FERRETTIGROUP

2023 Annual Report

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

HKEX code: 9638 | Euronext code: YACHT.MI

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Contents

EXECUTIVE DIRECTORS
Mr. Alberto Galassi *(Chief Executive Officer)*
Mr. Xu Xinyu (徐新玉)

NON-EXECUTIVE DIRECTORS
Mr. Tan Xuguang (譚旭光) *(Chairman)*
Mr. Piero Ferrari *(Honorary Chairman)*
Ms. Jiang Lan (Lansi) (蔣嵐)
Mr. Li Xinghao (李星昊) *(resigned on February 19, 2024)*
Mr. Zhang Quan (張泉) *(appointed on February 19, 2024)*

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Stefano Domenicali
Mr. Patrick Sun (辛定華)
Mr. Hua Fengmao (華風茂) *(resigned on February 19. 2024)*
Ms. Zhu Yi (朱奕) *(appointed on February 19, 2024)*

AUDIT COMMITTEE
Mr. Patrick Sun (辛定華) *(Chairman)*
Mr. Stefano Domenicali
Ms. Jiang Lan (Lansi) (蔣嵐)
Ms. Zhu Yi (朱奕)

REMUNERATION COMMITTEE
Mr. Stefano Domenicali *(Chairman)*
Mr. Piero Ferrari
Mr. Xu Xinyu (徐新玉)
Mr. Patrick Sun (辛定華)
Ms. Zhu Yi (朱奕)

NOMINATION COMMITTEE
Mr. Tan Xuguang (譚旭光) *(Chairman)*
Mr. Alberto Galassi
Mr. Stefano Domenicali
Mr. Patrick Sun (辛定華)
Ms. Zhu Yi (朱奕)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE
Mr. Tan Xuguang (譚旭光) *(Chairman)*
Mr. Alberto Galassi
Mr. Piero Ferrari
Mr. Xu Xinyu (徐新玉)
Ms. Jiang Lan (Lansi) (蔣嵐)
Mr. Zhang Quan (張泉)
Ms. Zhu Yi (朱奕)

STRATEGIC COMMITTEE
Mr. Tan Xuguang (譚旭光) *(Chairman)*
Mr. Alberto Galassi
Mr. Piero Ferrari
Mr. Xu Xinyu (徐新玉)
Mr. Zhang Quan (張泉)
Mr. Patrick Sun (辛定華)

BOARD OF STATUTORY AUDITORS
Mr. Luigi Capitani *(Chairman)*
Ms. Giuseppina Manzo
Mr. Luca Nicodemi
Ms. Federica Marone *(Alternate auditor)*
Ms. Tiziana Vallone *(Alternate auditor)*

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

SECRETARY OF THE BOARD
Mr. Ma Jun (馬俊)

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)
Via Meravigli, 12
20123 Milan
Italy

EXECUTIVE RESPONSIBLE FOR THE CORPORATE FINANCIAL DOCUMENTS

Mr. Marco Zammarchi

HONG KONG LEGAL ADVISER

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

ITALY LEGAL ADVISER

Studio Legale Pedersoli Gattai
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Milan, Italy

COMPLIANCE ADVISER

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

www.ferrettigroup.com

STOCK CODES

EXM: YACHT.MI
HKEX: 9638

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)	Year ended December 31, 2023	2022	2021	2020	2019
Net revenue	**1,134,484**	1,030,099	898,421	611,355	649,251
Profit before tax	**104,022**	69,385	40,674	3,527	6,430
Income tax	**(20,519)**	(8,839)	(3,291)	18,455	20,169
Profit for the year	**83,503**	60,546	37,383	21,982	26,599
Attributable to:					
Shareholders of the Company	**83,048**	60,274	37,545	22,006	26,628
Non-controlling interests	**456**	271	(162)	(24)	(29)
	83,503	60,546	37,383	21,982	26,599

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

(in thousands Euro)	As at December 31, 2023	2022	2021	2020	2019
Current assets	**930,247**	818,663	505,199	443,075	450,855
Non-current assets	**672,002**	588,893	540,877	515,368	467,830
Total assets	**1,602,248**	1,407,556	1,046,076	958,443	918,685
Current liabilities	**(720,037)**	(583,408)	(473,440)	(394,427)	(414,703)
Non-current liabilities	**(42,532)**	(45,757)	(74,570)	(100,691)	(54,657)
Total liabilities	**(762,569)**	(629,165)	(548,010)	(495,118)	(469,360)
Non-controlling interests	**(840)**	(384)	212	50	26
Equity attributable to shareholders of the Company	**838,840**	778,007	498,278	463,375	449,351

KEY FINANCIAL RATIOS

	As at/year ended December 31, 2023	2022	2021	2020	2019
Profitability Ratios					
Return on equity	**10.3%**	9.5%	7.8%	4.8%	8.5%
Return on total assets	**5.5%**	4.9%	3.7%	2.3%	3.1%
Liquidity Ratios					
Current ratio	**1.3**	1.3	1.1	1.1	1.1
Quick ratio	**0.8**	1.1	0.8	0.7	0.6
Capital Adequacy Ratio					
Gearing ratio	**4.0%**	5.1%	17.8%	35.4%	27.9%

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

In 2023, the Group successfully listed on Euronext Milan, following its listing on the Hong Kong Stock Exchange in 2022, making us the first Company to be listed in both the Hong Kong Stock Exchange and the Euronext Milan. The Group was able to attract a broad interest among leading Italian and international institutional investors, resulting in a widened and strengthened institutional shareholder base of the Company.

The Italian listing further consolidated the Group positioning as a global leader in the luxury yacht arena.

On the business growth, we recorded a strong increase in net revenue during the Reporting Period of €1,134.5 million, representing an approximately 10.1% increase as compared to the corresponding period in 2022.

As far as the Group's profitability is concerned, its adjusted EBITDA amounted to €169.2 million, representing an increase of approximately 20.9% from the year ended December 31, 2022 (€140.0 million). The increase was also significant in terms of percentages, with an adjusted EBITDA/net revenue of new yachts margin reaching 15.2% or 110 basis points higher than that of 2022. Finally, the Group's profit for the year increased by approximately 38% from €60.5 million for the year ended December 31, 2022 to €83.5 million for the Reporting Period.

In 2024, we expect a sustainable growth, which is backed by an order backlog of approximately €1.5 billion as at December 31, 2023, which represents an approximate increase of 15.1% as compared to that as at December 31, 2022.

1.1 Yacht Manufacturing Business

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.

The launch of new models for composite and made-to-measure yachts, together with a growing interest in super yachts, allowed the Group to attract new customers while also continuing to nurture the interest of the Group's loyal clients.

- The Group's net revenue from sales of composite yachts reached €491.8 million, representing a year-on-year growth of 19.3% and approximately 44.3% of the Group's total net revenue of new yachts for the Reporting Period. The Group's order intake for composite yachts was €527.2 million for the Reporting Period, mainly due to the contribution of composite yachts of over 80 feet.

- The Group's net revenue from sales of made-to-measure yachts increased by 1.7% from €433.0 million for the year ended December 31, 2022 to €440.3 million for the Reporting Period. The Group's order intake for made-to-measure yachts was €423.0 million for the Reporting Period.

- The Group's net revenue from sales of super yachts increased by 23.3% from €95.4 million for the year ended December 31, 2022 to €117.6 million for the Reporting Period. The Group's order intake for super yachts was €149.5 million for the Reporting Period, primarily due to the good performance of flagship semi serial models.

1.2 Other Businesses

The Group's other 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 FSD; and (vi) manufacturing and sale of Wally sailing 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 Reporting Period, the Group's net revenue from other businesses segment reached approximately €61.3 million, representing a year-on-year increase of approximately 10.3%. The increase in net revenue mainly derived from Wally sailboats segment.

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 design 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 extended the agreement until the end of 2027, which guarantees the supply chain's efficiency, with clear benefits for its customers. The Group also entered the E-luxury segment with the first Riva full-electric powerboat, named El-Iseo, available for sale in January 2024. Furthermore, the Group is committed to expanding its 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, wallytender43X and wallytender48X and the INFYNITO range) and increasing its 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 shipyards are adjusted to the ISO 14001:2015 environmental certification, introducing innovative solutions (such as trigeneration systems) and increasingly proficient 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 to establish been the first in the yacht industry to publish a sustainability report in 2019 and establish the ESG Committee in 2011, which is responsible for helping the Board to devise ESG policies and strategies and reviewing and assessing its sustainability performance.

2 Outlook and Prospects

The global luxury yacht industry continued to grow solidly throughout 2022 and 2023. Once again, the global luxury yacht industry proved resilience in the face of geopolitical uncertainty, underscoring its stability and strength. Against this backdrop, the Group continued its outstanding performance, steadily gaining market share and strengthening its strategic position not only in high-value segments, but also in new emerging and high-growth segments. To continue to take advantage of the expected growth trends in the global luxury yacht industry, enhancing its value proposition and strengthening its overall resilience, the Group made future plans based on the following strategic pillars:

- To improve and expand its offering and product mix in anticipation of evolving market trends and customer expectations, with the aim of consolidating its market leadership that in 2023, which grew further from 14.9% in 2022 to 15.8% in 2023 in both the composite yachts and made-to-measure yachts segments, focusing on the segments with the highest growth and margin potential.

- To continue to invest in innovation, technologies, and products with the goal of providing a more environmentally responsible sailing experience through the skillful use of more sustainable materials and processes to reduce the environmental impact of products.

- To expand its made-to-measure offering to larger alloy yachts, developing new alloy-hulled super yacht models under the iconic Riva, Wally, Pershing, and Custom Line brands.

- To expand yacht brokerage, chartering and management services and after-sales and refitting services, expand brand extension and licensing activities, and further expand into the security and patrol market.

- To continue to invest in the internalization of high value-added activities to support its future growth and product portfolio expansion.

3 Appreciation

Last but not least, I would like to express my sincere appreciation to all of our proven and new 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 14, 2024

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is an established leader in the global luxury yacht industry with a portfolio of iconic brands of 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 8 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, for the Reporting Period, the Group recorded a net revenue of €1,134.5 million, representing a 10.1% increase from €1,030.1 million for the year ended December 31, 2022. The Group delivered 212 new vessels during the Reporting Period, compared to 207 new vessels for the year ended December 31, 2022. Meanwhile, its net profit increased by about 38.0% from €60.5 million for the year ended December 31, 2022 to €83.5 million for the Reporting Period. During the Reporting Period, the Group achieved an order intake of €1,120.4 million, which was in line with the amount of order intake in the year ended December 31, 2022. There had also been a major increase in the Company’s order intake for composite yachts of over 80 feet, which have a high profitability similar to that of made-to-measure yachts.

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.

The launch of new models for composite and made-to-measure yachts, together with a growing interest in super yachts, allowed the Group to attract new customers while also continuing to nurture the interest of the Group’s loyal clients.

The Group’s other businesses provide synergy with its 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 FSD; and (vi) manufacturing and sale of Wally sailing yachts. With such businesses, the Group is able to cover all customers’ 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 it with real-time information about market trends and customer preferences.

The Group's total net revenue of new yachts sales increased by about 11.5%, from €996.1 million in 2022 to €1,110.9 million in 2023, due to the strong order intake in 2022 and 2023.

Order intake by segment

The following table shows the breakdown of the order intake by segment[1]:

	Order intake by segment				
(in millions Euro)	**2023**	**%**	2022	%	**Change[2]**
Composite yachts	**527.2**	**47.1%**	462.8	39.8%	**+13.9%**
Made-to-measure yachts	**423.0**	**37.8%**	495.1	42.6%	**–14.6%**
Super yachts	**149.5**	**13.3%**	204.6	17.6%	**–26.9%**
Other businesses[3]	**20.7**	**1.8%**	0	0%	**—**
Total	**1,120.4**	**100.0%**	1,162.5	100.0%	**–3.6%**

Order intake from the **composite yachts** segment totaled €527.2 million in 2023, accounting for approximately 47.1% of total order intake in 2023 (2022: €462.8 million, accounting for approximately 39.8% of total order intake in 2022).

Order intake from the **made-to-measure yachts** segment totaled €423.0 million in 2023, accounting for approximately 37.8% of total order intake in 2023 (2022: €495.1 million, accounting for approximately 42.6% of total order intake in 2022).

Order intake from the **super yachts** segment totaled €149.5 million in 2023, accounting for approximately 13.3% of total order intake in 2023 (2022: €204.6 million, accounting for approximately 17.6% of total order intake in 2022).

Order intake from the **other businesses** segment totaled €20.7 million in 2023, accounting for approximately 1.8% of total order intake in 2023.

1 The Ferretti Yacht 1000 model that was originally under the composite yachts segment had been reclassified under the made-to-measure yachts segment in this Reporting Period

2 The percentage figures are subject to rounding adjustments and may not be an arithmetic aggregation of the figures preceding them

3 Including FSD and Wally sailboats

Order intake by geographical area

The following table shows the breakdown of order intake by geographical area[4]:

(in millions Euro)	2023	%	2022	%	Change[5]
	Order intake by geographical area				
Europe	**483.6**	**43.2%**	446.5	38.4%	**+8.3%**
MEA	**273.8**	**24.4%**	241.8	20.8%	**+13.2%**
APAC	**65.8**	**5.9%**	74.7	6.4%	**–11.9%**
AMAS	**297.1**	**26.5%**	399.4	34.4%	**–25.6%**
Total	**1,120.4**	**100.0%**	1,162.5	100.0%	**–3.6%**

Order intake in **Europe** totaled €483.6 million, accounting for approximately 43.2% of total order intake in 2023 (2022: €446.5 million, accounting for approximately 38.4% of total order intake in 2022).

Order intake in **MEA** totaled €273.8 million, accounting for approximately 24.4% of total order intake in 2023 (2022: €241.8 million, accounting for approximately 20.8% of total order intake in 2022).

Order intake in **APAC** totaled €65.8 million, accounting for approximately 5.9% of total order intake in 2023 (2022: €74.7 million, accounting for approximately 6.4% of total order intake in 2022).

Order intake in **AMAS** totaled €297.1 million, accounting for approximately 26.5% of total order intake in 2023 (2022: €399.4 million, accounting for approximately 34.4% of total order intake in 2022).

Order backlog

As of December 31, 2023, the order backlog amounted to €1,491.1 million, increased by approximately 15.1% from €1,295.6 million as of December 31, 2022.

[4] The geographical breakdown in the Reporting Period refers to breakdown by the dealer's area of exclusivity or by the customer's nationality

[5] The percentage figures are subject to rounding adjustments and may not be an arithmetic aggregation of the figures preceding them

Order backlog by segment

The following table shows the breakdown of the order backlog by segment[6]:

	Order backlog by segment				
(in millions Euro)	**2023**	**%**	2022	%	**Change[7]**
Composite yachts	**460.9**	**30.9%**	339.1	26.2%	**+35.9%**
Made-to-measure yachts	**554.6**	**37.2%**	517.1	39.9%	**+7.3%**
Super yachts	**418.0**	**28.0%**	384.6	29.7%	**+8.7%**
Other businesses[8]	**57.7**	**3.9%**	54.8	4.2%	**+5.3%**
Total	**1,491.1**	**100.0%**	1,295.6	100.0%	**+15.1%**

Order backlog from the **composite yachts** segment reached €460.9 million as of December 31, 2023, accounting for approximately 30.9% of the total backlog (up from €339.1 million, accounting for approximately 26.2% of the total backlog as of December 31, 2022).

Order backlog from the **made-to-measure yachts** segment reached €554.6 million as of December 31, 2023, accounting for approximately 37.2% of the total backlog (up from €517.1 million, accounting for approximately 39.9% of the total backlog as of December 31, 2022).

Order backlog from the **super yachts** segment reached €418.0 million as of December 31, 2023, accounting for approximately 28.0% of the total backlog (up from €384.6 million, accounting for approximately 29.7% of the total backlog as of December 31, 2022).

Order backlog from **other businesses** segment reached €57.7 million as of December 31, 2023, accounting for approximately 3.9% of the total backlog (up from €54.8 million, accounting for approximately 4.2% of the total backlog as of December 31, 2022).

Net Backlog

The net backlog represents the total backlog orders in portfolio which has not been delivered net of revenue already booked, amounted to €858.0 million as of December 31, 2023, increased by approximately 14.3% compared to €750.5 million as of December 31, 2022.

6 The Ferretti Yacht 1000 model that was originally under the composite yachts segment had been reclassified under the made-to-measure yachts segment in this Reporting Period

7 The percentage figures are subject to rounding adjustments and may not be an arithmetic aggregation of the figures preceding them

8 Including FSD and Wally sailboats

OUTLOOK AND PROSPECTS

The global luxury yacht industry continued to grow solidly throughout 2022 and 2023. Once again, the global luxury yacht industry proved resilience in the face of geopolitical uncertainty, underscoring its stability and strength. Against this backdrop, the Group continued its outstanding performance, steadily gaining market share and strengthening its strategic position not only in high-value segments, but also in new emerging and high-growth segments. To continue to take advantage of the expected growth trends in the global luxury yacht industry, enhancing its value proposition and strengthening its overall resilience, the Group made future plans based on the following strategic pillars:

- To improve and expand its offering and product mix in anticipation of evolving market trends and customer expectations, with the aim of consolidating its market leadership that in 2023, which grew further from 14.9% in 2022 to 15.8% in 2023 in both the composite yachts and made-to-measure yachts segments, focusing on the segments with the highest growth and margin potential.

- To continue to invest in innovation, technologies, and products with the goal of providing a more environmentally responsible sailing experience through the skillful use of more sustainable materials and processes to reduce the environmental impact of products.

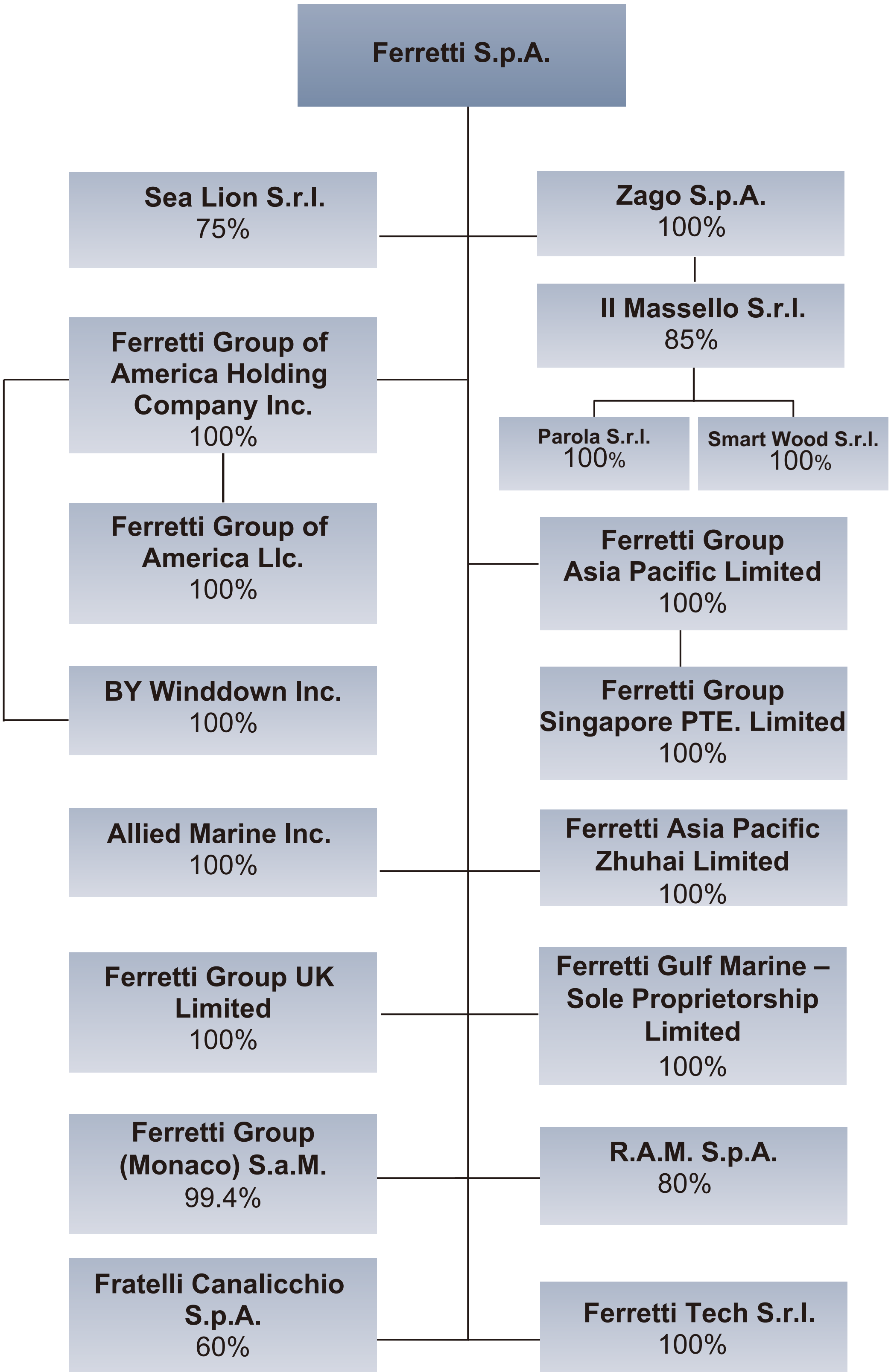
- To expand its made-to-measure offering to larger alloy yachts, developing new alloy-hulled super yacht models under the iconic Riva, Wally, Pershing, and Custom Line brands.

- To expand yacht brokerage, chartering and management services and after-sales and refitting services, expand brand extension and licensing activities, and further expand into the security and patrol market.

- To continue to invest in the internalization of high value-added activities to support its future growth and product portfolio expansion.

The Group's results are not subject to seasonality, except for the concentration of deliveries in the northern summer season (May-August) and, to a lesser extent, in the southern summer season (November-January), especially for composite yachts.

