the Group's revenue from continuing operations would have been €1,036,770 thousand and the profit before tax from continuing operations would have been €68,952 thousand.

The goodwill of €2,606 thousand comprises the fair value of expected synergies arising from acquisition and it's not expected to be deductible for income tax purposes.

The Company's management believes that, as allowed by IFRS 3, it is preferable to treat the allocation described above as temporary.

On September 29, 2022, the Group acquired a 85% interest in Il Massello s.r.l. through a cash payment of €6,375 thousand. The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets. The terms of put and call options over these non-controlling interests, mean that they do not give to the Group a present ownership interest in the underlying securities, accordingly this business combination was accounted for on the basis that the underlying shares subject to the put and call options have not been acquired. Thus, the Group recognized both non-controlling interests and these liabilities for shareholders under the options. Details and input considered to estimate the fair value of these liabilities are disclosed in Note 6.

	Fair value recognized at acquisition date
Cash and cash equivalents	263
Trade and other receivables	2,199
Other current assets	2,005
Property, plant and equipment	798
Other non-current assets	96
Current liabilities	(3,117)
Non-current employee benefits	(138)
Other non-current liabilities	—
Total net assets at fair value	2,107
Non-controlling interests (15% net assets)	(316)
Goodwill	4,584
Payment made	6,375
Liability arising on business combination (Note 6)	1,476

45. BUSINESS COMBINATIONS (CONTINUED)

2022 (Continued)

Below is an analysis of the cash flows relating to the acquisition of Il Massello s.r.l.:

Cash available at acquisition date	263
Payment of the consideration	(6,375)
Cash outflows for the investment	(6,112)

From the date of acquisition, Il Massello s.r.l. contributed €127 thousand of revenue and €(204) thousand to profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of 2022, the Group's revenue from continuing operations would have been €1,031,136 thousand and the profit before tax from continuing operations would have been €69,862 thousand.

The goodwill of €4,584 thousand comprises the fair value of expected synergies arising from acquisition and it's not expected to be deductible for income tax purposes.

The Company's management believes that, as allowed by IFRS 3, it is preferable to treat the allocation described above as temporary.

2021

On May 7, 2021, the Group acquired an 80% interest in Ram S.r.l. (now Ram S.p.A.) through a cash payment of €720 thousand.

Ram — Revisione Assistenza Motoscafi is the first Riva Boat Service, created by Carlo Riva in 1957, located on the lakeshore next to the Riva di Sarnico shipyard.

45. BUSINESS COMBINATIONS (CONTINUED)

2021 (Continued)

	Fair value recognized at acquisition date
Cash and cash equivalents	1
Trade and other receivables	365
Other current assets	1,600
Property, plant and equipment	2,901
Other non-current assets	46
Current liabilities	(2,965)
Deferred taxes	(360)
Non-current employee benefits	(355)
Other non-current assets	(334)
Total net assets at fair value	899
Non-controlling interests (20% net assets)	(179)
Payment made	720

Below is an analysis of the cash flows relating to the acquisition of Ram S.r.l.:

Payment of the consideration	(720)
Cash available at acquisition date	1
Cash outflows for the investment	(719)

Since acquisition, Ram S.r.l. has contributed €628 thousand to the Group's net revenue and a loss of €499 thousand to consolidated profit for the year ended December 31, 2021. If the combination had occurred at the beginning of the year, the revenue of the Group's continuing operations and the profit for the year would have been 899,049 thousand and €37,882 thousand, respectively.

46. CASH FLOWS

Group's main non-monetary transactions

During the years ended December 31, 2022 and 2021, the Group had non-cash additions to rights-of-use assets and lease liabilities of €6,355 thousand and €2,820 thousand, respectively.

Changes in liabilities arising from financing activities

Bank and other borrowings *(excluding lease liabilities)*	**31/12/2022**	31/12/2021
At the beginning of the period	**57,682**	127,245
Changes in financing activities:		
Acquisition of a subsidiary	**7,926**	—
New borrowings	**2,723**	57,682
Repayment	**(61,353)**	(127,245)
Other	**4,421**	—
Total at the end of the year	**11,400**	57,682

Lease liabilities	**31/12/2022**	31/12/2021
At the beginning of the period	**30,801**	36,625
Changes in financing activities:		
New lease	**6,355**	2,820
Interest expenses	**153**	187
Lease payment	**(9,151)**	(8,831)
Total at the end of the year	**28,158**	30,801