GROUP CHART


Ferretti S.p.A.
Sea Lion S.r.l.
75%
Zago S.p.A.
100%
Il Massello S.r.l.
85%
Parola S.r.l.
100%
Smart Wood S.r.l.
100%
Ferretti Group of America Holding Company Inc.
100%
Ferretti Group of America Llc.
100%
BY Winddown Inc.
100%
Ferretti Group Asia Pacific Limited
100%
Ferretti Group Singapore PTE. Limited
100%
Allied Marine Inc.
100%
Ferretti Asia Pacific Zhuhai Limited
100%
Ferretti Group UK Limited
100%
Ferretti Gulf Marine – Sole Proprietorship Limited
100%
Ferretti Group (Monaco) S.a.M.
99.4%
R.A.M. S.p.A.
80%
Fratelli Canalicchio S.p.A.
60%
Ferretti Tech S.r.l.
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, 2023	2022
Revenue	**1,196,352**	1,072,449
Commissions and other costs related to revenue	**(61,868)**	(42,350)
NET REVENUE	**1,134,484**	1,030,099
Change in inventories of work-in-progress, semi-finished and finished goods	**118,753**	35,181
Cost capitalized	**32,781**	31,982
Other income	**22,223**	16,002
Raw materials and consumables used	**(615,523)**	(514,468)
Contractors costs	**(209,426)**	(166,051)
Costs for trade shows, events and advertising	**(23,529)**	(19,963)
Other service costs	**(117,917)**	(117,680)
Rentals and leases	**(9,755)**	(8,931)
Personnel costs	**(130,727)**	(128,810)
Other operating expenses	**(7,961)**	(9,052)
Provisions and impairment	**(30,747)**	(33,115)
Depreciation and amortization	**(63,167)**	(53,089)
Share of loss of a joint venture	**–**	(44)
Financial income	**8,652**	2,328
Financial expenses	**(4,139)**	(4,452)
Foreign exchange gain/(losses)	**19**	9,448
PROFIT BEFORE TAX	**104,022**	69,385
Income tax	**(20,519)**	(8,839)
PROFIT FOR THE YEAR	**83,503**	60,546
Attributable to:		
Shareholders of the Company	**83,048**	60,274
Non-controlling interests	**456**	271

Net Revenue

The Group's net revenue increased by approximately 10.1% from approximately €1,030.1 million for the year ended December 31, 2022 to approximately €1,134.5 million for the Reporting Period.

The increase in the Group's net revenue was due to (i) an increase of €79.6 million in sales of composite yachts; (ii) an increase of €7.3 million in sales of made-to-measure yachts; (iii) an increase of €22.2 million generated in sales of super yachts; (iv) an increase of €5.8 million in revenue from other businesses; and (v) a decrease of €10.5 million in revenue from pre-owned boats. The Group delivered 212 new vessels during the Reporting Period, compared to 207 new vessels for the year ended December 31, 2022.

The following table shows the breakdown of net revenue of new yachts sales by segment[9]:

	Net revenue of new yachts sales by segment				
(in millions Euro)	**2023**	**%**	2022	%	**Change[10]**
Composite yachts	**491.8**	**44.3%**	412.1	41.3%	**+19.3%**
Made-to-measure yachts	**440.3**	**39.6%**	433.0	43.5%	**+1.7%**
Super yachts	**117.6**	**10.6%**	95.4	9.6%	**+23.3%**
Other businesses[11]	**61.3**	**5.5%**	55.6	5.6%	**+10.3%**
Total	**1,110.9**	**100.0%**	996.1	100.0%	**+11.5%**

(i) Sales of Composite Yachts

The Group's net revenue from sales of composite yachts reached €491.8 million, representing a year-on-year growth of 19.3% and approximately 44.3% of the Group's total net revenue of new yachts for the Reporting Period. The Group's order intake for composite yachts was €527.2 million for the Reporting Period, mainly due to the contribution of composite yachts of over 80 feet.

(ii) Sales of Made-to-Measure Yachts

The Group's net revenue from sales of made-to-measure yachts increased by 1.7% from €433.0 million for the year ended December 31, 2022 to €440.3 million for the Reporting Period and representing approximately 39.6% of the Group's net revenue of new yachts. The Group's order intake for made-to-measure yachts was €423.0 million for the Reporting Period.

[9] The Ferretti Yacht 1000 model that was originally under the composite yachts segment had been reclassified under the made-to-measure yachts segment in this Reporting Period

[10] The percentage figures are subject to rounding adjustments and may not be an arithmetic aggregation of the figures preceding them

[11] Including ancillary activities, FSD, Wally sailboats

(iii) Sales of Super Yachts

The Group's net revenue from sales of super yachts increased by 23.3% from €95.4 million for the year ended December 31, 2022 to €117.6 million for the Reporting Period and representing approximately 10.6% of the Group's net revenue of new yachts, primarily due to the good performance of flagship semi serial models. Specifically, the Group's order intake for super yachts was €149.5 million for the Reporting Period.

(iv) Other Businesses

The Group's net revenue from other businesses segment increased by approximately 10.3% from approximately €55.6 million for the year ended December 31, 2022 to approximately €61.3 million for the Reporting Period and representing approximately 5.5% of the Group's net revenue of new yachts. The increase in revenue mainly derived from Wally sailboats segment.

The table below provides a breakdown by geographical regions[12] of the Group's net revenue for the years indicated:

(In thousands Euro, except percentages)	**2023**	**%**	2022	%
Europe	**480,065**	**43.2%**	468,226	47.0%
MEA	**212,316**	**19.1%**	87,248	8.8%
APAC	**98,211**	**8.8%**	72,090	7.2%
America	**320,356**	**28.8%**	368,555	37.0%
Total net revenue of new yachts	**1,110,949**	**100.0%**	996,119	100.0%
Pre-owned	**23,535**		33,980	
Total net revenue	**1,134,484**		1,030,099	

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 €83.6 million, or 237.5%, from €35.2 million for the year ended December 31, 2022 to €118.8 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 aligned mostly with cost capitalized in the previous year with a small increase by €0.8 million, or 2.5%, from €32.0 million for the year ended December 31, 2022 to €32.8 million for the Reporting Period.

12 The geographical breakdown in the Reporting Period refers to breakdown by the dealer's area of exclusivity or by the customer's nationality

Other Income

The Group's other income increased from €16.0 million for the year ended December 31, 2022 to €22.2 million for the Reporting Period, due to increased income from insurance reimbursements, rebate, operating grants and other minor non-operating income.

Raw Materials and Consumables Used

The Group's raw materials and consumables used increased by €101.1 million, or 19.6%, from €514.5 million for the year ended December 31, 2022 to €615.5 million for the Reporting Period, primarily due to the increase in production volumes.

Contractors Costs

The Group's contractors costs increased by €43.4 million, or 26.1%, from €166.1 million for the year ended December 31, 2022 to €209.4 million for the Reporting Period, primarily due to the increase in production activities catering for 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 €3.6 million, or 17.9%, from €20.0 million for the year ended December 31, 2022 to €23.5 million for the Reporting Period, primarily due to the increase in events and promotional activities.

Other Service Costs

The Group's other service costs remained substantially stable at €117.9 million for the Reporting Period as compared to €117.7 million for the year ended December 31, 2022.

Rentals and Leases

The Group's rentals and leases increased by €0.8 million, or 9.2%, from €8.9 million for the year ended December 31, 2022 to €9.8 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 €1.9 million, or 1.5%, from €128.8 million for the year ended December 31, 2022 to €130.7 million for the Reporting Period, primarily due to an increase in the average headcount to support the growth of the Group's business.

Other Operating Expenses

The Group's other operating expenses decreased by €1.1 million, or 12.1%, from €9.1 million for the year ended December 31, 2022 to €8.0 million for the Reporting Period, mainly due to the implementation of cost control measures during the Reporting Period.

Provisions and Impairment

The Group's provisions and impairment decreased by €2.4 million, or 7.2%, from €33.1 million for the year ended December 31, 2022 to €30.7 million for the Reporting Period, primarily due to the release in other risks provisions that partially offset the accruals for the year ended December 31, 2023.

Depreciation and Amortization

The Group's depreciation and amortization increased by €10.1 million, or 19.0%, from €53.1 million for the year ended December 31, 2022 to €63.2 million for the Reporting Period, which was driven by the increase 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's production facilities.

Financial Income and Financial Expenses

The Group's financial income increased from €2.3 million for the year ended December 31, 2022 to €8.7 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 Hong Kong Listing.

The Group's financial expenses decreased from €4.5 million for the year ended December 31, 2022 to €4.1 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 that are substantially nil for the Reporting Period decreased by €9.4 million, primarily due to as at December 31, 2022 there was recorded a 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 Expenses

The Group recorded income tax expenses of €20.5 million for the Reporting Period, as compared to income tax expense of €8.8 million for the year ended December 31, 2022, primarily due to an increase in current tax attributable to the significant increase in the Group's profit before tax.

Profit for the Year

As a result of the foregoing, the Group's profit for the year increased by €23.0 million, or by approximately 38%, from €60.5 million for the year ended December 31, 2022 to €83.5 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 5.9% for the year ended December 31, 2022 to 7.4% for the Reporting Period and as a percentage to net revenue of new yachts, it increased from 6.1% for the year ended December 31, 2022 to 7.5% 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:

	As of December 31,	
(in thousands Euro)	**2023**	2022
Current assets		
Cash and cash equivalents	**314,109**	317,759
Trade and other receivables	**70,271**	59,432
Contract assets	**166,846**	115,372
Inventories	**337,732**	198,120
Advances on inventories	**37,266**	39,156
Other current assets	**820**	86,732
Income tax recoverable	**3,203**	2,091
	930,247	818,663
Current liabilities		
Minority Shareholders' loan	**1,000**	1,000
Bank and other borrowings	**11,253**	14,500
Provisions	**62,809**	42,946
Trade and other payables	**443,585**	337,364
Contract liabilities	**195,091**	185,914
Income tax payable	**6,299**	1,683
	720,037	583,408
Net current assets	**210,209**	235,255

The Group had net current assets of €210.2 million as of December 31, 2023, consisting of current assets of €930.2 million and current liabilities of €720.0 million, which represented a decrease of €25.0 million from the Group's net current assets of €235.3 million as of December 31, 2022, primarily due to (i) an increase in contract assets of €51.5 in line with the growth of the Group's business; (ii) an increase in inventories and advances on inventories of €137.7 million, mainly attributable to an increase in production volumes; (iii) an increase in trade and other receivables of €10.8 million in line with the growth of the Group's business; and (iv) a decrease in bank and other borrowings of €3.2 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 €106.2 million in line with the growth of the Group's business; (ii) a decrease in other current assets of €85.9 for the reduction of time deposit with a maturity longer than 3 months; and (iii) an increase in contract liabilities of €9.2 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 €137.7 million, or 58.0%, from €237.3 million as of December 31, 2022 to €375.0 million as of December 31, 2023, 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)	**2023**	2022
Trade receivables		
Accounts receivable from customers	**25,923**	20,227
Impairment	**(3,496)**	(3,216)
	22,427	17,011
Other receivables	**47,843**	42,421
Total	**70,271**	59,432

The Group's trade and other receivables increased by €10.8 million, or 18.2%, from €59.4 million as of December 31, 2022 to €70.3 million as of December 31, 2023, primarily due to (i) an increase in trade receivables related to other businesses; and (ii) an increase in other receivables of €5.4 million mainly attributable to a decrease in VAT receivables of 10.4 million and the increase of €15.9 million of payments in advance for the acquisition of the new Ravenna site.

Contract Assets

The Group's contract assets increased by €51.5 million, or 44.6%, from €115.4 million as of December 31, 2022 to €166.8 million as of December 31, 2023, primarily due to an increase in production volumes.

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)	**2023**	2022
Trade payables	**393,915**	289,653
Other payables	**50,606**	48,717
Total	**444,521**	338,370

The Group's trade and other payables increased by €106.2 million, or 31.5%, from €338.4 million as of December 31, 2022 to €444.5 million as of December 31, 2023, primarily due to an increase in trade payables of €104.2 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 €9.2 million, or 4.9%, from €185.9 million as of December 31, 2022 to €195.1 million as of December 31, 2023, primarily due to an increase in the advances received from customers.

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 Hong Kong Listing and cash generated from operating activities.

The table below sets out the Group's capital expenditures (except right-of-use assets) for the years indicated:

	Year ended December 31,	
(in thousands Euro)	**2023**	2022
Property, plant and equipment	**127,584**	81,131
Intangible assets	**19,485**	4,129
Total capital expenditures	**147,069**	85,260

Consolidated net financial position

The net financial position as of December 31,2023 was €281.1 million of net cash, compared to €365.0 million of net cash as of December 31,2022.

Net working capital

Net working capital as of December 31,2023 was a negative €29.7 million, an increase compared to the previous year, to be able to meet the next season's deliveries in Europe and Middle East.

Non-IFRS Measures

To supplement the Group's consolidated income statements which are presented in accordance with IFRS, EBITDA, adjusted EBITDA, adjusted EBITDA/net revenue of new yachts, being non-IFRS measures, were also presented. The Group is of the view that these measures facilitate comparison of operating performance from period to period by eliminating potential impacts of certain items and believes that these measures provide 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 these measures have 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 for the year 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; (ii) adjusted EBITDA as EBITDA adjusted by adding back certain special items (including listing expenses, Management Incentive Plan, non-recurring costs for supply chain support, contribution to employees for Emilia-Romagna flood and other minor non-recurring events); and (iii) net revenue of new yachts 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 measures to the nearest measures prepared in accordance with IFRS for the years indicated:

(in thousands Euro)	For the year ended **December 31, 2023**	December 31, 2022
Net revenue	**1,134,484**	1,030,099
Revenue pre-owned	**(23,535)**	(33,980)
Net revenue of new yachts	**1,110,949**	996,119
Operating costs	**(941,703)**	(856,130)
Adjusted EBITDA	**169,246**	139,989
Special items	**(6,589)**	(24,796)
Operating exchange gains/(losses) and Share of loss of a joint venture	**62**	(1,989)
EBITDA	**162,719**	113,204
Depreciations and amortisation	**(63,167)**	(53,089)
Financial income, financial expenses, financial exchange gains	**4,470**	9,269
Profit before tax (PBT)	**104,022**	69,385
Income tax	**(20,519)**	(8,839)
Profit after tax (PAT)	**83,503**	60,546
Adjusted EBITDA/Net revenue of new yachts	**15.2%**	14.1%

The Group's adjusted EBITDA for the year ended December 31, 2023 was €169.2 million, with an increase of approximately 20.9% from the year ended December 31, 2022, which was €140.0 million. The adjusted EBITDA/net revenue of new yachts margin was equal to 15.2%, up 110 basis points when compared to 14.1% for the year ended December 31, 2022.

This excellent performance confirms the strength of the commercial and industrial strategy adopted by the Group, thereby enabling it to maintain strong negotiating power over prices, consolidates the most profitable made-to-measure segment, and absorbs fixed costs more efficiently, in addition to greater procurement economies of scale capacity.

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

(in thousands Euro)	Year ended December 31, 2023	2022
Listing expenses	—	4,872
Management incentive plan	—	17,178
Supply chain support	6,371	—
Contribution to employees for Emilia-Romagna flood	215	—
Other (income)/expenses	3	2,747
Total	6,589	24,796

FINANCIAL RATIOS

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

Profitability Ratios	Year ended December 31, 2023	2022
Return on equity (1)	10.3%	9.5%
Return on total assets (2)	5.5%	4.9%

Liquidity Ratios/Capital adequacy Ratio	As of December 31, 2023	2022
Current ratio (3)	1.3	1.3
Quick ratio (4)	0.8	1.1
Gearing Ratio (5)	4.0%	5.1%

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 9.5% for the year ended December 31, 2022 to 10.3% for the Reporting Period, primarily due to an increase in profit.

Return on Total Assets

The Company's return on total assets increased from 4.9% for the year ended December 31, 2022 to 5.5% 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 remains stable at 1.3 as of 31 December, 2023 and 2022.

Quick ratio

The Company's quick ratio decreased from 1.1 as of December 31, 2022 to 0.8 as of December 31, 2023.

Gearing ratio

As at December 31, 2023, the Group's gearing ratio was approximately 4.0% (as at December 31, 2022: 5.1%), calculated as the total indebtedness divided by total equity as at the end of the Reporting Period multiplied by 100%. The decrease was mainly due to the increase in share capital related to net profit for the year, net of the dividend paid, 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 Reporting 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 Reporting 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, 2023 and 2022, there were no currency forwards in place.

PLEDGE OF ASSETS

As at December 31, 2023, the Group's bank borrowings were secured by certain of the Group's buildings, with the carrying amount of €115.6 million (2022: €98.1 million). Details of which are set out in Note 50 to the Consolidated Financial Statements.

LEGAL AND POTENTIAL PROCEEDINGS

As at December 31, 2023, 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, 2023 and 2022, 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 Reporting 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 Hong Kong Prospectus, the Company has no specific plan for significant investments or acquisitions of material capital assets.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

In late January 2024, the Company signed an agreement for the acquisition of an additional 30,000 square meters adjacent to the San Vitale Shipyard, increasing the entire new production area in Ravenna to approximately 100,000 square meters to produce the made-to-measure, composite and sailboat segments of the Ferretti Yachts and Wally brands. This latest acquisition is equivalent to an investment of approximately €14 million already settled in 2023, and further increases the Group's production capacity by 10%.

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

On March 1, 2024, the Company announced its withdrawal from the reclamation and industrial conversion of the site of the former Belleli Yard in Taranto's port area. The Group remains committed to the strategy of verticalization of key production processes such as the internalization of part of the production of fiberglass hulls and superstructures, to which the Taranto area had been designated, thanks to other opportunities such as the recently purchased area in Ravenna to expand the shipyard and other areas near the Group's shipyards.

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, 2023, the Group had 1,971 employees (as at December 31, 2022: 1,835). 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.

1 ISSUER'S PROFILE

Ferretti is an established player in the global luxury yacht market, leading the global market for inboard luxury yachts over 9 metres (approximately 30 feet), and among the first-ranked players within the super yacht segment.

Since 31 March 2022, Ferretti has been listed on the Hong Kong Stock Exchange, and since 27 June 2023, also on Euronext Milan, a market organised and managed by Borsa Italiana. As at the date of this Corporate Governance Report, the Issuer's market capitalisation is Euro 1,069 million.

1.1 GOVERNANCE SYSTEM ADOPTED BY THE ISSUER

In order to ensure an effective and transparent allocation of roles and responsibilities among its corporate bodies and, in particular, proper balance between the management functions and the control functions, the Issuer has adopted a system of corporate governance that is consistent with the manner in which regulation has evolved, and best practices in Italy and internationally, drawing upon the principles and recommendations set forth in the Corporate Governance Code and the CG Code pursuant to Appendix C1 to the Listing Rules, which the Issuer upholds. The corporate governance system has been constructed in accordance with the laws and regulations that govern companies listed in Italy and in Hong Kong.

Ferretti had adopted a traditional system of management and control under article 2380-*bis et seq.* of the Civil Code, in which connection the Board of Directors is responsible for management of the business, and the Board of Directors is responsible for control and supervisory functions:[1]

Ferretti's governance system ensures that the Issuer's management and its shareholders are continually in contact. It comprises:

(a) the **Shareholders' Meeting**, which as a body has functions that are exclusively to resolve upon matters that are, by law, circumscribed to those decisions of greatest importance to the Company's existence;

(b) the **Board of Directors**, which is the body responsible for leading and managing the Company and the Group. The Board of Directors places considerable priority upon its role in leading the Group in pursuit of sustainable growth and the consistent creation of value for the Company over the medium and long term. A Nominations Committee, a Remuneration Committee, a Sustainability Committee (also known as the Environmental, Social and Governance Committee), and a Controls and Risks Committee are each made up of members of the Board of Directors. All have functions of bringing proposals and offering advice, consistent with the recommendations set forth in the Corporate Governance Code; a Related Party Committee (a role fulfilled by the Controls and Risks Committee) has also been established in accordance with the applicable laws and regulations, the RPT Rules and the RPT Procedure;

[1] The matters within the purview of each of the corporate bodies, and the rules under which they operate, are governed by laws and regulations in force, the By-Laws, the Rules of the Shareholders' Meeting, the Rules of the Board of Directors and of the individual Committees, adopted by the Board of Directors on 20 March 2023; and by the Company's own internal procedures.

(c) the **Board of Statutory Auditors** oversees, *inter alia* (i) compliance with the law and the By-Laws, and also with principles of sound administration; (ii) with respect to the matters within its pursuit, the adequacy of the Company's organisational structure, internal control system and accounting administrative system, and the reliability of the latter in representing the Issuer's transactions; (iii) the manner in which the corporate governance rules under the codes of conduct to which the Issuer is bound are implemented in practice; and (iv) the effectiveness of the internal audit and risk management system, the external auditing, and the independence of the external auditor; and

(d) the **External Auditor** audits the accounts. It is appointed in accordance with the terms of the deed of incorporation, by the Shareholders' Meeting at the proposal of the Board of Statutory Auditors. The External Auditor performs its duties independently and autonomously and accordingly is not a representative of either the majority or the minority shareholders. The audit firm EY S.p.A. ("**EY**") has been appointed, by resolution of the Shareholders' Meeting of 18 May 2023, to audit the accounts for each of the nine years 2023–2031.

Ferretti has also established a Supervisory Board, responsible for overseeing the effectiveness and adequacy of the Issuer's internal controls and mechanisms, and of its organisational and operational model the Issuer adopted pursuant to and for the purposes of Decree 231/2001 (the "**231 Model**"); and reporting upon its implementation. Looking beyond the Supervisory Board, the Issuer's Internal Audit function, the Controls, Risks and Related Parties Committee, the Sustainability Committee and the Board of Statutory Auditors all have an important role in the Issuer's IARMS.

In order to comply with the recommendations set forth in the Corporate Governance Code, on 18 May 2023 the Board of Directors:

(i) pursuant to recommendation 11 under article 3 of the Corporate Governance Code, approved the Rules of the Board of Directors, and the Rules for the individual Committees. These define the rules of operation of the Board of Directors, the Control and Risks Committee and Related Parties Committee, the Remuneration Committee, the Nomination Committee, the Sustainability Committee, including the manner in which the meetings are minuted and the procedures for handling the supply of information to Directors (for further information on the Rules of the Board of Directors, please see section 4.4, below);

(ii) pursuant to recommendation 3 under article 1 of the Corporate Governance Code, adopted the Shareholder Engagement Policy (for further information on the terms of that policy, please see section 12, below).

As the parent company of the Group, Ferretti directs the strategies of its business and of the Group as a whole, and directs and coordinates within the meaning of article 2497 *et seq.* of the Civil Code, in respect of the Italian subsidiaries it controls within the Group, setting forth medium-to-long-term strategies in terms of (i) financial results; (ii) investment and industrial objectives; and (iii) commercial and marketing policies.

The values articulated by the Code of Ethics commit all employees to ensure that the Group's activities are carried on in accordance with the law, regulations and the internal procedures adopted by the Group, within a framework of fair competition, with honesty, integrity and propriety, respecting the legitimate interests of Shareholders, employees, customers, suppliers, and business and financial partners, as well as the communities in the countries where the Group is present.

As at the date of this Corporate Governance Report, the Issuer does not constitute a SME for the purposes of article 1(1)(w-*quater*.1), CLFI and article 2-*ter* of the Issuers' Regulations, nor does it qualify as a large company under the Corporate Governance Code, in that its market capitalisation has in the past three calendar years been below the threshold for large companies thereunder (which is to say, euro 1 billion). The Company also does not qualify as a company with concentrated ownership within the meaning of that phrase under the Corporate Governance Code, since, as at the date of this Corporate Governance Report, to the best of the Company's knowledge, there are no Shareholders' agreements among its Shareholders. In this regard, it should be borne in mind that Ferretti has been listed on Euronext Milan since the First Trading Day.

1.2 SUSTAINABILITY POLICIES

Under the Corporate Governance Code, the Board of Directors is charged with leading the Company in pursuit of sustainable success, an objective that in practice means the creation of long-term value for the benefit of Shareholders, while taking into consideration the interests of the Issuer's other major stakeholders.

In line with best practices and the provisions of the Corporate Governance Code, the Board of Directors manages the Company with a view to the pursuit of sustainable success in application of the guidelines of the Group's Business Plan for the period 2023–27 (the "**Business Plan**"), approved at the meeting of the Board of Directors of 8 March 2023.

Additionally, in accordance with the terms of the Hong Kong Stock Exchange's ESG Reporting Guide, the Group considers and determines the features and extent of the risks related to environmental, social and governance matters, in relation to the key issues.

The Company has also established a Sustainability Committee, responsible for supporting the Board of Directors in drafting environmental, social and governance strategies and policy, monitoring ESG issues, examining and assessing measures of sustainability performance, defining metrics and targets, preparing ESG reports, and in drafting recommendations for the Board of Directors.

Finally, the Company is obliged to prepare a consolidated non-financial disclosure in accordance with the provisions of Legislative Decree No. 254 of 30 December 2016. For further information regarding the consolidated non-financial disclosure as at 31 December 2023, approved by the Board of Directors on 14 March 2024, please see the Issuer's website at *www.ferrettigroup.com*, in the section, *Investor Relations*.

2 INFORMATION REGARDING OWNERSHIP (PURSUANT TO ARTICLE 123-*BIS*(1), CLFI)

2.1 STRUCTURE OF SHARE CAPITAL (PURSUANT TO ARTICLE 123-*BIS*(1)(A), CLFI)

2.1.1 The Company's share capital and shares

As at the date of this Corporate Governance Report, the subscribed and paid share capital of the Issuer is euro 338,482,654, comprising 338,482,654 ordinary shares with no stated nominal value.

As at the date of this Corporate Governance Report, no classes of shares other than ordinary shares have been issued.

The following table sets forth the structure of the Issuer's share capital as at the date of this Corporate Governance Report.

SHARE CAPITAL STRUCTURE

CLASS	NUMBER OF SHARES	NUMBER OF VOTING RIGHTS	LISTED/ UNLISTED	RIGHTS AND OBLIGATIONS
Ordinary shares	338,482,654	338,482,654	Euronext Milan and Hong Kong Stock Exchange	Each share confers one voting right

Ferretti shares are dematerialised securities pursuant to article 83-*bis et seq.*, CLFI.

Ferretti shares are registered, indivisible, freely transferrable, and confer identical rights upon their holders. More specifically, each ordinary share confers one voting right, and the other economic and administrative rights under the By-Laws and the law.

As at the date of this Corporate Governance Report, no financial instruments have been issued that would entitle the holders to subscribe newly-issued shares.

2.2 RESTRICTIONS UPON TRANSFERS OF SECURITIES (PURSUANT TO ARTICLE 123-*BIS*(1)(B), CLFI)

As at the date of this Corporate Governance Report, no restrictions apply to the transfer of shares in the Issuer. Similarly, there are no restrictions upon ownership of shares in the Issuer, nor any provisions whereby a prospective shareholder must seek prior approval.

2.3 MATERIAL HOLDINGS OF SHARES (PURSUANT TO ARTICLE 123-*BIS*(1)(C), CLFI)

Based on the available information, including the notices provided pursuant article 120, CLFI, the shareholders who, as at the date of this Corporate Governance Report, directly or indirectly have shareholdings in excess of 3% of the Issuer's voting share capital, including shares held through any intermediaries, fiduciaries or companies controlled by those shareholders, are set forth in the following table.

CERTIFYING PERSON	ENTITY HOLDING SHARES IN THE COMPANY	PERCENTAGE OF THE ORDINARY SHARE CAPITAL	PERCENTAGE OF THE VOTING SHARE CAPITAL
Shandong SASAC	Ferretti International Holding S.p.A.	37.541%	37.541%
Valea Foundation	Flipnation Limited	10.007%	10.007%
Danilo Iervolino	Danilo Iervolino	5.227%	5.227%
Piero Ferrari	Kheope SA	4.562%	4.562%
UBS Group AG	UBS Group AG(*)	5.44%	5.44%
Float	—	37.16%	37.16%
Total	**—**	**100.000%**	**100.000%**

(*) *The Company has not received any notice pursuant to article 120, CLFI. This information results from the "disclosure of interests" page maintained by the Hong Kong Stock Exchange.*

2.4 SECURITIES CONFERRING PARTICULAR CONTROL RIGHTS (PURSUANT TO ARTICLE 123-*BIS*(1)(D), CLFI)

No securities have been issued that confer particular control rights, nor are there persons with particular powers under the terms of laws, regulations or the by-laws presently in force.

The By-Laws do not contain provisions relating to shares with multiple votes, or increased voting power.

2.5 EMPLOYEE SHARE SCHEMES: MECHANISM FOR EXERCISING VOTING RIGHTS (PURSUANT TO ARTICLE 123-*BIS*(1)(E), CLFI)

As at the date of this Corporate Governance Report, there is no employee share scheme in place.

2.6 RESTRICTIONS UPON VOTING RIGHTS (PURSUANT TO ARTICLE 123-*BIS*(1)(F), CLFI)

As at the date of this Corporate Governance Report, the By-Laws impose no restrictions upon voting rights for holders of ordinary shares, nor upon voting rights for particular percentages or numbers of votes, nor specific conditions for the exercise of voting rights, nor systems under which the economic rights associated with the shares are, with the Company's cooperation, separated from share ownership, with the exception of article 6.5 of the By-Laws, under which the extraordinary shareholders' meeting "may resolve upon the allocation to the employees of the Company or subsidiaries of financial instruments other than shares, bearing economic rights and optionally also administrative rights, other than the right to vote in the shareholders' meeting, by establishing terms for the exercise of the rights thus allocated, the ability to make transfers, and grounds on which they would be terminated or redeemed".

2 0.058% of the shares are held by Hong Kong Securities Clearing Company Limited.

2.7 SHAREHOLDERS' AGREEMENTS (PURSUANT TO ARTICLE 123-*BIS*(1)(G), CLFI)

As at the date of this Corporate Governance Report, the Company is not aware of any agreements between Shareholders that have been disclosed pursuant to article 122, CLFI, regarding shares in the Issuer.

2.8 CHANGE-OF-CONTROL PROVISIONS (PURSUANT TO ARTICLE 123-*BIS*(1)(H), CLFI) AND PROVISIONS OF THE BY-LAWS REGARDING TAKEOVER BIDS (PURSUANT TO ARTICLE 104-*BIS*(1-TER) AND (1), CLFI)

2.8.1 Change-of-control provisions

The Group has the following material agreements that include change-of-control provisions.

Facility Agreement

On 2 August 2019, Ferretti and CRN S.p.A. (a company that would subsequently be absorbed into Ferretti) entered into a facility agreement with a syndicate of leading Italian and international institutional lenders, namely Banca Nazionale del Lavoro S.p.A., Banco BPM S.p.A., Barclays Bank Ireland PLC, BNP Paribas — Milan branch S.p.A. (the "**Agent**"), BPER Banca S.p.A., Crédit Agricole Italia S.p.A., Banca Monte dei Paschi di Siena S.p.A. (formerly MPS Capital Services Banca per le Imprese S.p.A., "**MPS**"), and Intesa Sanpaolo S.p.A. (successor to UBI Banca S.p.A.) (together, the "**Original Lenders**") for an aggregate amount of euro 170 million, comprising (i) a Term Loan Facility in an amount of euro 70 million; (ii) a Pre-Finance Facility in an amount of euro 60 million; and (iii) a revolving facility in an amount of euro 40 million. The agreement was subsequently amended on 12 September 2019, 17 December 2021 and 26 April 2023. On 31 March 2021, MPS assigned part of its interest in the loan to Medio Credito Centrale S.p.A.-Banca del Mezzogiorno (together with the Original Lenders, the "**Lenders**").

The agreement, as amended, includes change-of-control provisions, meaning that if at any time following the listing of Ferretti on Euronext Milan: (A) the Key Shareholder, meaning Weichai Holding Group Hong Kong Investment Co. Ltd, ceases (a) to hold, directly or indirectly, (i) a shareholding amounting to 34.99% or more of the share capital issued by Ferretti, or (ii) share capital issued by Ferretti with voting rights amounting to 34.99% or more of the voting rights that may be exercised at ordinary or extraordinary shareholders' meetings of the Company; (b) to be, directly or indirectly, the principal shareholder of the Company; or (B) any person, or person acting in concert, other than the Key Shareholder, acquire control of Ferretti (within the meaning of article 2359(1), parts (1) and (2), of the Civil Code), then none of the Lenders shall any longer be obliged to finance any of the credit facilities, all of the credit facilities shall be cancelled, and all outstanding drawdowns, accrued interest, and any other sums accrued under the terms of the finance documents, shall be immediately enforceable and due.

Finance leases

Ferretti has two finance leases in place (refs. 1133995/1 and 1133996/1) that were made between CRN S.p.A. (a company subsequently absorbed into Ferretti) and Alba Leasing S.p.A. on 17 January 2019, that provide, as is market practice for agreements of this kind, terms that, if applied, would entitle Alba Leasing S.p.A. to terminate the agreement in the event of any change in the Shareholders structure of Ferretti that occurs without the prior written consent of Alba Leasing S.p.A.

2.8.2 Provisions of the by-laws regarding takeover bids

With respect to the laws and regulations presently in force regarding takeover bids, the By-Laws do not entitle the Board of Directors to derogate from the provisions on board neutrality while a bid continues, under articles 104(1) and (1-*bis*), CLFI, nor does it expressly provides for the application of the neutralization rules pursuant to articles 104-*bis*(2) and (3), CLFI.

2.9 AUTHORITY TO INCREASE SHARE CAPITAL, AND AUTHORISATIONS TO BUY BACK SHARES (PURSUANT TO ARTICLE 123-*BIS*(1)(M), CLFI)

As at the date of this Corporate Governance Report, the Board of Directors has neither been granted authority by the Shareholders' Meeting to increase share capital, pursuant to article 2443 of the Civil Code, nor to issue any equity instruments.

As at the date of this Corporate Governance Report, the Shareholders' Meeting has not resolved upon any authorisation for the buyback of shares, pursuant to article 2357 *et seq.* of the Civil Code. The Shareholders' Meeting called to approve the non-consolidated financial statements as at and for the period ended 31 December 2023 will also consider approval of a buyback plan. Documentation regarding that is on the Issuer's website at *www.ferrettigroup.com*, in the section, *Corporate Governance*.

2.10 DIRECTION AND COORDINATION ACTIVITIES (PURSUANT TO ARTICLE 2497 ET SEQ. OF THE CIVIL CODE)

As at the date of this Corporate Governance Report, the Company is not subject to direction or coordination, within the meaning of article 2497 *et seq.* of the Civil Code, by Ferretti International Holding S.p.A., which holds 37.541% of the share capital. In particular, the presumption under article 2497-*sexies* of the Civil Code does not apply, as:

(a) generally, the decisions relating to the management of the Issuer and its subsidiaries are taken exclusively within the Issuer's Board of Directors, or the corporate bodies of the Issuer's subsidiaries, where they are matters within those bodies' purview;

(b) Ferretti does not receive directives or instructions from Ferretti International Holding S.p.A. regarding its strategic decisions on financial, industrial and commercial matters, nor regarding decisions on investments or extraordinary transactions;

(c) the parent company, Ferretti International Holding S.p.A., is not involved, in any way or on any basis, in the process of preparing, reviewing or approving the Group's business plans or the Company's or the Group's annual budgets. These are prepared by the Company's and the Group's management, and are reviewed and approved only by the Company's Board of Directors, which does so with complete autonomy and without any interference from the parent, Ferretti International Holding S.p.A.;

(d) Ferretti International Holding S.p.A. provides no financial assistance of any sort to Ferretti, and in particular and without limitation, does not grant loans or provide guarantees, patronage letters or other security for the Issuer;

(e) Ferretti International Holding S.p.A. manages no services for Ferretti, and in particular, it provides no cash pooling function;

(f) Ferretti International Holding S.p.A. takes no decisions regarding the management of Ferretti's personnel, nor does it draw up organisational structures for the Company;

(g) Ferretti International Holding S.p.A. does not have group rules or policies regarding the procurement of goods or services, in relation to which the Company's Board of Directors has complete autonomy in its decision-making.

It should be mentioned incidentally that the professional expertise and stature of the non-executive and independent directors are a further bulwark in ensuring that the decisions of the Board of Directors are taken in the sole interest of the Company, the Group, and its stakeholders, without any third party imparting instructions or interfering.

As mentioned in paragraph 1 of this Corporate Governance Report, above, the Issuer directs and coordinates, within the meaning of article 2497 *et seq.* of the Civil Code, the Italian companies of the Group that it directly or indirectly controls. It sets the other companies' medium-to-long-term strategies, in terms of financial results; investment and industrial objectives; and commercial policies and marketing.

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The information required by article 123-*bis*(1)(i), CLFI (regarding "agreements between the company and its directors that provide for compensation in the event of resignation or dismissal in the absence of gross misconduct or breach of contract, or where the relationship ceases following a takeover bid") is set forth in the Remuneration Report prepared and published pursuant to article 123-*ter,* CLFI, and article 84-*quater* of the Issuers' Regulations.

The information required by article 123-*bis*(1)(l), CLFI, regarding "provisions applicable to the appointment and replacement of directors and to the amendment of the By-Laws, other than those additionally provided by applicable laws and regulations" are set forth in Section 4 of this Corporate Governance Report, below.

3 COMPLIANCE (PURSUANT TO ARTICLE 123-*BIS*(2)(A), CLFI)

The Company has endorsed the Corporate Governance Code as at the date of this Corporate Governance Report, which has applied since 1 January 2021. It may be accessed by the public on the website of Borsa Italiana's Corporate Governance Committee, at: https://www.borsaitaliana.it/comitato-corporate-governance/codice/2020.pdf.

This Corporate Governance Report provides an account of those recommendations with which the Company has not presently complied, in whole or in part, on a "comply or explain" basis as the Corporate Governance Code requires.

Since the Issuer is also listed on the Hong Kong Stock Exchange, the Issuer is subject to the CG Code, set forth in Appendix C1 to the Listing Rules.

4 BOARD OF DIRECTORS

4.1 ROLE OF THE BOARD OF DIRECTORS

The Company's Board of Directors plays a key role of directing the business strategically. This goes beyond the preparation of the Company's business plans and organisational structures, and setting its values and standards. There is a continuous commitment to ensuring value creation over the long term, and pursuing sustainable success, by: (i) promoting sustainable growth in the medium and long term that takes account of the social and environmental aspects that impact the business, through an appropriate system for controls and risk management, including sustainability risks; (ii) ensuring the greatest transparency with the market and investors; and (iii) paying particular attention to significant changes to the business prospects, and the risks to which the Company is exposed.

The Board of Directors is also responsible for confirming that the accounting, administrative and organisational structures are appropriate, as are the controls necessary for monitoring the Company's and Group's performance, and for the other duties it has under applicable laws and regulations.

The Board of Directors devises the corporate governance system that best serves the Company's conduct of its business and the pursuit of its strategies, subject to the limitations imposed by applicable law and regulations, and the Company's By-Laws. If necessary, it evaluates and promotes appropriate changes, submitting them to the Shareholders' Meeting where such matters are within the meeting's purview.

The Board of Directors plays a central role in organising the business, and strategic and organisational direction are among its functions and responsibilities. It also ensures that the necessary controls are in place for monitoring the performance of the Issuer and that of the other companies of the Group.

Further to the powers it holds under the By-Laws, and consistent with the recommendations of the Corporate Governance Code and the CG Code, the Board of Directors:

(a) determines the strategies of the Issuer and the Group, consistent with pursuit of sustainable success, and monitors those strategies' implementation. In connection with the matters within its purview, the Board of Directors examines and approves strategic, financial and business plans for the Issuer and the Group, periodically monitoring their execution. More particularly, the Board of Directors on 8 March 2023 approved the Business Plan, implementation of which it has monitored continuously;

(b) determines the nature and level of risk compatible with the Issuer's strategic objectives, including in its evaluating all factors that may be significant for the Issuer's sustainable success;

(c) determines the system of corporate governance it considers to best serve the conduct of the business and pursuit of its strategies, as well as the structure of the Group. In particular, the Board of Directors has: (a) appointed the committees from among its number, and assigned them specific functions; (b) appointed and conferred powers upon the Chief Executive Officer and the Executive Director; and (c) approved and revised the Group's organisational model;

(d) promotes engagement with shareholders and the Issuer's other material stakeholders. In this respect the Board of Directors on 18 May 2023 adopted the Shareholder Engagement Policy, which seeks to ensure continuous and open liaison based on mutual understanding of their respective roles, with existing institutional investors, potential investors, asset managers, operators in the financial markets, the Italian and international financial press, ratings agencies and proxy advisors, and with trade associations and shareholders generally. The aim is to increase understanding regarding the Company's and the Group's activities, its financial performance, and its strategies in pursuit of sustainable success in line with the recommendations of article 1 of the Corporate Governance Code, while maintaining appropriate communication channels with these persons (for more information on the Shareholder Engagement Policy, please see Section 12 of this Corporate Governance Report, below);

(e) at the proposal of the Chairman of the Board of Directors and the Chief Executive Officer, adopted a procedure for the internal management and external disclosure of the Issuer's documents and information, with particular reference to insider information (for further information, please see Section 5 of this Corporate Governance Report, below); and

(f) makes prior examination of, and approves, transactions by the Issuer and its subsidiaries where these are of significant importance in strategic terms or in terms of business, results of operations or financial condition, with particular attention where one or more directors directly or indirectly has a conflict of interest. In this respect, the Board of Directors has not set criteria for identifying transactions that are of significant importance in strategic terms or in terms of business, results of operations or financial condition, in that: (i) all transactions not covered by the delegated powers of the Chief Executive Officer are matters for the Board of Directors; and (ii) the Board of Directors sets the criteria that apply to each individual transaction at the time of their approval. That means, with the exception of the powers expressly granted to the Chief Executive Officer, listed in paragraph 4.7.1 of this Corporate Governance Report, the Issuer's Board of Directors expresses and must approve the majority of significant transactions, which assures continuous monitoring of performance, while taking an active role in the main business decisions.

For so long as the shares are quoted on the Hong Kong Stock Exchange, the Board of Directors prepares regular financial reports required by Hong Kong laws and regulations, additional to those required by Italian law. It makes these available to the public in the forms, and at the times, required by the relevant rules.

With respect conflicts of interest and transactions with related parties for the Issuer and the Group, please see Section 10 of this Corporate Governance Report.

Pursuant to article 2381 of the Civil Code and recommendation No. 1 of the Corporate Governance Code, the Board of Directors in the course of the Reporting Period periodically assessed the adequacy of the accounting, administrative and organisational structure of the Issuer and the other companies of strategic importance to the Group, with particular reference to the internal audit and risk management system. For more information, please see Section 9 of this Corporate Governance Report.

In the course of the Reporting Period, the Board of Directors on a number of occasions made assessment of general operational performance, taking into consideration the information provided by the Chief Executive Officer, and periodically compared results with forecasts.

The Board of Directors did not consider it necessary or desirable in the Reporting Period to draw up reasoned proposals regarding the corporate governance system for submission to the Shareholders' Meeting, in that it considers the existing system to serve the business' s requirements.

For information regarding the Board of Directors' purview over matters of (i) its own composition and functioning; (ii) appointments and its evaluation of its own performance; (iii) the Remuneration Policy: and (iv) IARMS, please see paragraphs 4.3 and 4.4, and 7.1, 8.1 and 9, respectively, of this Corporate Governance Report.

4.2 APPOINTMENT AND REPLACEMENT (PURSUANT TO ARTICLE 123-*BIS*(1)(I), CLFI)

Pursuant to article 19 of the By-Laws, the Board of Directors is made up of seven to 11 directors, including the Chairman of the Board of Directors and one or more Deputy Chairs, where appointed.

Directors are appointed on the basis of lists submitted by shareholders or the outgoing Board of Directors, if it wishes to do so, and these list Directors sequentially.

The members of the Board of Directors must meet the particular requirements of professionalism, independence and integrity specified in the applicable laws and regulations, including those applicable to companies with shares quoted on the Hong Kong Stock Exchange. For so long as the shares are quoted on the Hong Kong Stock Exchange, at least a third (and not less than three) of the members of the Board of Directors must meet the requirements for independence under the regulations of the Hong Kong Stock Exchange, in addition to those discussed below.

Appointment of the Board of Directors is also made in accordance with the laws and regulations in force regarding gender balance, including those that apply to companies with shares quoted on the Hong Kong Stock Exchange.

Only shareholders who, individually or in combination with other shareholders, hold voting shares representing at least the percentage required for the Company under the rules in force may submit lists. The participation threshold most recently established by CONSOB for Ferretti pursuant to Art. 144-*septies*(1) of the Issuers' Regulations, under its resolution no. 92 of 31 January 2024, is 2.5%.

Each shareholder, and shareholders linked by control relationships or that are associates under the Civil Code, or that have entered into a shareholders' agreement regarding shares in the Company, may only submit and vote in favour of a single list (including voting by agents and fiduciary firms).

Each candidate may appear in only one list, and shall otherwise be ineligible.

Not more than eleven candidates may appear on each list, and must be listed sequentially. Each must satisfy the legal requirements. At least three candidates, placed no lower than second, fifth and seventh on each list, must also meet the requirements of independence under the law and the Corporate Governance Code. Consistent with such laws as are in force, lists that include three or more candidates must be made up of candidates of both genders, in at least the minimum proportions required by law, as the notice calling the meeting specifies.

Each list is accompanied by comprehensive information regarding the personal and professional characteristics of the candidates, and declarations under which the individual candidates accept their candidature, and confirm, under their own liability, that they meet the requirements under the laws and regulations for the members of the Board of Directors, along with any other documents that the laws and regulations may require.

The lists submitted by shareholders are filed with the Company no later than is required by the laws and regulations in force, which date is indicated in the notice calling the meeting, to the Company's registered office or by such means of telecommunication as the notice calling the meeting indicates; and made available to the public in accordance with the laws and regulations in force. Where submitted, the list from the Board of Directors must be filed at the Company's registered office no less than 31 days prior to the date of the Shareholders' Meeting, and formally made public as described in the preceding paragraph.

The Shareholders' Meeting having determined the number of directors for election, they are elected as follows: (1) from the list that obtained the greatest number of votes are taken, based on the order of preference in which the candidates are listed, all of the directors except one; and (2) from the list that received the second greatest number of votes, provided it is not connected, directly or indirectly, under the laws and regulations in force, with those who submitted or voted in favour of the list under (1), a director is elected in accordance with the law, based on the order of preference in which the candidates are listed.