Total cash outflows for leasing

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

	31/12/2022	31/12/2021
Operating activities	**5,192**	4,003
Financing activities	**9,151**	8,831

47. RELATED PARTY TRANSACTIONS

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

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

The breakdown of the Group's balances with related parties at December 31, 2022 and December 31, 2021 is set out below:

	Trade and other receivables	Shareholders' debt	Trade and other payables
Fellow subsidiaries:			
Weichai Power Co., Ltd	484		(645)
Shandong Weichai Import & Export Co., Ltd	3,150		
Ferretti International Holding S.p.A.	891		
Other related companies:			
HPE S.r.l.	—		(50)
WM S.A.M. (former Wally S.A.M.)	360		
Ferrari S.p.A.			(535)
Poem S.r.l.			(8)
Other related parties	28	1,000	(139)
Total related parties at December 31, 2022	4,913	1,000	(1,376)

47. RELATED PARTY TRANSACTIONS (CONTINUED)

	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)

The balance of trade and other payables to Weichai Power Co., Ltd amounting to €645 thousand at December 31, 2022 refers wholly to the agreements on the right to sponsor the "Riva" brand on the Ferrari single-seater helmet during the FIA Formula One championship.

The balance of trade and other receivables from Shandong Weichai Import & Export Co., Ltd amounting to €3.2 million at December 31, 2022 refers wholly to the sale of a yacht.

The balance of trade and other receivables from Ferretti International Holding S.p.A. amounting to €891 thousand at December 31, 2022 refers wholly rebillable costs.

The balance of trade and other payables to HPE Srl amounting to €50 thousand at December 31, 2022 refers wholly to the last instalment in 2022, based on the agreement entered into on January 1, 2017 and relating to the supply of services such as design, simulation, calculation, development, implementation and launch on the market of new concepts and style for the Company's products.

The balance of trade and other payables to Ferrari S.p.A. amounting to €535 thousand at December 31, 2022 refers primarily to sponsoring the "Riva" brand on the Ferrari helmets and the race cars.

The balance of trade and other payables to other related parties amounting to €139 thousand at December 31, 2022 mostly refers to the costs incurred by the Company for legal services amounting to €9 thousand and other services provided by related parties under arm's length conditions.

47. RELATED PARTY TRANSACTIONS (CONTINUED)

A breakdown of the Group's transactions with related parties for the years ended December 31, 2022 and December 31, 2021 is set out below:

	Net revenue	Other revenue	Costs for the use of raw materials, services, rentals and leases
Hydraulics Drive Technology			**(23)**
Ferretti International Holding S.p.A.		**891**	
Company's Directors	**1,945**		
HPE S.r.l.			**(200)**
WM S.A.M. (former Wally S.A.M.)			**(550)**
Ferrari S.p.A.			**(1,530)**
PEH S.r.l.			**(3)**
Poem S.r.l.			**(60)**
Other related parties		**10**	**(1,114)**
Total related parties at December 31, 2022	**1,945**	**901**	**(3,480)**

	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)

The costs with regard to Hydraulics Drive Technology amounting to €23 thousand at December 31, 2022 refer to the costs incurred by the Company for technical consulting services.

47. RELATED PARTY TRANSACTIONS (CONTINUED)

The revenue with regard to Ferretti International Holding S.p.A. amounting to €891 thousand at December 31, 2022 refers wholly rebillable costs.

Revenues from Company's Directors amounting to €1.9 million for the year ended December 31, 2022 refer wholly to the sale of two pleasure craft, one through a contract entered into with a leasing company, the lessee of which is a related party of the Company and one directly to a person which is a related party.

The costs with regard to WM S.A.M. amounting to €550 thousand for 2022 relate primarily to commission for the sale of two boats.

The costs with regard to HPE S.r.l. amounting to €200 thousand for 2022 refer primarily to the supply of services such as design, simulation, calculation, development, implementation and launch on the market of new concepts and style for the Company's products.

The costs with regard to Ferrari S.p.A. amounting to €1,530 thousand for 2022 relate to sponsoring the "Riva" brand on the Ferrari helmets and race cars.

The costs with regard to PEH S.r.l. of €3 thousand for 2022 relate mainly to consulting services provided in identifying potential acquisition targets in the boating sector.

The costs to other related parties amounting to €1,114 thousand at December 31, 2022 mostly refer to the costs incurred by the Company for legal services and other consulting services, tied to the development of new boat and the Wally trademark, provided by related parties under arm's length conditions.