Where two lists have received the same number of votes and are second-placed, there is a further round of voting by the Shareholders' Meeting, and the candidate who obtains a simple majority of the votes is elected. Where following application of the above list voting mechanism, (i) the minimum number of candidates meeting independence requirements has not been elected; and/or (ii) the composition of the Board of Directors is not compliant with the law on gender balance, then candidates meeting those requirements are elected in the place of candidates who do not, drawn from the same list. Where only one list is submitted, the Directors are taken from the list provided it has been approved by a simple majority vote.

Where a single list is submitted, the Shareholders' Meeting votes upon that list, and where it obtains a relative majority, the candidates are elected in the order of preference, up to the number fixed by the Shareholders' Meeting, subject always to the obligation to appoint the minimum number of independent directors that is established by the By-Laws and the laws and regulations in force.

In the event that no list is submitted, the list submitted does not permit appointment of directors in accordance with the laws and regulations in force, it is not possible to proceed in accordance with the voting list rules), or not all of the members of the Board of Directors are to be appointed, the Shareholders' Meeting resolves in accordance with its statutory majority, and does not follow the above procedure, but proceeds in a manner that ensures the presence of the minimum number of independent directors under the laws and regulations in force, and compliance with gender balance requirements. No account is taken of list that received support from shareholders that was less than half required for submission of a list.

In the event that a director does not meet, or ceases to meet, the requirements as to independence and integrity under the laws and regulations, or there are grounds on which they are otherwise ineligible or unelectable, that director ceases to hold office. A director's intervening failure to meet independence requirements under the laws or regulations in force does not constitute a ground for them to cease to hold office, where the Board of Directors continues to have the minimum number of members meeting those requirements under the laws and regulations in force.

If in the course of the financial year one or more Directors should cease to hold office, the terms of article 2386 of the Civil Code are applied. If one or more of the Directors who have ceased to hold office was from a list that included unelected candidates, then they may be replaced by appointing people from that list, in the order of preference, provided the candidates are still willing and eligible to hold office. Where no unelected candidates from the outgoing director's list are available, then article 2386 of the Civil Code is applied. The procedures for replacing directors must ensure that there is at least the minimum number of directors meeting independence requirements, and compliance with the rules on gender balance in force. If the majority of the directors appointed by the Shareholders' Meeting ceases to hold office, the whole Board of Directors is dismissed and the Shareholders' Meeting must be called without delay to reappoint the Board of Directors, by the Directors still in office or by the Board of Statutory Auditors.

The By-Laws do not impose independence requirements additional to those under the laws and regulations in force or the terms of the Corporate Governance Code, nor integrity requirements other than those imposed by laws and regulations in force.

The By-Laws do not provide for professional requirements for members of the Board of Directors.

The Company is not subject to other provisions regarding the composition of the Board of Directors, other than those in the Civil Code, the CLFI, the Corporate Governance Code, and the laws and regulations applicable to companies with shares quoted on the Hong Kong Stock Exchange.

For information regarding the role of the Board of Directors and the Committees in evaluating directors' performance, and in their appointment and replacement, please see Section 7 of this Corporate Governance Report.

4.3 COMPOSITION (PURSUANT TO ARTICLE 123-*BIS*(2)(D), CLFI)

4.3.1Members of the Board of Directors

The current Board of Directors was appointed by the Shareholders' Meeting of 18 May 2023. The Board of Directors in the Reporting Period had prior thereto been made up of Tan Xuguang (Chairman of the Board of Directors and a non-executive Director), Alberto Galassi (Chairman of the Board of Directors Executive Officer and an executive Director), Xu Xinyu (executive Director), Piero Ferrari (non-executive Director), Li Xinghao (non-executive Director), Hua Fengmao (independent non-executive Director), Stefano Domenicali (independent non-executive Director) and Patrick Sun (independent non-executive Director). To the best of the Company's knowledge, there has been no financial, business, family, or other material or relevant relationships among members of the Board and senior management of the Company, except for the fact that Alberto Galassi is the son-in-law of Piero Ferrari, and both are members of the Board.

On that date, the Shareholders' Meeting of the Issuer determined that the Board of Directors should have nine members, and that the new Board of Directors would hold office for three financial years, i.e. until the approval of the financial statements as at and for the year ending 31 December 2025.

Nine Directors were appointed at the proposal of the shareholder, Ferretti International Holding S.p.A. Since the listing of the Company on Euronext Milan took place after the appointment of the Board of Directors, its appointment was not under the list voting mechanism that was added into the By-Laws on 18 June 2023 with effect from the First Trading Day.

As a result of the voting, the following members of the Board of Directors were elected: Tan Xuguang (Chairman of the Board and a non-executive Director), Alberto Galassi (Chief Executive Officer and executive Director), Xu Xinyu (executive Director), Piero Ferrari (Honorary Chairman and non-executive Director), Li Xinghao (non-executive Director), Hua Fengmao (independent non-executive Director), Stefano Domenicali (independent non-executive Director), Patrick Sun (independent non-executive Director) and Lan Jiang (non-executive Director).

With effect from 19 February 2024, Li Xinghao (non-executive Director) and Hua Fengmao (independent non-executive Director) resigned from their positions and the Board of Directors on the same date co-opted Zhang Quan (non-executive Director) and Zhu Yi (independent non-executive Director).

In compliance with Rule 3.09D of the revised Listing Rules which took effect on 31 December 2023, Zhang Quan and Zhu Yi, who were appointed as a non-executive Director and an independent non-executive Director on February 19, 2024, obtained the legal advice referred to in Rule 3.09D on the same date and they understood their obligations as a Director of the Company.

The following table sets forth the members of the Board of Directors as at the date of this Corporate Governance Report.

POSITION	NAME
Chairman of the Board of Directors (**)(1)(4)(5)	Tan Xuguang
Chief Executive Officer (1)(4)(5)	Alberto Galassi
Executive Director (2)(4)(5)	Xu Xinyu
Director and Honorary Chairman of the Board (**)(2)(4)(5)	Piero Ferrari
Director (**)(4)(5)	Zhang Quan
Director (*)(**)(1)(2)(3)(4)	Zhu Yi
Director (*)(**)(1)(2)(3)	Stefano Domenicali
Director (*)(**)(1)(2)(3)(5)	Patrick Sun
Director (**)(3)(4)	Lan Jiang

(*) Director meeting the independence requirements set forth in Article 148(3), CLFI, as referred to in Article 147-*ter*(4), CLFI and Rule 3.13 of the Listing Rules.
(**) Non-Executive Director.
(1) Member of the Nomination Committee
(2) Member of the Remuneration Committee
(3) Member of the Control, Risk and Related Parties Committee
(4) Member of the Sustainability Committee
(5) Member of the Strategic Committee

In accordance with the provisions of Principle V of the Corporate Governance Code, the Board of Directors is made up of executive and non-executive directors (the latter meaning directors without delegated powers of management), all of whom meet the requirements of the law, the Corporate Governance Code and the CG Code, and have the professional qualifications and expertise appropriate to the functions to which they are appointed.

More particularly, all of the members of the Board of Directors meet the integrity requirements under article 2 of the Regulations of the Minister of Justice, No. 162/2000, as referred to by article 147-*quinquies*, CLFI, and are not ineligible to or prohibited from holding office pursuant to article 2382 of the Civil Code or article 148(3), CLFI, as referred to by article 147-*ter*(4), CLFI. In addition, the directors Patrick Sun, Zhu Yi and Stefano Domenicali meet the independence requirements of article 148(3), CLFI, as referred to in article 147-*ter*(4), CLFI, and the independence criteria set out in Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange under the laws of Hong Kong.

The Company has received written confirmation annually from each of the independent non-executive Directors in respect of their independence in accordance with the factors set out in Rule 3.13 of the Listing Rules.

In accordance with the provisions of Principle VI of the Corporate Governance Code, the number of non-executive directors and their expertise is sufficient to ensure that they have significant weight when the Board of Directors is passing resolutions, and ensures effective monitoring of the work of the Board of Directors as a whole.

The presence of three independent directors is intended to achieve good corporate governance as fully as possible, through discussion and debate among the directors. Furthermore, the contribution of the independent directors allows the Board of Directors to impartially and appropriately review the handling of potential conflicts of interest between the Company and the controlling shareholder. The Board has 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 Corporate Governance Report, no independent non-executive Director has served in the Company for more than nine years.

Please refer to Table 1 in the Schedule for details on the membership of the Board of Directors.

The main professional characteristics of the Company's Directors are set forth below.

- **Tan Xuguang:** See section headed "Biographical Details of Directors and Senior Management — Biographies — Mr. Tan Xuguang" for details.

- **Alberto Galassi**: See section headed "Biographical Details of Directors and Senior Management — Biographies — Mr. Alberto Galassi" for details.

- **Xu Xinyu**: See section headed "Biographical Details of Directors and Senior Management — Biographies — Mr. Xu Xinyu" for details.

- **Piero Ferrari**: See section headed "Biographical Details of Directors and Senior Management — Biographies — Mr. Piero Ferrari" for details.

- **Zhang Quan:** See section headed "Biographical Details of Directors and Senior Management — Biographies — Mr. Zhang Quan" for details.

- **Zhu Yi**: See section headed "Biographical Details of Directors and Senior Management — Biographies — Ms. Zhu Yi for details.

- **Stefano Domenicali**: See section headed "Biographical Details of Directors and Senior Management — Biographies — Mr. Stefano Domenicali" for details.

- **Patrick Sun**: See section headed "Biographical Details of Directors and Senior Management — Biographies — Mr. Patrick Sun" for details.

- **Jiang Lan (Lansi)**: See section headed "Biographical Details of Directors and Senior Management — Biographies — Ms. Jiang Lan (Lansi)" for details.

To access the directors' full curricula vitae, please see the Company's website at *www.ferrettigroup.com*, in the section, *Corporate Governance*.

4.3.2Diversity policy and measures

With respect to the provisions of article 123-*bis*(2)(d-*bis*), CLFI, on diversity policies within administrative, management and supervisory bodies, in recognition of the importance of diversity and inclusion in ensuring the Group's success, the Board of Directors on 18 March 2023 adopted a Group policy on diversity in the Board of Directors and the Board of Statutory Auditors (the "**Diversity Policy**"). The policy states principles for pursuing the objective of integrating management, professional and academic features, also of an international nature, while taking also into account balanced gender representation.

Through the Diversity Policy, the Company seeks, in line with stakeholders' expectations and with the pillars that form the foundation of the system of corporate governance and the values of the Code of Ethics, so as to create the necessary preconditions for its Boards of Directors and Statutory Auditors are able to exercise their functions as efficiently and honourably as possible, through decision-making processes that reflect a plurality of diverse, expert contributions. To develop a pipeline of potential successors to the Board and maintain gender diversity, the Board has adopted and implemented structured recruitment, selection and training programmes at various levels within the Group for the purpose of developing a broader pool of skilled and experienced potential Board members.

In terms of implementation, the Diversity Policy seeks to guide the candidates that shareholders put forward for membership of the Board of Directors, so that it achieves a composition that is in line with the diversity criteria identified above.

Secondly, monitoring of the results of the Diversity Policy's application, and proposals for its revision, are matters for the Board of Directors, with support from the Nomination Committee and, where appropriate, the Board of Statutory Auditors. The criteria laid down by the Diversity Policy are thus among the matters that the Board of Directors takes into account when reviewing its own performance, a process that, in line with the recommendations of the Corporate Governance Code, it performs annually, regarding its operations, size and composition, also with respect to its Committees.

For further information, please see the Diversity Policy available on the Company's website at *www.ferrettigroup.com,* in the section, *Corporate Governance.*

The By-Laws provide for rules on the composition of lists in order to ensure presence on the Board of Directors of a minimum number from the less-represented gender, in accordance with the provisions of applicable laws and regulations. Specifically, lists with three or more candidates must be made up of candidates of both genders, in at least the minimum proportions required by laws and regulations, as the notice calling the meeting specifies.

With reference to gender diversity in particular, Law No. 160 of 27 December 2019 amended, *inter alia*, article 147-*ter,* CLFI, introduced a new test, under which at least two-fifths of the members of the Board of Directors (rather than the third that applied previously) must be reserved to the less-represented gender for six consecutive terms of office. As at the date of this Corporate Governance Report, two of the nine directors belong to the less-represented gender. The present Board of Directors was appointed on 18 May 2023, prior to the Company's listing on Euronext Milan. Accordingly, the new test will be adopted by the Issuer when it next appoints a revised Board of Directors.

With reference specifically to Principle VII of the Corporate Governance Code, and in accordance with the priority objective of ensuring appropriate expertise and professionalism among its members, the Board of Directors on 18 May 2023, in reviewing its own performance, acknowledged that the members of the Board and the Committees carried appropriate professional characteristics, experience and seniority, which ensured satisfactory diversity in terms of ages and skillsets, and a Board whose composition was well-balanced.

Ferretti is committed to strengthening its culture of inclusivity and to enhancing diversity, inside and outside the Company.

As at 31 December 2023, among the 1,971 employees of the Group (including senior management), the percentages of male employees and female employees are 85% and 15%, respectively. The Board considers that the current gender ratio of the Group's workforce (including senior management) is appropriate for its operations and the Group will aim to continue to maintain gender diversity in its workforce.

On the subject of gender violence, Ferretti Group is an active participant in the fight against violence against women through the promotion and organisation of women's self-defence courses in all of the company's offices with personal defence professionals, and the self-defence courses held in 2023 saw the participation of over 95% of the female population (office and factory workers).

The Group is committed to offering fair levels of remuneration that reflect the expertise, capabilities and experience of each individual, while ensuring that equal opportunities are assured and the risk of discrimination is avoided.

Ferretti manages diversity in accordance with applicable rules and practice. It incentivises the various sections within the business to include differently able personnel, whose addition to the workforce is evaluated in accordance with, and taking into consideration, each person's needs and capabilities, including through the adoption of suitable working environment and hours, where practicable. This enables staff to give the best of themselves. As at 31 December 2023, there were 46 differently able members of staff.

4.3.3 Maximum number of positions within other companies

In accordance with the recommendations of article 3 of the Corporate Governance Code, each member of the Board of Directors is required to make autonomous decisions on a fully-informed basis, in pursuit of the objective of creating value for shareholders in the medium to long term. Each member also commits to dedicating the time necessary to ensure diligent discharge of his or her duties, irrespective of the positions held outside the Group, in full awareness of the responsibilities implicit in the position they hold.

Accordingly, each candidate to the position of Director makes an assessment prior to their accepting a position in the Company and irrespective of the limits imposed upon holding multiple positions under relevant laws and regulations, as to their ability to perform the duties effectively and with due attention, bearing in mind in particular the overall commitment required by any positions outside the Group.

All members of the Board of Directors are also obliged to promptly inform the Board if they become a director or statutory auditor of another company, in order to enable discharge of the disclosure obligations under applicable laws and regulations.

As at the date of this Corporate Governance Report, the Board of Directors has not assumed a position regarding a maximum number of positions on the boards of directors or statutory auditors at other large or otherwise listed companies that it considers compatible with the effective discharge of duties as a director of the Issuer.

The following table sets forth a list of positions on boards of directors or statutory auditors held, as at the date of this Corporate Governance Report, in companies with shares quoted on regulated markets (in Italy or abroad), in banks, insurance firms, or other large companies, the latter meaning those with assets or revenues exceeding euro 1 billion, excepting companies within the Group.

NAME	COMPANY	POSITION
Tan Xuguang	Weichai Power Co., Ltd.	Chair of the Board of Directors
	Weichai Group Holdings Ltd.	Chair of the Board of Directors
	Shaanxi Heavy-Duty Automobile Co., Ltd.	Chair of the Board of Directors
	KION Group AG	Director
	Shaanxi Fast Gear Co., Ltd.	Statutory Auditor
	Weichai Lovol Intelligent Agricultural Technology Co., Ltd.	Chair of the Board of Directors
	China National Heavy Duty Truck Group Co., Ltd.	Chair of the Board of Directors
	Shandong Heavy Industry Group Co. Ltd.	Chair of the Board of Directors
Alberto Galassi	Ferretti Tech S.r.l.	Sole Director
	RAM S.p.A.	Chair of the Board of Directors
	Manchester City Football Club	Director
	Palermo Football Club S.p.A.	Director
Xu Xinyu	Weichai Group Holdings Ltd.	Director
	Ferretti International Holding S.p.A.	Chair of the Board of Directors

NAME	COMPANY	POSITION
Piero Ferrari	Ferrari N.V.	Director
	Piero Ferrari Holding S.r.l.	Director
	HPE-OMR S.r.l.	Director
	Kheope S.A.	Director
Zhang Quan	Weichai Power Co., Ltd.	Director, Deputy Chair
	Weichai Heavy Machinery Co., Ltd.	Director
	Beiqi Foton Motor Co., Ltd.	Director
	Weichai Lovol Smart Agriculture Technology Co., Ltd.	Director
	Weichai Intelligent Technology Co., Ltd	Director
	Weichai Westport New Energy Power Co., Ltd.	Director
Zhu Yi	—	—
Stefano Domenicali	Brunello Cucinelli S.p.A.	Director
	Formula One Group	Chair of the Board of Directors and Managing Director
Patrick Sun	Aust Asia Group Ltd.	Director
	Kunlun Energy Company Ltd.	Director
Lan Jiang	KJE International Holdings Limited	Director

4.4 OPERATION OF THE BOARD OF DIRECTORS (PURSUANT TO ARTICLE 123-*BIS*(2)(D), CLFI)

4.4.1Conduct and frequency of meetings

The Board of Directors is the body central to the Company's system of corporate governance, with a primary role in leading and managing the Group as a whole. In addition to its remit under the law and the Company's By-Laws, the Board of Directors is exclusively responsible for the most important decisions, in financial and strategic terms, in terms of structural impact upon operations, and with respect to the Company's and the Group's direction and monitoring, and the creation of value over the medium and long term. It has the power and duty to direct and lead the business, pursuing an objective of maximising value for shareholders and other stakeholders. Accordingly, the Board of Directors resolves to approve those transactions that are necessary to achieving the corporate objects, except for those matters that are expressly reserved to the Shareholders' Meeting, by the law or under the By-Laws. The Board of Directors, in accordance with recommendation 1 of the Corporate Governance Code, also:

(a) examine and approve the Company's and the Group's business plans, also based on analysis of the key themes for generating value over the long term, with the support of the relevant Committee;

(b) regularly monitors implementation of the business plan, and assesses the general performance of operations, comparing results achieved with those forecast;

(c) determines the nature and level of risk that is compatible with the Company's strategic objectives, including assessments of all those factors that may be relevant to the Company achieving sustainable success;

(d) determines the Company's system of corporate governance and the Group's structure, and assesses the adequacy of the organisational, administrative and accounting structure of the Company and those of its strategically important subsidiaries, in particular with respect to the internal control and risk management system;

(e) resolves on transactions by the Company and its subsidiaries that have a significant impact upon the Company's strategy, business, results of operations or financial condition; and accordingly establishes general criteria for identifying those significant transactions;

(f) in order to ensure that information is properly managed within the Company, it adopts, at the proposal of the Chairman of the Board of Directors jointly with the Chief Executive Officer, a procedure for the internal management and external release of documents and information regarding the Company, especially inside information;

(g) on each occasion the Board is appointed, it expresses a view as to how the next Board may be best organised, in terms of qualifications and the number of members, taking into account the process for evaluating the size, composition and operation of the Board and its Committees;

(h) at the Chair's proposal, by agreement with the Chief Executive Officer, it issues a policy for managing engagement with shareholders generally, in light, *inter alia*, of the engagement policies adopted by institutional investors and asset managers; the policy is described in the report on corporate governance and ownership structure;

(i) determines the powers and responsibilities to be delegated to particular directors, and identifies who among the executive directors is to be Chief Executive Officer;

(j) appoints an independent director as lead independent director, where the Corporate Governance Code so provides; and

(k) adopts a diversity policy with respect to the composition of the boards of directors or statutory auditors;

In addition to its exercise of the powers it holds by law, the Board of Directors is responsible for resolving, pursuant to paragraph 18.2 of the By-Laws, regarding:

a) merger by absorption with other companies, and spin-offs of companies 90% or more of whose share capital are held by the Company;

b) the opening or closing of secondary offices;

c) the selection of directors to formally represent the Company;

d) reductions in share capital, where a shareholder withdraws from the Company;

e) amendment of the By-Laws where that is required by Italian laws or regulations; and

f) any transfer of the Company's registered office to another location within Italy.

Rules of operation

The Board of Directors' functioning is governed by the By-Laws and the Rules of the Board of Directors and the Committees which were approved by the Board of Directors on 20 March 2023 and 18 May 2023, respectively (and with respect to the Strategic Committee, on 19 February 2024). These are available online on the Company's website at *www.ferrettigroup.com*, in the section, *Corporate Governance*, in accordance with recommendation 11 of the Corporate Governance Code.

These rules enable the Board of Directors to operate correctly and effectively, *inter alia*, to ensure an efficient flow of information to directors (see Principle IX of the Corporate Governance Code).

The Board of Directors is validly constituted where a majority of the directors is present, and resolves by the vote in favour of a majority of the directors present. Directors who abstain, or have declared a conflict of interest, are not included in the calculation of the majority for the purposes of voting. Where votes are equal, the Chairman of the Board of Directors has a casting vote.

The Board of Directors elects a Chairman of the Board of Directors from among its number, to remain in office for the whole of the Board's term, where the Shareholders' Meeting has not itself made that election.

Pursuant to article 21 of the By-Laws, the Board of Directors may delegate some of its duties to an Executive Committee, whose members are those directors who are appointed by the Board and, automatically, the Chairman of the Board of Directors and all those directors with executive responsibilities. The Board of Directors may determine that Committee's objectives, and the terms upon which it exercises the powers it is delegated.

The Board of Directors may appoint one or more executive directors, and determine their powers. In addition, the Board of Directors may form one or more committees with consultative, proposal-making or supervisory functions, in accordance with applicable provisions of laws or regulations.

Pursuant to article 22 of the By-Laws, the Board of Directors meets in the location stated in the notice calling the meeting, in the municipality in which the Company is registered, or elsewhere (provided that the meeting is held within the European Union, the United Kingdom or a country within Greater China (the PRC, Hong Kong, Macao or Taiwan). It votes upon all such matters as the Chair, the Board of Statutory Auditors, or at least two directors deem necessary.

The Board of Directors' meetings may also be held by audio-or videoconference, provided that:

— the chair of the meeting is able to establish the identity of those participating in the meeting and their entitlement to do so, to govern the conduct of the meeting, and to observe and declare the outcome of votes;

— the person taking the minutes is able adequately to perceive the proceedings of the meeting that they are recording;

— all the participants are permitted to participate in real time in the discussions, to vote simultaneously, and the ability to receive and transmit, or view, documentation in real time.

These conditions having been satisfied, the meeting is deemed to have met in the place stated in the notice, where the person recording the minutes must be present, in order that those minutes may be prepared and signed.

The Chairman of the Board of Directors and the person recording the minutes may be in different locations.

The Chair, or the person acting in his stead where the Chairman of the Board of Directors is unable to act, calls the Board of Directors, sets its agenda, coordinates its work, and ensures that suitable written information regarding the items on the agenda is provided to all of the directors.

The Board of Directors is called to meet at least three days prior to the appointed date, under a notice of meeting sent to each director by recorded delivery, fax, email or equivalent, provided that it offers proof of receipt. In urgent cases, that period may be reduced to 24 hours. Regular Board meetings are held at quarterly intervals to discuss, the Group's operations, financial performance, to approve interim and annual results and for other significant matters. For regular Board meetings, Board members are given at least 14 days' prior notice in accordance with the CG Code.

The Board of Directors is in any event validly constituted, even if no meeting has formally been called, where all the directors in office are present along with all the standing members of the Board of Statutory Auditors.

Meetings of the board of directors are chaired by the Chairman of the Board of Directors or, if the latter is absent or otherwise unable to chair the meeting, by a Deputy Chair. If there is more than one Deputy Chair, the eldest has priority. Otherwise, the chair is assumed by another director designated by the Board of Directors.

Following mandatory consultation with the Board of Statutory Auditors, the Board of Directors appoints the executive responsible for preparing the Company's accounting documents, pursuant to article 154-*bis*, CLFI (the "**Financial Reporting Executive**"), and confers suitable powers and resources in order that those duties may be duly discharged.

Rules of the Board of Directors

The Board of Directors has adopted rules that sets terms and procedures for its functioning, compliant with applicable laws and regulations and consistent with recommendation 11 of the Corporate Governance Code. The Rules of the Board of Directors are intended to ensure compliance with applicable provisions of law and of the By-Laws, and, to the fullest extent possible, the principles and recommendations of the Corporate Governance Code to which the Company is bound.

The notice of meeting, which is prepared by the Chairman of the Board of Directors with, if appropriate, support from the Secretary, in both Italian and English, states: the place, date and time of the meeting, the items on the agenda, and the manner in which the directors may participate; as well as the information required by law.

The notice of meeting is sent by the Chair, or a person instructed by the Chair, by recorded delivery, fax, email or equivalent, provided it offers proof of receipt, at least three days prior to the date of the meeting, or, in urgent cases, at least 24 hours prior.

The notice is sent to all of the members of the Board of Directors, and the standing members of the Board of Statutory Auditors. The agenda may be amended by notice to the Chairman of the Board of Directors or a person instructed by the Chair, by the same means as are permitted for despatch of the notice, and within the same periods.

In accordance with the provisions of recommendation 11 of the Corporate Governance Code, any documentation regarding the items on the agenda, which must be drafted in English, is provided by the Chair, if appropriate with the Secretary's support, at least three days prior to the meeting. It is sent to the members of the Board of Directors and the standing members of the Board of Statutory Auditors, and to any other persons invited to the meeting (where necessary or opportune), by means that ensure the necessary confidentiality, which may include a dedicated IT platform. In specific cases in which it is necessary, or where it regards fast-moving transactions, it may be impossible to provide the documentation within the permitted timeframe. In such circumstances the Chairman of the Board of Directors ensures that it is provided as promptly as possible or directly in the course of the meeting, where necessary. Where the documentation is particularly complex or voluminous, the Chair of the Board of Directors, if appropriate with the Secretary's support, ensures that it is accompanies by an English-language document that summarises the most important points with respect to the decisions on the agenda. The directors and the statutory auditors receive prior notice where the documentation is not being provided within the permitted timeframe.

Where the agenda for the meeting includes matters within the purview of the Financial Reporting Executive, that person is intended to attend for the discussion of those matters.

Any persons whose presence is considered useful in relation to the matters on the agenda, or on the basis they would assist with the Board's work (heads of relevant departments, executive employees, managers, employees, or advisors of the Company or its subsidiaries, or others) may be invited to attend, but are not entitled to vote, and they may speak only during discussion of the matters to which the invitation related, at the Chair's invitation, to elucidate information or documents, or provide additional background or detail.

Resolutions are evidenced by minutes signed by the Chairman of the Board of Directors and the Secretary, and are immediately effective except as the minutes may state. They are brought to the attention of the affected departments and units, and, to the extent relevant, to the control functions.

Merely in order to facilitate minute-taking and document the contents of those minutes, and unless the Chairman of the Board of Directors decides otherwise, meetings of the Board of Directors are video-recorded.

The minutes are prepared in Italian and in English, and include the major contributions, summarised by the Secretary of the Board of Directors including, in particular, those parts that provide essential information additional to the documentation; the questions and answers necessary to clarify the documentation; the substantive comments that are relevant or whose inclusion is expressly requested; and the directors' voting declarations.

After the meeting, draft minutes drawn up by the Secretary to the Board (or of the meeting, as the case may be) are submitted for comment and approval to the members of the Board of Directors and the standing members of the Board of Statutory Auditors.

Those parts of the minutes that regard resolutions that must be given immediate effect may be certified and excerpted by the Chairman of the Board of Directors and the Secretary, and this may occur prior to the Board of Directors' approval of the minutes' final draft, which may include contributions that participants made.

The directors and the statutory auditors must keep the documents, information and figures received in the course of their duties confidential, including after the end of their terms of office, subject to any obligations imposed by law, legal or supervisory authorities, and they must not seek out or use confidential information for purposes inconsistent with their duties. Those invited to attend meetings of the Board of Directors are subject to the same confidentiality obligations as the directors and statutory auditors.

Information provided to the Board of Directors

Pursuant to article 22.9 of the By-Laws and article 150, CLFI, and in accordance with best practice, bodies with delegated responsibilities report, orally or in writing, to the Board of Directors and the Board of Statutory Auditors (and absent such bodies, the directors report to the Board of Statutory Auditors) on the business's general performance and anticipated future development, transactions with the greatest impact in terms of business, results of operations and financial condition, or otherwise by size or features, carried out by the Company or its subsidiaries, or that are influenced by any person who directs or coordinates the Company's activities. This applies in particular to transactions where the directors have a direct or indirect conflict of interest. The reports are made at the time of meetings of the Board of Directors and not less than quarterly (and more frequently, where the Board of Directors so determined at the time it delegated the powers). Reports to the Board of Statutory Auditors may also take place personally or at the time of meetings of the Executive Committee, where appointed, where this enables the information to be provided more promptly.

Induction programme

The Rules of the Board of Directors as approved on March 20, 2023 provide that the Company must carry out induction sessions at least twice a year, open to all the directors. The objective is, in accordance with the terms of the Corporate Governance Code, to ensure appropriate knowledge of the Company and the sector in which the Group operates (as well as the main trends that may impact the Group's growth strategy), its products, business dynamics and their development, also with a view to sustainable success; and its organisation, the principles of proper risk management, and the regulatory and self-regulatory rules to which it is subject. In light of Ferretti's recent listing on Euronext Milan in June 2023, the Company has yet to organise these induction sessions.

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director will receive formal, comprehensive and tailored induction on first appointment, to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. All Directors have been updated on the latest developments regarding the statutory and regulatory requirements and also the business and market changes to facilitate the performance of their responsibilities and obligations under the Listing Rules and relevant statutory requirements, and enhance their awareness of good corporate governance practices.

All Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for the Directors are arranged and reading materials on changes and developments to the Group's business and to the legislative and regulatory environments relating to the market and the operations of the Group provided to the Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expense. All Directors have confirmed that they have complied with the code provision C.1.4 of the CG Code on Directors' continuous professional development by participating in appropriate CPD activities, reading materials relating to regulatory updates and reviewing papers and circulars distributed by the Company.

Activities in the course of the year

During the Reporting Period, eight meetings of the Board of Directors were held, on 8 March, 21 April, 10 May, 18 May, 13 June, 2 August and 7 November 2023.

The meetings were duly minuted.

Meetings of the Board of Directors on average lasted approximately 45 minutes.

In the year ending 31 December 2024, in addition to two minutes of the Board of Directors that took place on 19 February 2024 and 14 March 2024 (in the course of the latter of which, drafts of the consolidated and non-consolidated financial statements as at and for the period ended 31 December 2023, were approved, it is anticipated as at the date of this Corporate Governance Report that there will be at least another three meetings, on: 16 May 2024, 6 September 2024 and 13 November 2024 (as stated in the financial calendar disclosed to the market and Borsa Italiana, available on the Issuer's website at *www.ferrettigroup.com*, in the section, *Investor Relations*).

In the course of the Reporting Period, compared to a participation rate of approximately 98.6%, the individual directors participated in meetings, with the following rates: 87.5% for Tan Xuguang (Chair), 100% for Alberto Galassi (Chief Executive Officer), 100% for Xu Xinyu (Executive Director), 100% for Piero Ferrari (Honorary Chair), 100% for Stefano Domenicali, 100% for Patrick Sun, 100% for Li Xinghao, 100% for Hua Fengmao, and 100% for Lan Jiang (the latter two, with respect to only the meetings that followed their appointment on 18 May 2023). Zhang Quan and Zhu Yi were not members of the Board of Directors in the Reporting Period, as they were co-opted on 19 February 2024.

In light of the above, the Company considers that in the Reporting Period, the directors made appropriate time available for them to perform their duties of office within the Company.

The Chairman of the Board of Directors took steps to ensure that the documentation regarding the items on the agenda were brought to the attention of the directors and the statutory auditors suitably in advance of the date of the meeting. The supply of comprehensive information promptly is ensured by having the documentation sent not less than three business days prior to the date of the meeting. That deadline was generally met and there were no cases of particular urgency that justified making an exception to that deadline for despatching the documentation.

Additionally, the Chairman of the Board of Directors ensured that the matters on the agenda received sufficient time for all Directors to speak, which ensured constructive debates in the course of the meetings.

The meetings of the Board of Directors took place with the participation of the Board's Secretary, and, where appropriate, of executives from the Issuer responsible for the functions under discussion, and external advisers with roles in the items under discussion, which meant that the directors were able to explore the matters on the agenda in the necessary detail. Generally, the Chief Executive Officer ensures that executives make themselves available to participate in the meetings, so that those meetings provide regular opportunities for non-executive directors to acquire adequate information on the Issuer's operations.

Finally, it should be noted that meetings of the Board of Directors are normally also attended by the Financial Reporting Executive.

4.5 ROLE OF THE CHAIR OF THE BOARD OF DIRECTORS

On 18 May 2023, the Shareholders' Meeting appointed Tan Xuguang as Chairman of the Company's Board of Directors.

The Chairman of the Board of Directors has the powers conferred by law and the By-Laws with respect to the functioning of the Company's corporate bodies and the legal representation of the Company towards third parties.

In accordance with the provisions of the By-Laws and applicable laws and regulations, the Chairman of the Board of Directors, or where the Chairman of the Board of Directors is unavailable, a person acting in the Chair's place, convenes the Board, sets its agenda, coordinate its work and ensures that adequate information on the items on the agenda is provided to all directors.

Exercising the functions assigned by law, the By-Laws and the Rules of the Board of Directors, and also in line with the recommendations of the Corporate Governance Code, the Chairman of the Board of Directors acts as a liaison between the executive directors and the non-executive directors and, with the support of the Secretary to the Board of Directors, ensures that the Board of Directors is able to function effectively.

More particularly, without prejudice to the additional powers established by laws and regulations in force, the By-Laws, and the principles and recommendations in the Corporate Governance Code, the Chair, with support from the Secretary, is responsible for ensuring that:

(a) the information provided prior to the meetings and the additional information provided during the meetings enable the directors to reach informed decisions in the performance of their duties;

(b) the activities of the Committees is coordinated with those of the Board of Directors;

(c) by agreement with the Chief Executive Officer, the Company's and the Group's executives responsible for relevant functions attend Board meetings, also at the request of individual directors, to provide such in-depth information regarding the items on the agenda as may be opportune;

(d) all of the members of the Board of Directors and the Board of Statutory Auditors may participate, following their appointment and over the course of their term of office, in initiatives to supply them with knowledge of the business sectors in which the Company operates, business dynamics and their development, also with a view to sustainable success; and the principles of proper risk management, and the regulatory and self-regulatory rules to which it is subject,

(e) duly provided through an induction process; and

(f) the adequacy and transparency of the process by which the Board of Directors evaluates its own performance, with the support of the Nominations Committee.

The Chairman of the Board of Directors also ensures that the Board of Directors is informed, no later than the next available meeting, of significant developments in the dialogue with shareholders.

Under provision C.2.7 of the CG Code, the Chairman of the Board of Directors 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 (as defined below) to gather any concerns or questions the independent non-executive Directors may have and to report to him, so that the Chairman of the Board of Directors may arrange a meeting with the independent non-executive Directors as and when appropriate. At the date of this Corporate Governance Report, no meeting with the independent non-executive Directors without the presence of other Directors has yet been held.

4.6 SECRETARY TO THE BOARD OF DIRECTORS

Pursuant to article 20.2 of the By-Laws and in accordance with recommendation 18 of the Corporate Governance Code, the Board of Directors appoints, and revokes the appointment, of its secretary (the "**Secretary**"), at the Chair's proposal. The Secretary need not be a director, and the requisite qualifications and qualities are determined by the Board.

The secretary must in any event satisfy suitable requirements as to their professional standing and independence of judgement, and have appropriate expertise on company law, the regulated markets, and corporate governance, and must have acquired significant experience within a company secretariat at a company of similar size to the Company.

If the Secretary is absent or unable to act, the Board of Directors may at the Chair's proposal nominate a replacement for any particular meeting, choosing an individual with appropriate professional standing. The Board of Directors, or the Chair, establishes that the requirements are satisfied at the time of the Secretary's appointment for the particular meeting.

The Secretary assists the Chairman of the Board of Directors with his work, with particular regard to the activities referred to above (see recommendation 18 of the Corporate Governance Code).

In the course of the year, the Secretary provided impartial judgements, advice and assistance to the Board of Directors on every material aspect of the proper functioning of the Company's system of corporate governance (see recommendation 18 of the Corporate Governance Code).

In performing their functions, the Secretary has support from a secretariat appropriate to their duties, taking into account *inter alia* the role played by the Secretary, who may also act as secretary for one or more Committees.

In performing the functions of their office, the Secretary had access to appropriate resources, made available by the Board of Directors, including information regarding the business necessary for their duties; suitable financial resources; and the support of external advisers, all as determined by the Board of Directors.

On 19 February 2024, the Board of Directors appointed, for the Board of Directors' term of office and subject to revocation in the event the Board so determines, Ma Jun as its Secretary, replacing Li Xinghao who had been appointed on 18 May 2023 and resigned as a Director with effect from 19 February 2024.

The Board appointed Mr. Niccolò Pallesi and Ms. Wong Hoi Ting as the Joint Company Secretaries on 21 December 2021. They are responsible for the secretarial affairs of the Company and ensuring a good information flow within the Board and compliance with Board policy and procedures. During the Reporting Period, both the Joint Company Secretaries have attended not less than 15 hours of professional training.

4.7 EXECUTIVE DIRECTORS

4.7.1Executive Officers

Pursuant to article 21 of the By-Laws, the Board of Directors may, subject to the restrictions imposed by article 2381 of the Civil Code and the By-Laws, delegate some of its powers and responsibilities to one or more members, for whom it determines the powers and the remuneration.

The Board of Directors may also decide that an Executive Committee should be established, whose members are those directors who are appointed by the Board and, automatically, the Chairman of the Board of Directors and all those directors with executive responsibilities. The Board of Directors in its resolution establishing the Executive Committee may also determine its objectives and the manner in which it may exercise its delegated powers.

The Board of Directors in any event has powers to direct and oversee, and to advocate for transactions within the scope of the delegated powers, and the power to revoke such powers' delegation.

Senior managers and attorneys may also be appointed by the Board of Directors, with their powers determined under the appointment.

Additionally, under article 23 of the By-Laws, the Chairman of the Board of Directors formally represents the Company, without restrictions. Directors with executive responsibilities also represent the Company with respect to the matters delegated to them, as do general managers, where they are appointed.

On 18 May 2023, the Board of Directors resolved to appoint Alberto Galassi as Chief Executive Officer and Xu Xinyu as an Executive Director, granting them the necessary powers for them to perform their duties.

Chief Executive Officer

Under a resolution adopted by the Board of Directors on 18 May 2023, Alberto Galassi was granted the broadest ordinary and extraordinary powers, that he may exercise alone, as may be necessary or merely appropriate to pursuit of the Company's objects, or to implementation of the Company's approved Business Plan and Budget, including, without limitation, the power to represent the Company in dealings with third parties, such as:

- representation of the Company in proceedings before any judicial, administrative, tax, ordinary, special or arbitration authority, in criminal or civil proceedings, at any stage and instance, in Italy or elsewhere, with the power to sign claims and documents, in relation to any matter, bringing and supporting claims and defences, in the substantive and at any enforcement stages, and also in bankruptcy proceedings, and to agree, execute and accept waivers, and including the power to appoint lawyers and consultants;

- representation of the Company in all tax matters, including the signing of the Company's annual VAT returns and tax returns, declarations of withholding taxes, reports on results prepared by the tax authorities or the tax police, questionnaires from the tax authorities and any documents required by tax legislation, including the power to appoint lawyers and consultants;

- representation of the Company in relations central, local and other governmental bodies and administrations, ministries, EU bodies and supranational bodies, and with any other political, judicial, military, fiscal, financial, social security or trade union authorities or offices, both in Italy and elsewhere;

- to enable, also by means of special attorneys, any registrations, cancellations, postponements, annotations, signatures, waivers or formality generally, relating to mortgages, pledges, or transcriptions made in favour of the Company, without any limitation, before the registrars of land and other public registers, court employees and third parties, without having to justify their actions to the offices concerned and third parties;

- to sign all acts of ordinary administration, meaning any transaction related to giving effect to resolutions adopted by the Company's competent bodies or representatives, and any transaction execution of which is not expressly reserved by law to others, including the rules governing companies listed on the Hong Kong Stock Exchange, or by the Company's By-Laws to other representatives;

- to agree and give effect to transactions resolved upon or authorized by the competent bodies of the Company or their representatives, signing on behalf of the Company all relevant instruments and agreements, and instruments supplementary thereto and/or amending thereof, and any consequent formalities, with the right to agree any clause or condition in addition to those agreed by the competent bodies or their representatives, and with the right to take any action necessary to best safeguard the Company's rights and entitlements;

- to carry out with general government bodies, and public entities and offices, all such acts and operations as are necessary to obtain concessions, licences and authorisations generally, accepting and executing the relevant final instruments and documents;

- to enter into and carry out transactions relating to the granting and/or obtaining of licences relating to intellectual or industrial property rights;

- more generally, to perform any other act on behalf of the Board of Directors and/or the executive committees;

- to confer and/or delegate powers to other persons, including attorneys or employees within the scope of the powers held;

- to promote and develop adherence to good conduct, regulatory compliance, sound ethics and culture in the Company's operations in compliance with corporate governance principles; and

- accident prevention, and health and safety in the workplace.

The following matters remain the exclusive responsibility of the Board of Directors:

- the receipt and grant of new loans and other financial instruments, other than bank or insurance guarantees, with a value of more than euro 50 million or a maturity of more than 18 months;

- the issuance of financial instruments to be listed on European or non-European regulated markets and their delisting;

- entry into derivatives contracts (a) with a nominal value exceeding euro 100 million, or (b) whose sole purpose and/or effect is not to hedge the Company's risks (e.g. interest rate hedging, exchange rate hedging, or commodity hedging). For the avoidance of doubt, entry into any derivatives contracts of a speculative nature should in any case be subject to the approval of the Board of Directors;

- the acquisition or sale of an in another company resulting in that company being a subsidiary or an associate, with a value exceeding euro 10 million, unless contemplated by the approved Business Plan and/or Budget;

- acquisition or sale of companies or business divisions of strategic importance or otherwise with a value exceeding euro 20 million, unless contemplated by the approved Business Plan and/or Budget;

- acquisition or sale of assets or other assets of strategic importance or otherwise with a total value exceeding euro 10 million, unless contemplated by the approved Business Plan and/or Budget;

- entry into relevant transactions with related parties in accordance with applicable laws and regulations;

- determining, in accordance with the Company's internal policies and applicable laws, the remuneration of the Chief Executive Officer and directors holding particular offices and, if necessary, the allocation of total approved remuneration among the members of the Board of Directors;

- approval of the Group's Business Plan and/or Budget;

- adoption of the Company's corporate governance rules and the definition of the Group's corporate governance guidelines;

- definition of the guidelines for the internal control system, including the appointment of a director responsible for supervising the internal control system, and determining their duties and powers; and

- any other matter which should be exclusively in the purview of the Board of Directors under applicable laws and regulations, including those governing companies listed on the Hong Kong Stock Exchange, or the By-Laws.

The Chief Executive Officer is also referred to as the CEO and is not a director of another listed company of which a Director of the Company is the CEO.

The allocation of the powers set out above is justified in light of the characteristics of Ferretti's business activities and the Group's organizational structure.

Executive Director

Under a resolution adopted by the Board of Directors on 18 May 2023, given the operational needs of the Board of Directors following the listing of the Company on both the Hong Kong Stock Exchange market and Euronext Milan, Xu Xinyu has been granted the power to oversee implementation of the decisions of the Board of Directors and tasked with strengthening the Company's internal audit functions, with the ability to monitor the quality of the Company's operations.

4.7.2Chairman of the Board of Directors

As at the date of this Corporate Governance Report, the Chairman of the Board of Directors is not the Issuer's Chief Executive Officer, nor has he been delegated management powers. He does not play a specific role in the development of corporate strategies, nor is he a controlling shareholder of the Issuer.

4.7.3Honorary Chairman of the Board of Directors

On 18 May 2023, the Board of Directors resolved to appoint Piero Ferrari as Honorary Chair. He neither holds any operational duties or responsibilities, has any specific role in preparing strategy, nor is he a controlling shareholder of the Issuer.

4.7.4Supply of information to the Board of Directors by executive Directors and bodies

During the Reporting Period, the Chief Executive Officer and the Executive Director reported adequately and in a timely manner, at least on a quarterly basis, to the Board of Directors and the Board of Statutory Auditors on the activities undertaken concerning the powers conferred, doing so in a manner that enabled permit the Board to express, in an informed manner, its views on the matters under examination.

4.7.5 Other Executive Directors

As at the date of this Corporate Governance Report, there are no Directors with delegated powers or responsibilities other than the Chief Executive Officer and the Executive Director.

As at the date of this Corporate Governance Report, no executive committee has been established.

4.8 INDEPENDENT DIRECTORS AND LEAD INDEPENDENT DIRECTOR

4.8.1 Independent Directors

As at the date of this Corporate Governance Report, the Board of Directors includes three independent Directors out of a total of nine Directors. These are Directors who meet the independence requirements set forth in Article 148(3), CLFI, as referred to in Article 147(4), CLFI, recommendation 7(2) of the Corporate Governance Code and Rule 3.13 of the Listing Rules.

Specifically, under recommendation 5 of the Corporate Governance Code, the Directors Zhu Yi (who replaced the independent director Hua Fengmao with effect from 19 February 2023), Stefano Domenicali and Patrick Sun meet the independence requirements.