In addition, it is reported that during the period the Company incurred costs amounting to €534 thousand, which relate to engineering costs for the development of the Ancona shipyard that have been considered to be accessory costs to the plant construction and hence are shown in this item.

In application of IFRS 16, costs paid to three companies considered related parties, relating to the rent for offices and production facilities, have not been considered.

Compensation of key management personnel of the Group

	31/12/2022	31/12/2021
Fees	**5,988**	4,075
Wages and salaries	**8,916**	3,985
Social security contributions	**1,037**	864
Employee severance indemnities and other allocations	**—**	—
Total compensation paid to key management personnel	**15,941**	8,924

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):

	31/12/2022	31/12/2021
Fees	**7,658**	4,313
Social security contributions	**35**	36
Total fees and compensation	**7,693**	4,349

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

2022

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

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

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
Stefano Domenicali	Director	—	—	—
Lalonde Daniel	Director	43	—	43
Total		4,313	36	4,349

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

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

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

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

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

The fees, including all related expenses paid to the independent auditors in relation to the auditing of the financial statements for the years ended December 31, 2022 and 2021 are shown below (in thousands Euro):

2022

Name	Nature of the fees and compensation	Fees and compensation
EY S.p.A.	Fees for the auditing of accounts	**258**
EY S.p.A.	Fees for other services	**698**
EY Advisory S.p.A.	Fees for other services	**167**
Ernst & Young	Fees for other services	**938**
Studio Legale Tributario	Fees for other services	**40**
Total		**2,101**

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

2021

Name	Nature of the fees and compensation	Fees and compensation
EY S.p.A.	Fees for the auditing of accounts	207
EY S.p.A.	Fees for other services	732
Ernst & Young	Fees for other services	321
Total		1,260

49. CONTINGENT LIABILITIES

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

50. MORTGAGES ON PROPERTIES

As at December 31, 2022 and 2021, the Group's secured bank loans were secured by mortgages on properties with carrying amount of €98,088 thousand and €85,486 thousand, respectively.

51. COMMITMENTS

As at December 31, 2022 no commitment was reported (December 31, 2021: Nil).

52. GUARANTEES PROVIDED TO/RECEIVED FROM THIRD PARTIES

For purposes of comprehensive disclosure, the following paragraphs provide a detail the guarantees provided and the commitments undertaken by the Group at December 31, 2022.

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

Ferretti S.p.A.:

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

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

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

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

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

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

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

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

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

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

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

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

Ferretti S.p.A.: (Continued)

— guarantees totalling €168.2 million issued by various banks in favor of customers as a guarantee of the advances paid for the construction of several boats;

— a bank guarantee 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 favor of the Ancona Customs Agency for excise incentives on diesel used in engine tests;

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

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

Zago S.p.A.:

— sureties of €4,154 thousand issued by Coface for the benefit of a customer in connection with advances received or as guarantee on furnishing and fixture.

— two insurance policies for €148 thousand in total issued by Coface for the benefit of the Scorzè municipal administration in connection with urban development projects.

Ram S.p.A.:

— a surety policy of €44 thousand received from Liberty Specialty Markets Assicurazioni for the benefit of the Bergamo Customs Agency for the temporary import of boats.

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. SIGNIFICANT EVENTS AFTER DECEMBER 31, 2022

There was no event that had a significant impact on the Group's operation, financial and trading prospects since the end of the Reporting Period, and up to the date of this annual report which the Board is aware of.

54. APPROVAL OF THE FINANCIAL STATEMENTS

The Financial Statements, Management Discussion and Analysis and Directors' Report were approved and authorized for issue by the Board on March 8, 2023.

Definitions

"Annual General Meeting" or "AGM"	the annual general meeting of the Company to be held on Friday, May 5, 2023 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
"CG Code"	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
"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 auditor for the financial year ended December 31, 2022
"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)
"COVID-19"	the Coronavirus Disease 2019
"Director(s)"	the director(s) of the Company
"EBITDA"	earnings before interest, taxes, depreciation and amortization
"EMEA"	Europe, Middle East and Africa
"ESG"	Environmental, Social and Governance

"ESG Committee"	environmental, social and governance committee of the Company
"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
"FSD"	Ferretti Security Division business, a division of the Company that designs, develops and manufactures coastal patrol vessels
"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
"IAS"	International Accounting Standards, as issued by the International Accounting Standards Board
"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 to 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, 2022

Definitions

"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)
"Share Option scheme"	the share option scheme adopted by the Company on May 25, 2022
"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" or "HKEX"	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 annual report 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.*