The number of independent Directors is compliant with recommendation 5 of the Corporate Governance Code and the Listing Rules and appropriate, also in light of their respective fields of expertise, the Company's requirements, the functioning of the Board of Directors, and the composition of the Committees.

On 18 May 2023, the Board of Directors approved the quantitative and qualitative criteria to be used in establishing Directors' independence, in order to assess the significance of dealings with the Company and/or the Group, pursuant to recommendation 7 of the Corporate Governance Code. Specifically, the following are considered "significant":

(a) a director having a significant commercial, financial or professional relationship with a company (see recommendation 7, part (c)), from which he receives income that exceeds:

  (i) his annual compensation for the office of director, including compensation for participation on Committees; or

  (ii) 5% of the average costs incurred by Ferretti in the last three financial years, in relation to relationships of the same commercial, financial or professional nature.

  In any event, the relationship is considered significant where the amount of income paid to the director exceeds euro 200,000 (two hundred thousand euros).

(b) the additional remuneration (recommendation 7, part (d), of the Corporate Governance Code) that exceeds his annual compensation for the office of director, including compensation for participation on Committees, where:

i "fixed compensation for the position" means: the compensation determined by the Shareholders' Meeting for all directors, or by the Board of Directors for all non-executive directors, further to the aggregate amount approved by resolution of the Shareholders' Meeting for the whole of the Board of Directors; any remuneration awarded based on the particular position of the non-executive director within the Board of Directors (Chair, Deputy Chair (where appointed), Lead Independent Director (where appointed), determined in accordance with best practice, further to recommendation 25 of the Corporate Governance Code;

ii "compensation for participation on Committees" means the remuneration any particular director receives based on their participation in committees established pursuant to the Corporate Governance Code or committees or bodies for which the laws and regulations in force provide, other than remuneration for participating on any executive committees;

iii for the purposes of determining the "additional remuneration" received by a director of Ferretti, it is the "fixed compensation for the position" and the "compensation for participation on Committees" that the director receives from companies of the Group that should be taken into consideration.

The independence of a director may be compromised by being a close relation of a person in one of the aforementioned situations, where "close relations" are, without limitation, parents, children, spouses who are not legally separated, and co-habitees.

The Board of Directors confirms that these requirements are satisfied at the time of the appointment, on any occasion that circumstances relevant to independence transpire, and not less than annually. The Board of Statutory Auditors verifies that the criteria and assessment procedures used by the Board of Directors to assess the independence of its members have been correctly applied.

The Board of Directors assesses the initial and continuing satisfaction of the independence requirements, applying *inter alia* all the criteria set forth in the Corporate Governance Code, based on the information that the individuals in question are required to provide and such other information as is otherwise available to the Board of Directors. The outcomes of these assessments are made public through a press release.

On 18 May 2023, the Board of Directors confirmed, based on the information available to it, in particular that provided by the Directors, that the independence requirements set forth in Article 148(3), CLFI, as referred to in Article 147-*ter*(4), CLFI, and in recommendation 7 of the Corporate Governance Code, and based only on the criteria set forth in Rule 3.13 of the Listing Rules, under the laws of Hong Kong, were met by the following Directors: Hua Fengmao (who subsequently resigned, effective from 19 February 2024), Stefano Domenicali and Patrick Sun; and on 19 February 2024, the Board of Directors based on the information available to it, in particular that provided by the Director in question, that the independence requirements were met by Zhu Yi (who replaced the outgoing independent director, Hua Fengmao).

The quantitative and qualitative criteria to be used in establishing directors' independence, in order to assess the significance of dealings with the Company and/or the Group, pursuant to recommendation 7 of the Corporate Governance Code, were applied following the First Trading Day, and thus beginning with the assessment of the independence of directors who were co-opted on 19 February 2024.

The outcome of the assessments regarding the independence of Hua Fengmao, Stefano Domenicali, and Patrick Sun was favourable, and the market was informed by press release of 18 May 2023.

The outcome of the assessment regarding the independence of Zhu Yi was also favourable, and the market was informed by press release of 19 February 2024, which is available on the Issuer's website at *www.ferrettigroup.com*, in the section, *Investor Relations*.

With reference specifically to the terms of article 149(1) (c-*bis*), CLFI, and recommendation 6 of the Corporate Governance Code, the Board of Statutory Auditors confirmed that the criteria and assessment procedures used by the Board of Directors to assess the independence of its members have been correctly applied.

None of the Independent Directors have committed to remaining independent for the whole of their term of office and to resigning if necessary. In the event that a director classified as an Independent Director ceases to meet the requirements, he must promptly inform the Board of Directors.

In the course of the Reporting Period, the Independent Directors never met without the other directors, given that Ferretti has been listed since June 2023.

4.8.2 Lead Independent Director

The Board of Directors did not consider it necessary to appoint a lead independent director, in that the tests that would require such an appointment under recommendation 13 of the Corporate Governance Code were not met, since:

(a) the Chairman of the Board of Directors is not the Chief Executive Officer and does not hold material management responsibilities;

(b) the Chairman of the Board of Directors does not control the Company, on his own or jointly; and

(c) the Issuer does not qualify as a "large company" under the Corporate Governance Code.

4.9 MODEL CODE FOR SECURITIES TRANSACTION

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 during the Reporting Period.

4.10 CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. All Directors have been updated on the latest developments regarding the statutory and regulatory requirements and also the business and market changes to facilitate the performance of their responsibilities and obligations under the Listing Rules and relevant statutory requirements, and enhance their awareness of good corporate governance practices.

All Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for the Directors would be arranged and reading materials on changes and developments to the Group's business and to the legislative and regulatory environments relating to the market and the operations of the Group would be provided to the Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses. All the Directors named in this Corporate Governance Report confirmed that they have complied with the code provision C.1.4 of the CG Code on Directors' continuous professional development during the Reporting Period by participating in appropriate continuous professional development activities, and reading materials relating to regulatory updates and handouts or reviewing the papers and circulars sent by the Company.

5 MANAGEMENT OF CORPORATE INFORMATION

The Board of Directors on 20 March 2023 at the proposal of the Chief Executive Officer, adopted the following procedures:

(a) a procedure for handling and disclosing inside information, for governing the handling of Inside Information and Material Information, thus a mapping and identification of such information by the relevant functions within Ferretti; and

(b) a procedure on internal dealing, pursuant to article 19, MAR, to regulate the disclosure obligations towards CONSOB and the public connected with transactions regarding financial instruments issued by the Company, performed by persons discharging managerial responsibilities and persons closely associated with them (as identified under the MAR and the aforementioned procedure).

Both documents are available on the Company's website at *www.ferrettigroup.com*, in the section, *Corporate Governance*.

6 COMMITTEES INTERNAL TO THE BOARD OF DIRECTORS (PURSUANT TO ARTICLE 123-*BIS*(2)(D), CLFI

6.1 ESTABLISHED COMMITTEES

Pursuant to Principle XI and recommendation 16 of the Corporate Governance Code, and the laws and regulations in force, the Board of Directors may establish Committees made up of its members, with fact-finding, consultative or proposal-making functions, regarding appointments, remuneration, and control and risks. Pursuant to the Listing Rules, the Board of Directors must establish the Control and Risks and Related Parties Committee, the Nomination Committee and the Remuneration Committee. In accordance with the Listing Rules, those Committees were established from 21 December 2021.

On 18 May 2023, the Board of Directors resolved to reappointed the following Committees with fact-finding, consultative or proposal-making functions, pursuant to Principle XI and recommendation 16 of the Corporate Governance Code:

(a) the Control and Risks, and Related Parties, Committee, which addresses internal controls, risk management and transactions with related parties under the RPT Rules and the RPT Procedure;

(b) the Remuneration Committee, which addresses remuneration;

(c) the Nomination Committee, which addresses the appointment of directors and procedures for evaluating the performance of the Board of Directors; and

(d) Sustainability Committee, which addresses issues of sustainability connected with the conduct of the Group's business.

The Committees operate in accordance with their terms of reference, in compliance with the CG Code. The terms of reference of the Board committees are posted on the Company's website and the Hong Kong Stock Exchange's website and are available to Shareholders upon request.

On 19 February 2024, pursuant to recommendation 1 of the Corporate Governance Code, the Board of Directors resolved to establish a Strategic Committee, and adopted Rules that would govern its proceedings on the same date.

As at the date of this Corporate Governance Report, no Committees have been established beyond those recommended by the Corporate Governance Code, except for the Strategic Committee, which is described in detail in paragraph 6.4, below.

The members and chairs of the Committees are appointed, and dismissed, by resolution of the Board of Directors. Members of Committees have no claims of any kind in the event of their dismissal from that role.

Except as the Board of Directors may determine otherwise at the time of their appointment, members of the Committees are appointed for the same term as that of the Board of Directors to which they also belong. Early termination of office of the Board of Directors for any reason also results in the immediate forfeiture of the Committees.

In the event that, for any reason, one or more members of a Committee cease to hold office, they are replaced by the Board of Directors.

Consistent with recommendation 17 of the Corporate Governance Code, the Board of Directors has in establishing the Committees' membership favoured expertise and experience, and avoided excessive concentration of duties. Specifically: (i) at least one member of the Remuneration Committee has appropriate knowledge and experience on financial matters and remuneration policies, which the Board of Directors is called to assess at the time of appointment; (ii) at least one member of the Control and Risks Committee has appropriate knowledge and experience on accounting and finance, and risk management, which the Board of Directors is called to assess at the time of appointment; and (iii) at least one member of the Sustainability Committee has appropriate knowledge, expertise and experience on matters of social and environmental sustainability. In accordance with the Board of Directors' determinations each time it appoints the Controls, Risks and Related Parties Committee, the Nomination Committee and the Remuneration Committee are each made up of at least three directors, a majority of whom are non-executive and independent, while the Sustainability Committee and the Strategic Committee are each made up of at least three directors, a majority of whom are non-executive. The Chair of the Controls, Risks and Related Parties Committee is an independent non-executive director. The Chairs of the Sustainability Committee, the Strategic Committee and the Nomination Committee are each a non-executive director.

Consistent with the requirements under the Listing Rules, (i) the Control and Risks Committee is made up exclusively comprises of non-executive Directors, with Mr Sun (an independent non-executive Director) currently serving as its chairman. Mr Sun has the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules; (ii) the Remuneration Committee has a majority of independent non-executive Directors with Mr. Domenicali (an independent non-executive Director) currently serving as its chairman; and (iii) the Nomination Committee comprises a majority of independent non-executive Directors with Mr. Tan (Chairman of the Board of Directors) currently serving as its chairman.

The Secretary to the Board of Directors, or another person he identifies from within the Company's secretariat, acts as secretary for each committee.

The Committees are granted a budget to ensure their independence.

The Directors accept appointment to one or more of the Committees only where they consider that they are able to dedicate the time necessary to performing the duties that entails.

During the Reporting Period, and through to the date of this Corporate Governance Report, none of the functions for which the Corporate Governance Code recommends establishing a committee have been reserved to the Board of Directors.

6.2 OPERATION OF THE COMMITTEES

With specific reference to the terms of recommendation 11 of the Corporate Governance Code, the functioning of the Committees is governed by the Rules of the Board of Directors and the rules of the individual Committees, as approved by the Board of Directors on 20 March 2023 and 18 May 2023, respectively, in the same form as had been adopted on 21 December 2021 (and, for the Strategic Committee, on 19 February 2024). These are made available on the Company's website at *www.ferrettigroup.com*, in the section, *Corporate Governance*.

Each Committees' meetings are called by the Chair or one of its members, at regular intervals that enable them to perform their duties, and not less than once a year (except for the Controls, Risks and Related Parties Committee, which meets at least twice a year with the person responsible for auditing the Company's accounts). Meetings take place in the location stated on the notice of meeting, send to all of a Committee's members.

The notice of meeting, prepared in English, is despatched by the Secretary, on the instruction of the Chair of each Committee, by recorded delivery, fax, email or equivalent, provided that it offers proof of receipt. It provides the place, date and time of the meeting, the agenda, the manner in which the members may participate, and the other information required by law. Where necessary or urgent, the notice may be sent not less than 24 hours prior to the meeting, by the same means. A copy of the notice is sent to the Board of Directors (or its Chair), the Chief Executive Officer (where he is not a member of the relevant Committee), the Board of Statutory Auditors (or its Chair), the Head of Internal Audit (for the Controls, Risks and Related Parties Committee), and the Chief Human Resources & Organization Officer (for the Remuneration Committee).

Each Committee may validly resolve, even if no meeting has formally been called, when all members are present.

The Chair of each Committee may, also at the request of the other members, invite the Chair of the Board of Directors, the Chief Executive Officer (where he is not a member of the relevant Committee), the other directors, and, with notice to the Chief Executive Officer, the executives and heads of the relevant business functions within the Company or the Group, the Secretary to the Board of Directors, where not acting as secretary to the meeting, and other persons, including persons from outside the Company and the Group, where their presence is considered useful, *inter alia*, to provide additional information regarding one or more of the matters of the agenda. The Chair of the Board of Statutory Auditors, or another member he designates, participates in the work of the Committees. In such circumstances, the invitees are made aware of the notice of meeting and any documentation, to the extent that is necessary for them to participate effectively in the Committee's work.

The meetings of each Committees may be held by audio-or videoconference, provided that the chair of the meeting is able to establish the identity of those participating in the meeting, they are able to follow the discussions, participate in the deliberations in real time regarding the meeting's activities, vote simultaneously, and are able to receive, provide and review documents in real time; and the person taking the minutes is able adequately to perceive the proceedings of the meeting that they are recording.

Any documentation regarding the items on the agenda is prepared in English and, where opportune or required, also in Italian. It is made available to the members and, where necessary or opportune, also to any invitees, by the secretary, in a manner that ensures the necessary confidentiality, which may include a dedicated IT platform. Ordinarily, it will accompany the notice of meeting, or, in urgent cases be made available at least 24 hours prior to the meeting, transmitted in the same manner as the notice of meeting.

The meetings of each Committee are chaired by their Chair, of, if he is unable or absent, by the eldest member.

In order for the meetings to be validly constituted, a majority of its members must be present. Resolutions are passed with the approval of an absolute majority of those entitled to vote, or, only for the Control and Risks and Related Parties Committee (where not acting as the Related Parties Committee, by an absolute majority of those present. In the event of a tied vote, the Chair of the meeting holds the casting vote. No voting by proxy is permitted.

The minuting of meetings is overseen by the Secretary. Minutes of Committee meetings are prepared in English, with a draft submitted to the Committee's chair (and to the Chair of the Board of Statutory Auditors, or to the person acting in their stead, in the case only of the Control and Risks Committee), and signed by the meeting's chair. The meetings are considered to have been held in the location in which the chair was present.

Except as the Committees may provide otherwise, the terms that govern the meetings of the Board of Directors apply to the meetings of the Committees, mutatis mutandis.

The Chair of each Committee coordinates their work, and informs the Board of Directors at the next meeting, and at least annually (or quarterly, for the Control and Risks Committee), or to such other timetable as the Corporate Governance Code or other applicable laws and regulations may provide from time to time.

For further information regarding the scope of each Committee's work and their composition, please see paragraphs 6.3, 6.4, 7.4, 8.2 and 9.3 of this Corporate Governance Report.

Please refer to Table 2 in the Schedules for details of the Committees' membership.

6.3 SUSTAINABILITY COMMITTEE

By resolution of 18 May 2023, the Board of Directors established a Sustainability Committee from among its number.

6.3.1 Composition and operation (pursuant to article 123-*bis*(2)(d), CLFI)

The following table sets forth the composition of the Sustainability Committee as at the date of this Corporate Governance Report.

DIRECTOR	DATE OF APPOINTMENT	REQUIREMENTS SATISFIED
Tan Xuguang (Chair)	18 May 2023	Non-Executive Director
Xu Xinyu	18 May 2023	Executive Director
Alberto Galassi	18 May 2023	Executive Director
Piero Ferrari	18 May 2023	Non-Executive Director
Zhang Quan	19 February 2024(**)	Non-Executive Director
Jiang Lan	18 May 2023	Non-Executive Director
Zhu Yi	19 February 2024(***)	Independent Non-Executive Director

(*) Tan Xuguang has appropriate knowledge, expertise and experience on matters of social and environmental sustainability.

(**) Zhang Quan was co-opted onto the Committee by the Board of Directors on 19 February 2024 following resignation of the non-executive director, Li Xinghao.

(***) Zhu Yi was co-opted onto the Committee by the Board of Directors on 19 February 2024 following resignation of the independent non-executive director, Hua Fengmao.

The majority of the members of the Sustainability Committee is made up of non-executive directors (including the Chair).

6.3.2 Functions of the Sustainability Committee, and work performed

The operation of the Sustainability Committee is governed by the Rules of the Sustainability Committee, as approved by the Board of Directors on 18 May 2023.

The rules of the Sustainability Committee are available on the Company's website at *www.ferrettigroup.com*, in the section, *Corporate Governance*.

The Sustainability Committee performs proposal-making and advisory functions for the Board of Directors, on each occasion that the Board of Directors must make evaluations, or reach decisions, involving matters related to sustainability, in connection with the Company's operations or in interactions with stakeholders, including through the integration into business strategies of issues of sustainability; More specifically, the Sustainability Committee:

(a) assumes a role in proposal-making, advising, and supervising, on all areas and issues regarding the activities of the Corporate Social Responsibility ("**CSR**") unit, and CSR policies and strategies, including support to the Board of Directors in analysing matters relevant to value generation over the long term, with respect to the Company's and the Group's business plan;

(b) through its receipt of regular updates from the CSR unit, monitors implementation of the policies and directives set by the Board of Directors in terms of CSR;

(c) provides advice, including such advice as may be specifically requested, to the Board of Directors in determining and updating the Group's sustainability policy, also with a view to its formal approval by the Board of Directors, and examines the decisions and projects submitted or proposed to the Board of Directors that have a sustainability impact;

(d) assesses the objectives and goals of management initiatives in connection with CSR matters, and reports to the Board of Directors on those considered most effective and consonant with the Company's broader strategies, monitoring their implementation over time;

(e) proposes desirable approaches to growth that are consistent with the main drivers in the regulation of CSR, providing the Board of Directors with recommendations in that regard;

(f) evaluates the procedures for the preparation of the consolidated non-financial disclosure, as to their completeness and reliability, coordinating with the Controls, Risks and Related Parties Committee and without impinging on the latter's competencies in this area, and makes preliminary examinations of the annual disclosure, on which it gives its advice prior to its consideration by the Board of Directors for approval, along with any other documentation regarding disclosures on sustainability matters;

(g) regularly reports to the Board of Directors regarding CSR issues that are relevant to the Company, and any emerging major problems;

(h) evaluates and advises on the suitability, with respect to the CSR goals the Company pursues, of any proposals on CSR matters from shareholders or other classes of stakeholder;

(i) examines the suitability of the Company's sustainability policies in light of its strategic guidance, monitoring against best practices internationally, and considering the Group's position on sustainability matters relative to the market;

(l) monitors the development, and implementation, of the Company's ESG objectives, checks progress towards achievement of those objectives, and advises on the actions necessary to reach those objectives;

(m) monitors and reports to the Board of Directors on ESG developments, including the main developments affecting the Company's ESG strategies and policies, and its objectives;

(n) manages and identifies the ESG matters at the Group, and assigns them priorities based on their importance;

(o) reviews the annual ESG reports, and the other information on sustainability, and makes recommendations to the Board of Directors on approval;

(p) examines the non-financial disclosure, and the Sustainability Report, pursuant to Legislative Decree No. 254/2016, providing the Board of Directors with advice thereon.

In the course of the Reporting Period, the Sustainability Committee met once, on 8 March 2023.

The Sustainability Committee's meeting was coordinated by Xu Xinyu, who chaired the meeting. It was duly minuted and the Chair of the Sustainability Committee informed the Board of Directors at the next opportune meeting.

The Sustainability Committee's meeting lasted approximately 15 minutes, and Alberto Galassi, Xu Xinyu, Piero Ferrari and Hua Fengmao participated.

In the course of the Reporting Period, the Sustainability Committee did the following:

(a) examined the Company's ESG report for 2022;

(b) examined the Company's ESG policies.

Also participating in the Sustainability Committee's meeting were senior individuals from business functions, invited by the Chair of the Sustainability Committee, and the Chief Executive Officer was informed of the participation of those senior figures who had knowledge relevant to the discussions.

In discharging its duties, the Sustainability Committee may access such information and business functions as may be necessary for it to do so. It may also engage external advisors, upon terms agreed by the Board of Directors.

Finally, in the course of the year ending 31 December 2024, one meeting of the Sustainability Committee took place on 14 March 2024, and no further meetings are presently scheduled.

6.4 STRATEGIC COMMITTEE

By resolution of 19 February 2024, the Board of Directors established a Strategic Committee from among its number.

6.4.1Composition and operation (pursuant to article 123-bis(2)(d), CLFI)

The following table sets forth the composition of the Strategic Committee as at the date of this Corporate Governance Report.

DIRECTOR	DATE OF APPOINTMENT	REQUIREMENTS SATISFIED
Tan Xuguang (Chair)	18 May 2023	Non-Executive Director
Xu Xinyu	18 May 2023	Executive Director
Alberto Galassi	18 May 2023	Executive Director
Piero Ferrari	18 May 2023	Non-Executive Director
Zhang Quan	19 February 2024(*)	Non-Executive Director
Patrick Sun	18 May 2023	Non-Executive Independent Director

(*) Zhang Quan was co-opted by the Board of Directors on 19 February 2024 following the resignation of the non-executive director Li Xinghao.

The majority of the members of the Strategic Committee is made up of non-executive directors (including the Chair).

6.4.2Functions of the Strategic Committee and duties performed

The Strategic Committee's operation is governed by the Rules of the Strategic Committee, as approved by the Board of Directors on 19 February 2024.

The rules of the Strategic Committee are available on the Company's website at *www.ferrettigroup.com*, in the section, *Corporate Governance*.

The Strategic Committee works with the other Committees to support the Board of Directors on the creation of value over the long term for the benefit of shareholders, taking into consideration also the interests of the Company's other stakeholders.

Without prejudice to the powers delegated to the Chief Executive Officer, the Strategic Committee, whose function is merely advisory, is tasked with, *inter alia*:

(a) conducting studies and making recommendations regarding the Company's long-term strategic development plan;

(b) conducting studies and making recommendations regarding major investment and financing proposals that are subject to approval by the Board of Directors;

(c) conducting studies and making recommendations regarding major equity operations, and plans for managing assets that are subject to approval by the Board of Directors;

(d) examining and monitoring implementation of the above matters.

In discharging its duties, the Strategic Committee may access such information and business functions as may be necessary for it to do so. It may also engage external advisors, upon terms agreed by the Board of Directors.

The Strategic Committee had not been established prior to the end of the Reporting Period.

Finally, in the course of the year ending 31 December 2024, no meetings of the Sustainability Committee have taken place, and two meetings are scheduled to take place.

7 DIRECTORS' REPLACEMENT AND ASSESSMENT OF THEIR OWN PERFORMANCE — NOMINATION COMMITTEE

7.1 DIRECTORS' ASSESSMENT OF THEIR OWN PERFORMANCE

Pursuant to Principle XIV of the Corporate Governance Code, the Board of Directors regularly assesses how effective it is, and the contribution made by individual members, using formal procedures whose implementation it oversees.

Specifically, in accordance with recommendation 22 of the Corporate Governance Code, the Board of Directors, at least once every three years, with its term of office drawing to a close, carries out a formal procedure for assessing its own performance, in order to assess how effective the work of the Board of Directors and the Committees has been, and express a view on the functioning in practice, the size, and the composition, of the Board of Directors and its Committees. That takes into consideration also the role it has had in setting strategies and monitoring operating performance, and the suitability of the internal controls and risk management system.

That process also takes account of the contribution made by each Director, in light of their professional characteristics, experience, knowledge, expertise, and gender, as well as the length of time they have been on the Board.

Following that assessment process, the Board of Directors identifies such corrective actions as it may consider necessary or opportune.

In light of Ferretti's recent listing on Euronext Milan, in June 2023, as at the date of this Corporate Governance Report the Board of Directors has not carried out such an assessment process.

7.2 STANCE ON THE COMPOSITION OF THE BOARD OF DIRECTORS

The Board of Directors that held office until approval of the financial statements as at and for the year ended 31 December 2022, has not expressed a view regarding how the board of directors should be composed, in terms of either qualifications or the number of members, since, at the time, Ferretti was not quoted on Euronext Milan.

7.3 REPLACEMENT OF THE EXECUTIVE DIRECTORS

As at the date of this Corporate Governance Report, the Company has not formally adopted guidelines on managing the succession of Executive Directors, given that Ferretti does not qualify as a large company for the purposes of the Corporate Governance Code.

7.4 NOMINATION COMMITTEE

In accordance with the terms of recommendation 16 of the Corporate Governance Code, the Board of Directors by a resolution of 18 May 2023 established a Nomination Committee from among its number.

The Nomination Committee's composition, meetings, objectives, duties and work are fully consistent with the recommendations of the Corporate Governance Code, as described below.

7.4.1Composition and operation (pursuant to article 123-bis(2)(d), CLFI)

The following table sets forth the composition of the Nomination Committee as at the date of this Corporate Governance Report.

DIRECTOR	DATE OF APPOINTMENT	REQUIREMENTS SATISFIED
Tan Xuguang (Chair)	18 May 2023	Non-Executive Director
Stefano Domenicali	18 May 2023	Non-Executive Independent Director
Alberto Galassi	18 May 2023	Executive Director
Patrick Sun	18 May 2023	Independent Non-Executive Director with appropriate knowledge and experience on financial matters and remuneration policies
Zhu Yi	19 February 2024(*)	Non-Executive Independent Director

(*) Zhu Yi was co-opted by the Board of Directors on 19 February 2024 following the resignation of the non-executive director Hua Fengmao.

The majority of the members of the Nomination Committee meet independence requirements.

7.4.2 Functions of the Nomination Committee and duties performed

The operation of the Nomination Committee is governed by the Corporate Governance Code and by the Rules of the Nomination Committee as approved by the Board of Directors on 18 May 2023 (and amended on 14 March 2024).

The rules of the Nomination Committee are available on the Company's website at *www.ferrettigroup.com*, in the section, *Corporate Governance*.

The Nomination Committee performs proposal-making and advisory functions for the Board of Directors, on each occasion that the Board of Directors must make evaluations, or reach decisions, involving matters related to appointments of Directors, or their assessment of their performance, thereby providing support to the Chair of the Board of Directors in monitoring that process to ensure it is adequate and transparent. More particularly, the Nomination Committee is tasked with:

(a) reviewing, at least annually or to such other timetables as the Corporate Governance Code and applicable laws and regulations may provide from time to time, the structure and composition of the Board of Directors and its Committees, and the number of Directors (including their areas of expertise, knowledge and experience), and drawing up proposals for changes to the composition of the Board of Directors and its Committees, in pursuit of full implementation of the Company's corporate governance strategy;

(b) identifying qualified persons suitable to become members of the Board of Directors, selecting the persons for appointment as Directors or making recommendations to the Board of Directors regarding selection;

(c) determining the optimal composition for the Board of Directors and its Committees, providing advice also regarding the kinds of professional roles whose presence on the Board of Directors would be desirable;

(d) providing support in any presentation by an outgoing Board of Directors of a list of candidates for the Board, in a manner that ensures the list is compiled and submitted transparently;

(e) expressing, as a Board of Directors' term of office draws to a close, a stance regarding the Board of Directors' composition, in terms of either qualifications or the number of members, taking into account the outcome of the performance assessment process;

(f) regularly assessing the independence of the independent non-executive directors (including on the basis of the applicative, quantitative and qualitative criteria that the Board of Directors has approved), the integrity of the Directors, and the absence of any grounds on which they would be ineligible or unelectable;

(g) drawing up proposals regarding the appointment (also where Directors are being co-opted), or reappointment, of Directors, and, where the Corporate Governance Code and/or applicable laws and regulations so provide, succession planning for Directors, in particular the Chair and the Executive Director; and

(h) making assessments regarding the Company's adoption of diversity policies, for application to the composition of the Board of Directors, Board of Statutory Auditors and the Supervisory Board, regarding aspects such as age, gender, training and professional backgrounds, defining objectives and the means by which they may be achieved.

The Nomination Committee also prepares advice for the Board of Directors on any activities by Directors that are in competition with the Company's, where the Shareholders' Meeting authorises, generally and in advance, exceptions to the rule against competition under article 2390 of the Civil Code.

In the course of the Reporting Period, the Nomination Committee met twice, on 8 March 2023 and 21 April 2023.

During the Reporting Period, the meetings of 8 March 2023 and 21 April 2023 were coordinated by Stefano Domenicali and Hua Fengmao, respectively, who acted as the meeting's chair, as the Committee's Chair was absent; both meetings were duly minuted and the Chair of the Nomination Committee informed the Board of Directors of such meeting's at the next opportune Board of Directors' meeting.

Meetings of the Nomination Committee lasted approximately 15 minutes on average, with the members Alberto Galassi, Hua Fengmao, Stefano Domenicali and Patrick Sun attending all of the meetings, and Tan Xuguang, none.

In the course of the Reporting Period, the Nomination Committee did the following:

(a) advised regarding the reappointment of the CEO and execution of a directorship agreement in that connection; and

(b) made proposals regarding the reappointment of members of the Board of Directors, and the appointment of an additional Director.

No member of the Board of Statutory Auditors participated in the work of the Nomination Committee, having giving reasons for their absence.

Also participating in the Nomination Committee's meetings were senior individuals from business functions, invited by the Chair of the Nomination Committee, and the Chief Executive Officer was informed of the participation of those senior figures, who had knowledge relevant to the discussions.

In discharging its duties, the Nomination Committee may access such information and business functions as may be necessary for it to do so. It may also engage external advisors, upon terms agreed by the Board of Directors.

Finally, in the course of the year ending 31 December 2024, one meeting of the Sustainability Committee has taken place on 19 February 2024, and a further meeting is scheduled to take place. This will deal, *inter alia*, with possible implementation of procedures on the succession of senior management.

8 REMUNERATION OF DIRECTORS AND THE REMUNERATION COMMITTEE

8.1 REMUNERATION OF THE DIRECTORS

8.1.1Remuneration Policy

On 14 March 2024, the Board of Directors at the Remuneration Committee's proposal approved the 2024 Remuneration Policy, on members of the Board of Directors, Executives with Strategic Responsibilities, and, subject always to article 2402 of the Civil Code, members of the Company's and the Group's Board of Statutory Auditors. The policy is subject to mandatory approval from the Shareholders' Meeting that is called to approve the non-consolidated financial statements of the Company as at and for the year ended 31 December 2023.

For further information regarding the 2024 Remuneration Policy, please see Section I of the Remuneration Report, available on the Company's website at *www.ferrettigroup.com*, in the section, *Corporate Governance*.

8.1.2Remuneration of Executive Directors and Senior Management

For further information regarding the remuneration of Executive Directors and the Group's senior management, please see Section I of the Remuneration Report, available on the Company's website at *www.ferrettigroup.com*, in the section, *Corporate Governance*.

8.1.3Share-based remuneration plans

As at the date of this Corporate Governance Report, the Company has not implemented any share-based remuneration plan.

Board of Directors approved the 2024–2026 Performance Shares Plan, which would be submitted to the Shareholders' Meeting called to consider approval of the non-consolidated financial statements as at and for the year ended 31 December 2023. In that regard, the documentation on the 2024–2026 Performance Shares Plan is available on the Company's website at *www.ferrettigroup.com*, in the section, *Corporate Governance*, which also includes the document prepared pursuant to article 84-*bis* of the Issuers' Regulations, which provides a summary of the plan.

8.1.4 Remuneration of the Non-Executive Directors

In accordance with the terms of recommendation 29 of the Corporate Governance Code, during the Reporting Period and up to the date of this Corporate Governance Report, the remuneration of the Non-Executive Directors was appropriate to the expertise, professional qualifications and commitment required by the duties they have within the Board of Directors and the Committees. That compensation is not linked to any financial performance targets.

For further information regarding the remuneration of Non-Executive Directors, please see the discussion of the 2024 Remuneration Policy in Section I of the Remuneration Report, available on the Company's website at *www.ferrettigroup.com*, in the section, *Corporate Governance*.

8.1.5 Accrual and payment of remuneration

The Board of Directors, with the assistance of the Remuneration Committee, ensures that the remuneration paid and accrued is consistent with the principles set forth in the 2024 Remuneration Policy, in light of the results that were achieved and other relevant circumstances.

More particularly, as described in Section I of the Remuneration Report, with assistance from the Remuneration Committee the Board of Directors sets ex ante qualitative and quantitative objectives for the short and the medium to long term, to which the Executive Directors' variable component of remuneration is linked. These are consistent with the Company's strategic objectives and with the goal of achieving sustainable success, and includes, where relevant, non-financial measures. Periodically, it assesses achievement of those objectives. Based on those evaluations, the Board of Directors, at the proposal of the Remuneration Committee, determines the portion of remuneration that has accrued for each Executive Director and has those sums disbursed.

8.1.6 Compensation to Directors in the event of dismissal, resignation or termination following a public tender offer (pursuant to article 123-*bis*(1)(i), CLFI)

As at the date of this Corporate Governance Report, no agreements have been made between the Issuer and the Directors that provide for compensation in the event of dismissal, resignation or termination following a public tender offer.

However, as further detailed in the Remuneration Policy contained in Section I of the 2024 Remuneration Report, the Company intends to enter into agreements with Executive Directors that regulate anteriorly financial aspects regarding early termination of employment at the initiative of the Company or the individual upon the occurrence of certain events, based on criteria in line with relevant benchmarks, without prejudice to the Company's statutory obligations.

8.2 REMUNERATION COMMITTEE

In accordance with the terms of recommendation 16 of the Corporate Governance Code, the Board of Directors by a resolution of 18 May 2023 established a Remuneration Committee from among its number.

The Remuneration Committee's composition, meetings, objectives, duties and work are fully consistent with the recommendations of the Corporate Governance Code, except as described below.

8.2.1 Composition and operation (pursuant to article 123-bis(2)(d), CLFI)

The following table sets forth the composition of the Remuneration Committee as at the date of this Corporate Governance Report.

DIRECTOR	APPOINTMENT DATE	REQUIREMENTS SATISFIED
Stefano Domenicali (Chair)	18 May 2023	Independent Non-Executive Director
Piero Ferrari	18 May 2023	Non-Executive Director
Xu Xinyu	18 May 2023	Executive Director
Patrick Sun	18 May 2023	Independent Non-Executive Director with appropriate knowledge and experience on financial matters and remuneration policies(*)
Zhu Yi	19 February 2024(**)	Independent Non-Executive Director

(*) Person with appropriate knowledge and experience on financial matters and remuneration policies, as assessed by the Board of Directors at its meeting of 18 May 2023 and subsequently also on 19 February 2024.

(**) Zhu Yi was co-opted by the Board of Directors on 19 February 2024 following the resignation of the non-executive director Hua Fengmao.

The majority of the members of the Remuneration Committee meet the independence requirements, and the Chair is among the Independent Directors.

Recommendation 26 of the Corporate Governance Code provides, *inter alia*, that the "remuneration committee be made up only of non-executive directors." The Company's Remuneration Committee departs from that recommendation in that it includes an Executive Director, Xu Xinyu.

Xu Xinyu is a Director to whom the Board of Directors has delegated powers regarding supervision of the implementation of the Board of Directors' decisions, improvements to the Company's internal audit functions, and oversight of the quality of the Company's operations. Xu Xinyu's executive role is thus principally focussed on compliance and monitoring of the Company's management and operations.

In light of that role, and his capabilities, professional qualifications and prior experience on the Remuneration Committee, the Company considers that his presence on the Remuneration Committee is consistent with that Committee's function of pursuing a remuneration policy intended to bring about sustainable success for the Company, and especially to ensure that the policy is correctly implemented. Accordingly, the Company's view is that the Remuneration Committee's current composition provides a contribution to good corporate governance practices.

The professional expertise and experience of the Director Sun Patrick means that recommendation 26 of the Corporate Governance Code regarding appropriate knowledge and experience on financial matters and remuneration policies is satisfied.

8.2.2Functions of the Remuneration Committee and duties performed

The operation of the Remuneration Committee is governed by the Corporate Governance Code and by the Rules of the Remuneration Committee as approved by the Board of Directors on 18 May 2023.

The rules of the Remuneration Committee are available on the Company's website at *www.ferrettigroup.com*, in the section, *Corporate Governance*.

The Remuneration Committee is tasked with assisting the Board of Directors in preparing the remuneration policy (see recommendation 25(a) of the Corporate Governance Code).

The Remuneration Committee: (i) submits proposals and provides advice to the Board of Directors on the remuneration of Executive Directors and the other Directors with particular duties, and on setting performance objectives for the variable components of that remuneration (see recommendation 25(b) of the Corporate Governance Code); (ii) monitor the practical application of the Remuneration Policy, checking in practice that the performance objectives have in fact been achieved (see recommendation 25(c) of the Corporate Governance Code); and (iii) regularly assesses the suitability and overall consistence of the remuneration policy for the Directors and for others with management roles (see recommendation 25(d) of the Corporate Governance Code).

In accordance with recommendation 26 of the Corporate Governance Code, in the course of the Reporting Period Directors refrained from participating in meetings of the Remuneration Committee at which proposals for their own remuneration were under consideration.

In the course of the Reporting Period, the meetings of the Remuneration Committee were coordinated by the Committee's Chair, and were duly minuted, with the Chair of the Remuneration Committee that reported it at the first available Board of Directors' meeting.

In the course of the Reporting Period, the Remuneration Committee met twice, on 8 March 2023 and 21 April 2023.

Meetings of the Nomination Committee lasted approximately 15 minutes on average, with the members Stefano Domenicali, Piero Ferrari, Xu Xinyu and Patrick Sun attending all of the meetings, and Hua Fengmao, half.

In the course of the Reporting Period, the Remuneration Committee did the following:

(a) advised regarding the emoluments for the CEO, at the time of his reappointment; and execution of a directorship agreement in that connection;

(b) prepared proposals regarding the emoluments to be awarded to new Directors, when the Board of Directors came up for reappointment;

(c) advised on approval of a Long Term Incentive Plan.

During the Reporting Period, the Remuneration Committee has not made use of the services of any advisor for the purposes of obtaining information on remuneration practices in the market.

No member of the Board of Statutory Auditors participated in the work of the Remuneration Committee, having giving reasons for their absence.

Also participating in the Remuneration Committee's meetings were senior individuals from business functions, invited by the Chair of the Remuneration Committee, and the Chief Executive Officer was informed of the participation of those senior figures, who had knowledge relevant to the discussions.

In discharging its duties, the Remuneration Committee may access such information and business functions as may be necessary for it to do so. It may also engage external advisors, upon terms agreed by the Board of Directors.

Finally, during the year ending 31 December 2024, two meetings of the Remuneration Committee have been held, on 19 February 2024 and 14 March 2024, and a further meeting is scheduled to take place. This will deal, *inter alia*, with possible implementation of procedures on the succession of senior management.

9 INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEM — CONTROL, RISKS AND RELATED PARTIES COMMITTEE

9.1 INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Ferretti's IARMS is, in accordance with the recommendations under article 6 of the Corporate Governance Code and best practices in the sector, the set of rules, procedures and organisational procedures intended to provide sound and proper management of the business, consistent with the Company's strategic objectives, through appropriate processes for identifying, measuring, managing and monitoring the major risks that the Company and its subsidiaries encounters.

An effective internal controls and risk management system contributes to safeguarding the Company's capital, and efficiency and effectiveness of its business operations, the reliability of its financial information, and compliance with laws and regulations.

On 18 May 2023, for the purpose of presenting the application for admission to trading of ordinary shares in the Company on Euronext Milan, the Board of Directors resolved in favour of adopting an internal controls and risk management system.

That system, which was implemented further during the Reporting Period, enables senior management to obtain, regularly and promptly, a sufficiently comprehensive view of the Company's business, results of operations and financial condition, and the risks to which it and the other main companies of the Group are exposed, while enabling them also: (i) to monitor the major key performance indicators and risk factors regarding the Company and the other main companies of the Group; (ii) to produce information, in particular financial information, in a form that enables analysis appropriate to the kind of business, the organisational complexity, and the management's particular information needs; and (iii) to prepare forward-looking financial information, for the business plan and the budgets, and to check on the achievement of business objectives through a variance analysis.

The IARMS that Ferretti has adopted involves the following parties, each with respect to the matters within its purview:

(a) the Board of Directors, which sets the guidelines for, and assesses the suitability of the IARMS;

(b) the Controls, Risks and Related Parties Committee, tasked, as more particularly set forth in paragraph 9.3, below, with providing support, through appropriate preparatory working and providing proposals, to the Board of Directors in making assessments and decisions regarding the IARMS, and regarding approval of the regular sets of accounts;

(c) the IARMS Director, who is the Executive Director Xu Xinyu, whose duties include identifying the major business risks and implementing the guidelines set by the Board of Directors, as more particularly described in paragraph 9.2, below;

(d) the Head of the Internal Audit function, Matteo Scarpa, who is responsible *inter alia* for verifying that the IARMS is appropriate and functioning, as part of his duties described in detail in paragraph 9.4;

(e) the Board of Statutory Auditors, which, as a committee with oversight of internal and external auditing pursuant to article 19 of Legislative Decree 39/2010, oversees the effectiveness of the IARMS; and

(f) the Supervisory Board, which is charged with overseeing the effectiveness and appropriateness of Ferretti's internal controls, and its 231 Model.

The Board of Directors, which guides and assesses the suitability of the system of internal controls and risk management, following consultation with the Controls, Risks and Related Parties Committee, in 2023 did the following:

(a) monitored the process of implementation for the 231 Model, which the Board of Directors had approved on 6 December 2022. The objective of the 231 Model is to place the organisational and governance decisions of the Group's main companies on a formal footing, identifying the Group's central functions and the reporting lines from the various subsidiaries and associates, as a means of assuring organisational consistency;

(b) directed the setting of the guidelines for the internal control and risk management system, in order that the main risks faced by the Issuer and its subsidiaries (including those that could become significant in terms of the Company's business sustainability over the medium and long term) were correctly identified and adequately measured, managed and monitored, consistent with the management of the business in line with its strategic objectives;

(c) favourably evaluated the adequacy of the internal controls and risk management system with respect to the characteristics of the business and the risk profile it has assumed; and also the effectiveness of that system;

(d) approved the working plan drawn up by the Head of Internal Audit, following consultation with the Board of Statutory Auditors and the IARMS Director, Xu Xinyu; and

(e) examined the main features of the internal controls and risk management system, including an assessment of the system's adequacy.

In performing these tasks, the Board of Directors made use of contributions from the IARMS Director, and the Controls, Risks and Related Parties Committee. With respect to their involvement in the internal controls and risk management system, please see the following sections of this Corporate Governance Report.

On 14 March 2024, the Board of Directors approved the Accounts Executive's guidelines for compliance with Law 262/05, in terms of ensuring an internal controls system was in place that would reduce to a minimum the risks of error or fraud regarding the Group's financial information (the "**262 Model**").

9.1.1 Main characteristics of the internal controls and risk management system with respect to financial information

The internal controls and risk management system includes among its core components the internal control system for assembling and preparing financial information. That system is intended to ensure the reliability, accuracy, dependability and timeliness of information, including financial information, in its preparation and release.

The administrative and accounting procedures used in drawing up the financial statements and other financial documentation are prepared by the Accounts Executive, who, together with the IARMS Director and the Chief Executive Officer, confirms their suitability and application in practice when the Company prepares its interim and annual consolidated and non-consolidated financial statements.

(a) Main stages of the internal controls and risk management system with respect to financial information

The methodology following in designing and reviewing the 262 Model is consistent with best practice internationally, and ensures its operation is fully traceable. It comprises three stages:

- Stage A: definition of the perimeter;
- Stage B: Preparation of the Risk Control Matrices; and
- Stage C: Testing.

In terms of identifying and assessing risks on financial information, the Issuer performs its analysis and auditing work on the subsidiaries whose value of production and asset base is above a materiality threshold.

Once the companies of the Group within the perimeter for these purposes are determined, the structure of the Risk Control Matrices is confirmed. These are the documents used by the Accounts Executive to determine the connection between the Company's non-consolidated financial statements and the control objectives, of an accounting or administrative nature. The activities are documented in organisational procedures and existing practices, which provide an account of each process within the scope of the 262 Model.

The risks, as measured and assessed in accordance with international risk assessment practices, regard the operating processes that feed into entries on the general ledger, the estimates and the accounting assertions, with a view to both preventing errors in terms of accuracy and completeness, and preventing fraud.

In relation to identifying and assessing the controls with respect to identified risks, the 262 Model provides for the identification of Key Controls, meaning those controls whose absence or misapplication, in part or in whole, could materially affect the correct representation of the Company's financial position, results of operations and cash flows, in the financial statements.

Assessments of the adequacy and effectiveness of the controls in mitigating risk are qualitative in nature, and based on the outcome of the testing activities carried out in the course of the 262 Model monitoring.

Testing activity is carried out in order to achieve the following objectives:

- confirmation that the controls observed in operating practice and the additional documentation used in drawing up the Company's consolidated and non-consolidated financial statements are applied effectively;

- confirmation that the controls performed are effective, with respect to the objectives of the tests;

- confirmation that the controls are performed in a manner that is consistent with the Risks Control Matrices.

The process seeks to verify that the controls operate effectively against the relevant risks, and are appropriately documented.

These checks are conducted annually or semi-annually in order to ensure that the controls are correctly implemented, their effectiveness relative to the test's objectives may be assessed, and to provide consistency in the manner in which the control activities are performed in relation to the Risk Control Matrices.

(b) Role and functions involved

The system of controls on financial information processes is coordinated and managed by the Accounts Executive, Marco Zammarchi, who was appointed by the Board of Directors in accordance with laws in force and the By-Laws.

The Accounts Executive makes use of the Internal Audit function within the Company, and external advice from DS Advisory S.r.l., to carry out checks on the operations of the control system, and it is supported in that by a number of organisational units within the Company and by the relevant functions and senior figures within the subsidiaries, with respect in particular to administrative areas (for the companies of the Group) that, in relation to the matters within their purview, formally certify (by providing internal letters attesting the same) that the information flows used in preparing financial information are complete and reliable.

The Accounts Executive is directly responsible for checking that the administrative, accounting and financial management is carried out correctly and promptly, since it is his duty to continuously supervise all stages of monitoring and assessing the risks inherent in financial reporting.

The Accounts Executive periodically informs the Board of Statutory Auditors as to the adequacy, including the organisational adequacy, and the reliability, of the administrative and accounting system and reports to the Controls, Risks and Related Parties Committee and the Board of Directors on the activities he has performed and the effectiveness of the internal control system with regard to the risks inherent in financial reporting. The Accounts Executive also reports on the activities he has performed, and their outcome, to the Supervisory Board; and he liaises with the External Auditor with a view to ensuring a constant exchange of ideas and information regarding the assessment and effectiveness of controls relating to administrative and accounting processes.

Further to the activities and controls he performs, the Accounts Executive provides the statements and certificates contemplated by article 154-*bis*, CLFI.

In particular, pursuant to:

(a) article 154-*bis*(2), CLFI, the Company's documents and communications to the market regarding its interim or annual financial information are accompanied by a written statement from the Accounts Executive, confirming that it corresponds with the documentary evidence, books and records;

(b) article 154-*bis*(5), CLFI, the Accounts Executive and the Chief Executive Officer certify the annual non-consolidated financial statements, the condensed interim financial statements, and the annual consolidated financial statements, as to:

    i. the adequacy and effective application of the administrative and accounting procedures during the period to which the documents relate;

    ii. the documents having been prepared in accordance with international accounting standards recognised within the European Union;

    iii. the documents correspond with the books and accounting records;

    iv. the documents provide a true and accurate representation of the Issuer's business, results of operations and financial condition, and collectively the businesses included within the consolidation perimeter;

    v. for the annual consolidated and non-consolidated financial statements, the report on operations provides a reliable analysis of performance and of the results of operations, and of the position of the Issuer and collectively the businesses included within the consolidation perimeter, together with a description of the principal risks and uncertainties to which they are exposed;

    vi. for the condensed interim financial statements, the interim report on operations provides a reliable analysis of the information referred to by article 154-*ter*(4), CLFI.

9.2 EXECUTIVE DIRECTOR IN CHARGE OF THE INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEM

At the meeting of the Board of Directors of 18 May 2023, the Executive Director Xu Xinyu was appointed as the IARMS Director.

The role was assigned to a person other than the Chief Executive Officer on the basis of the characteristics of Ferretti's business, the Group's organisational structure, and the nature of the responsibilities held by the Chief Executive Officer, Alberto Galassi, and the Executive Director, Xu Xinyu (see paragraph 4.7, above, for more details).

In performing his duties, the IARMS Director, with support from the relevant functions:

(a) oversaw identification of the major business risks, taking into account the strategy and the business characteristics of the Company and the Group;

(b) implemented the guidelines that the Board of Directors had set, procuring the design, implementation and operation of the internal control system, and continuously checking its overall suitability and efficiency; and

(c) dealt with adjusting the internal control system to changes in the businesses, operating conditions, and the legal and regulatory environment.

Xu Xinyu may request that the Internal Audit function carry out checks on specific operational areas, and on compliance with internal rules and procedures in the execution of the business, informing the Chair of the Controls, Risks and Related Parties Committee and the Chair of the Board of Statutory Auditors.

In carrying out his functions, the IARMS Director promptly makes the Controls, Risks and Related Parties Committee, the Board of Directors, the Board of Statutory Auditors, and the Supervisory Board aware of any major issues encountered or of which he has learnt.

9.3 CONTROLS, RISK AND RELATED PARTIES COMMITTEE

In accordance with recommendation 16 of the Corporate Governance Code, the Board of Directors resolved on 18 May 2023 to establish the Controls, Risks and Related Parties Committee from among its number.

The Controls, Risks and Related Parties Committee's composition, meetings, objectives, duties and work are fully consistent with the recommendations of the Corporate Governance Code.

9.3.1 Composition and operation (pursuant to article 123-*bis*(2)(d), CLFI)

The following table sets forth the composition of the Controls, Risks and Related Parties Committee as at the date of this Corporate Governance Report.

DIRECTOR	DATE OF APPOINTMENT	REQUIREMENTS SATISFIED
Patrick Sun (Chair)	18 May 2023	Independent Non-Executive Director with appropriate knowledge and expertise on matters of accounting, finance, auditing and risk management(*)
Jiang Lan	19 February 2024(**)	Non-Executive Director
Stefano Domenicali	18 May 2023	Independent Non-Executive Director
Zhu Yi	19 February 2024(***)	Independent Non-Executive Director

(*) Person with appropriate knowledge and experience on matters of accounting, finance, auditing and risk management, as assessed by the Board of Directors at its meeting of 18 May 2023.

(**) Jiang Lan was co-opted by the Board of Directors on 19 February 2024 following the resignation of the non-executive director Li Xinghao.

(***) Zhu Yi was co-opted by the Board of Directors on 19 February 2024 following the resignation of the non-executive director Hua Fengmao.

The Controls, Risks and Related Parties Committee is made up entirely of Non-Executive Directors, a majority of whom are independent, and the Chair has been chosen from among those independent directors (see recommendations 35 and 7 of the Corporate Governance Code).

The characteristics of its members are such that the Controls, Risks and Related Parties Committee overall has appropriate and satisfactory expertise regarding the business sector in which the Issuer operates, which is material to assessment of the risks it faces. Further, a member of the Controls, Risks and Related Parties Committee has appropriate knowledge and experience on matters of accounting, finance, auditing and risk management (see recommendation 35 of the Corporate Governance Code).

9.3.2 Functions assigned to the Internal Controls, Risks, and Related Parties Committee, and work performed

The operation of the Controls, Risks and Related Parties Committee is governed by the Corporate Governance Code and by the Rules of the Controls, Risks and Related Parties Committee as approved by the Board of Directors on 18 May 2023.

The rules of the Controls, Risks and Related Parties Committee are available on the Company's website at *www.ferrettigroup.com*, in the section, *Corporate Governance*.

(i) *Duties regarding controls and risks*

In accordance with recommendations 33 and 35 of the Corporate Governance Code, the Controls, Risks and Related Parties Committee has the task of assisting the Board of Directors by using its investigative, proposal-making and advisory functions, in reaching evaluations and decisions relating to the internal controls and risk management system, as well as those relating to the approval of periodic financial and non-financial reports. More particularly, the Controls, Risks, and Related Parties Committee:

(a) evaluates together with the Accounts Executive, the External Auditor and the Board of Statutory Auditors, the correct application of the accounting standards, and their consistency for the purpose of the preparation of the consolidated financial statements (see recommendation 35(a) of the Corporate Governance Code);

(b) evaluates the suitability of the periodic financial and non-financial reports, as to its correct representation of the Company's business model and strategies, the impact of its operations, and the performance achieved (see recommendation 35(b) of the Corporate Governance Code), coordinating where relevant with the Sustainability Committee;

(c) reviews the periodic non-financial information as is relevant to the system of internal controls and risk management (see recommendation 35(c) of the Corporate Governance Code);

(d) express opinions on specific aspects relating to the identification of the main risks for the business (see recommendation 35(d) of the Corporate Governance Code);

(e) provides support to the Board of Directors in respect of its assessments and decisions regarding the management of risks arising from adverse events of which it has become aware (see recommendation 35(d) of the Corporate Governance Code);

(f) examines the periodic reports, and other reports of significance, from the Internal Audit function (see recommendation 35(e) of the Corporate Governance Code);

(g) monitor the autonomy, adequacy, effectiveness and efficiency of the Internal Audit function (see recommendation 35(f) of the Corporate Governance Code);

(h) may instruct the Internal Audit function to carry out reviews of specific operational areas, giving notice thereof to the Chair of the Board of Statutory Auditors (see recommendation 35(g) of the Corporate Governance Code); and

(i) reports to the Board of Directors at least twice a year, at the time of the approval of the annual and interim financial statements, regarding the work performed and the appropriateness of the system of internal controls and risk management (see recommendation 35(h) of the Corporate Governance Code).

(ii) *Duties regarding transactions with related parties.*

In terms of the composition and functioning of the Controls, Risks and Related Parties Committee in dealing with transactions with related parties, reference is made to the RPT Procedure.

The Controls, Risks and Related Parties Committee is tasked with carrying out the work regarding transactions with related parties under the RPT Procedure, with respect to both minor and major transactions. With respect to the terms of the RPT Procedure, please see the documentation on the Issuer's website at *www.ferrettigroup.com*, in the section, *Corporate Governance*.

In the course of the Reporting Period, the meetings of the Controls, Risks and Related Parties Committee were coordinated by the Committee's Chair, and were duly minuted, with the Chair of the Controls, Risks and Related Parties Committee that reported it at the first available Board of Directors' meeting..

In the course of the Reporting Period, the Remuneration Committee met four times, on 8 March 2023, 20 March 2023, 21 April 2023 and 2 August 2023. It never met to discuss transactions with related parties.

Meetings of the Controls, Risks and Related Parties Committee lasted approximately 30 minutes on average, with the members Patrick Sun, Stefano Domenicali and Li Xinghao attending all of the meetings, and Hua Fengmao, three-quarters.

In the course of the Reporting Period, the Controls, Risks and Related Parties Committee, in connection with controls and risks:

(a) reviewed the consolidated and non-consolidated financial statements as at and for the year ended 31 December 2022;

(b) advised on the appointment of the external auditor, its compensation, and reviewed its independence;

(c) reviewed the 2023–2024 Audit Plan;

(d) reviewed the interim financial statements as at and for the six months ended 30 June 2023;

(e) reviewed ISA 260, jointly with the external auditor.

The Controls, Risks and Related Parties Committee reported to the Board of Directors on the work it had performed, and the appropriateness of the IARMS, and informed the Board of Directors regarding the meetings of the Controls, Risks and Related Parties Committee, and the issues addressed therein.

In the course of the Reporting Period, the Controls, Risks and Related Parties Committee, in connection with related party transactions, performed no work.

Pursuant to recommendation 17 of the Corporate Governance Code, at least one member of the Board of Statutory Auditors has always attended the meetings of the Remuneration Committee.

More particularly, also with reference to the terms of recommendation 17 of the Corporate Governance Code, over the Reporting Period the meetings of the Controls, Risks and Related Parties Committee saw the presence of members of the Board of Statutory Auditors and, where necessary for discussion of the items on the agenda, at the Chair's invitation and with the agreement of the other attendees, the Accounts Executive, the Head of Internal Audit, and a representative from the external auditor. The attendance of the meetings by those persons with supervisory and audit duties fostered a debate and discussion of the major aspects involved in identifying business risks. The aforementioned persons participated in the meetings of the Controls, Risks and Related Parties Committee at the invitation of the Committee's Chair.

In discharging its duties, the Controls, Risks and Related Parties Committee may access such information and business functions as may be necessary for it to do so. It may also engage external advisors, upon terms agreed by the Board of Directors.

Finally, during the year ending 31 December 2024, two meetings of the Controls, Risks and Related Parties Committee have been held, on 19 February 2024 and 14 March 2023. Another meeting is anticipated before the end of the year, regarding *inter alia* the interim financial statements as at and for the six months ending 30 June 2024.

9.4 HEAD OF INTERNAL AUDIT

Matteo Scarpa, an employee of the Company, is the Head of Internal Audit, in accordance with current recommendations under article 6 of the Corporate Governance Code. The remuneration of the Head of Internal Audit is consistent with the Company's internal policies, and he has full autonomy in terms of spending in the discharge of his duties, subject to the limits in the general annual budget allocated to the Internal Audit function, subject to such amendments as may be examined and approved by the Board of Directors at any time at the proposal of the IARMS Director, with support from the Controls, Risks and Related Parties Committee and following consultation with the Board of Statutory Auditors.

The Head of Internal Audit, who does not have an area of operational responsibility and who reports directly to the Board of Directors, provides the information that the IARMS Director, the Board of Statutory Auditors and the Controls, Risks and Related Parties Committee request.

Specifically, the Head of Internal Audit:

(a) checks that the IARMS is functioning, and is appropriate;

(b) checks, both on a continuous basis and as specific needs arise, consistent with international standards, that the IARMS is operative and suitable, through the Audit Plan that he puts together and which the Board of Directors approves, following advice from the Controls, Risks and Related Parties Committee, based on a structured process of analysis and prioritisation of the major risks;

(c) prepares regular reports detailing his activities, the manner in which risk management is implemented, compliance with the plans drawn up to contain risk, and an assessment of the suitability of the IARMS;

(d) promptly prepares reports on events of particular significance;

(e) provides those reports to the Chairs of the Board of Statutory Auditors, the Controls, Risks and Related Parties Committee, and the Board of Directors, as well as the IARMS Director; and

(f) checks, as part of the Audit Plan, the reliability of the computer systems, including the accounting systems.

The Head of Internal Audit has direct access to all information useful for the performance of his duties and, where deemed necessary, also has access to documentation produced by third parties tasked with controls at the Company or subsidiaries. The Internal Audit function carries out its duties *inter alia* by carrying out spot checks on the processes governing the company's business, with its checks extending to all of the companies of the Group.

In the course of the Reporting Period, the Internal Audit function performed, and was involved in:

(a) preparation of the Audit Plan for the Reporting Period, which was submitted and approved by the Board of Directors on 20 March 2023, following review by the Controls, Risks and Related Parties Committee and by the IARMS Director, whose review followed consultation with the Board of Statutory Auditors;

(b) preparation of the Audit Plan for the year ending 31 December 2024, which was submitted to the Board of Directors at its meeting of February 2024, following review by the Controls, Risks and Related Parties Committee by the IARMS Director, whose review followed consultation with the Board of Statutory Auditors;

(c) checking that the internal controls and risk management system was functioning, suitable and in accordance with the guidelines set by the Board of Directors;

(d) scheduling and executing direct and specific control work, at the Issuer and at the major subsidiaries within the Group, in accordance with the Audit Plans, in order to identify any shortcomings in the internal controls and risk management system in the various risk areas;

(e) evaluation and checking, both on a continuous basis further to the Audit Plan, and in relation to specific needs or to meet international standards, the internal controls and risk management system for adequacy, effectiveness and practical functioning (see recommendation 36(a) of the Corporate Governance Code);

(f) checking, as part of the Audit Plan, the reliability of the computer systems, including the accounting systems (see recommendation 36(e) of the Corporate Governance Code);

(g) preparation of regular reports detailing his activities, the manner in which risk management is implemented, compliance with the plans drawn up to contain risk, and an assessment of the suitability of the IARMS, whose evaluation he oversaw (see recommendation 36(b) of the Corporate Governance Code);

(h) submission of the reports under the prior item to the IARMS Director, the Chair of the Board of Statutory Auditors, and the Chair of the Controls, Risks and Related Parties Committee (see recommendation 36(d) of the Corporate Governance Code).

9.5 THE ORGANISATIONAL MODEL, PURSUANT TO LEGISLATIVE DECREE 231/2001

9.5.1The 231 Model

At its meeting of 6 December 2022, the Board of Directors resolved to adopt, pursuant to and for the purposes of Legislative Decree 231/2001, a revised version of the 231 Model, comprising: (i) a General Section: (ii) a Special Section; and (iii) schedules, including the Code of Ethics.

The 231 Model provides for policies and measures to ensure that activities are carried out in accordance with the law, to eliminate situations of risk, and a system of prevention that mitigates the risk of offences that is consistent with the organisational structure and best practice.

The Special Section clarifies the nature of significant offences identified in the areas of risk and the ways in which they might be committed, and the specific organisational safeguards implemented to prevention their commission.

The 231 Model puts in place appropriate systems and mechanisms for penalising any conduct that breaches its terms.

The requirements set forth in the 231 Model complement those of the Code of Ethics that the Board of Directors approved on 6 December 2022. That describes the ethical duties and responsibilities in the conduct of the Company's affairs and in the business to which every employee, and all those with whom the Company comes into contact in its business, are bound in the performance of their work, in the belief that ethical conduct in business is fundamental to its success. The 231 Model and the Code of Ethics are available on the Company's website at *www.ferrettigroup.com*, in the section, *Corporate Governance*.

On 4 August 2022, the Board of Directors reappointed the Supervisory Board, which has powers to pursue initiatives and oversight that it may exercise autonomously. Under the reappointment, the Supervisory Board was charged with (i) overseeing the effectiveness of the 231 Model, which means checking the consistency between conduct in practice and the 231 Model; (iii) reviewing the 231 Model for adequacy, meaning its practical ability broadly to prevent undesirable behaviour; (iii) carrying out an analysis regarding the 231 Model's ability over time to meet the requirements that it be sound and functional; (iv) oversee the dynamic revision of the 231 Model as necessary, by making specific suggestions, where the gap analysis makes corrections and adjustments necessary; and (v) carrying out "follow-ups, to check implementation and the practical functioning of the solutions put forward.

The Board of Directors appointed, for the period ending with the approval of the interim financial statements as at and for the six months ending 30 June 2025, the Supervisory Board's existing members, Pier Paolo Beatrizotti, as Chair, and Monica Alberti and Luigi Bergamini, all three from outside the Group.

On 8 November 2023, the Supervisory Board submitted its annual report on its work in the Reporting Period, and its findings.

Over the course of the Reporting Period, the Supervisory Board met six times, on 25 January 2023, 21 February 2023, 23 March 2023, 18 April 2023, 13 June 2023 and 11 July 2023, and also carried out specific checks and monitoring as part of its annual plan of work.

9.5.2 Whistleblowing system

On 2 August 2023, the Board of Directors approved a whistleblowing procedure through which employees may report irregularities or breaches of applicable laws or regulations, or of internal procedures, in line with domestic and international best practice. It provides a specific, confidential channel that ensures the whistleblower remains anonymous.

The procedure provides information regarding that channel, how it may be used, and in what circumstances, for internal and external whistleblowing, pursuant toa article 5(1)(e) of Legislative Decree 24/2023, and the protective measures for whistleblowers, pursuant to Chapter III of Legislative Decree 24/2023. The internal whistleblowing channel the procedure sets out also gives effect to the obligation under article 6(2-*bis*) of Legislative Decree No. 231/2001.

9.6 EXTERNAL AUDITOR

Pursuant to the provisions of article 17 of Legislative Decree No. 39 of 27 January 2010, as amended by Legislative Decree 135/2016, the Shareholders' Meeting of 18 May 2023 approved an ordinary resolution that the Board of Directors had proposed, for the appointment, effective from the First Trading Day, of the audit firm EY S.p.A. as auditors for the consolidated and non-consolidated financial statements of the Group as at and for each of the financial years ending 31 December 2023–2031, and to ensure that the accounts were duly kept and the operations correctly recognised in the ledgers in the course of those financial years.

See section headed "Directors' Report — External Auditor" for details on the remuneration paid or payable to EY S.p.A. in respect of audit and non-audit services.

9.7 ACCOUNTS EXECUTIVE AND OTHER ROLES AND FUNCTIONS

Article 25 of the By-Laws provides that the Board of Directors should, following consultation with the Board of Statutory Auditors (to whose advice it is not bound) appoint the Accounts Executive, in connection with the preparation of the financial statements and the discharge of the duties under applicable laws and regulations. Candidates for the position must have suitable professional qualifications and relevant experience of at least five years in matters of accounting and finance, and such other requirements as the Board of Directors or the rules (and regulations) in force may determine. The Accounts Executive participates in those meetings of the Board of Directors that are to discuss issues in respect of which he has purview.

On 18 May 2023, the Board of Directors, in light of his significant experience in finance and his in-depth knowledge of the Company and the Group, resolved, following favourable advice from the Board of Statutory Auditors, to appoint Marco Zammarchi (an employee of the Issuer and its Chief Financial Officer) as the Accounts Executive pursuant to article 154-*bis*, CLFI, with effect from the First Trading Day.

In accordance with the laws and regulations in force, the Accounts Executive is responsible for:

(a) preparing appropriate administrative and accounting procedures, for the preparation of the consolidated and non-consolidated financial statements, as well as any other financial disclosures;

(b) providing written declarations, confirming that the documents and disclosures provided by the Company to the market, relating to the Company's accounting information, including interim information, corresponds with the underlying documents, books and accounting records;

(c) providing, together with the Chief Executive Officer, the certificates under article 154-*bis*(5), CLFI, in the form of a report prepared in accordance with CONSOB's template that is annexed to the non-consolidated financial statements, the condensed interim financial statements and the consolidated financial statements;

(d) participating in the meetings of the Company's Board of Directors where the agenda includes the examination of the Company's financial information;

(e) reporting without delay to the Chief Executive Officer and the Board of Directors, including through the Controls, Risks and Related Parties Committee, on any matters of significant importance believed, if incorrect, to merit inclusion in the certificates required by Art. 154-*bis*, CLFI; and

(f) reporting semi-annually to the Board of Directors, the Controls, Risks and Related Parties Committee and the Board of Statutory Auditors on the work performed.

At the time of the appointment, the Board of Directors granted the Accounts Executive all such powers and resources as he may require for the performance of his duties under the laws and regulations in force and the By-Laws including direct access to all of the functions and offices, and all such information as is necessary for the production and checking of accounting and financial information, without any particular authorisation.

9.8 COORDINATION BETWEEN THE PERSONS INVOLVED IN THE INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEM

The Issuer has put in place measures for coordinating the various individuals and bodies involved in the internal controls and risk management system, to ensure they effectively and efficiently coordinate and share information. In particular, as mentioned earlier:

(a) Executive Director Xu Xinyu, in his capacity as IARMS Director, periodically reports on his work to the Controls, Risks and Related Parties Committee, which, in turn, provides the Board of Directors with its own assessment of the adequacy of the internal controls and risk management system;

(b) the Head of Internal Audit, Matteo Scarpa, maintains regular information flows with the other corporate bodies and structures with supervisory or monitoring functions in respect of the internal controls and risk management system, such as the Accounts Executive, the Supervisory Board and the External Auditor, each in relation to its particular areas of responsibility;

(c) the participation of the Head of Internal Audit in the meetings of the Supervisory Board and in the meetings of the Controls, Risks and Related Parties Committee allows the Internal Audit function to maintain adequate visibility over the corporate risks the Group faces and manages, issues that have emerged and attracted the attention of the various supervisory and control bodies;

(d) the Board of Statutory Auditors maintains regular information flows with the Board of Directors and the Controls, Risks and Related Parties Committee. In particular, at least one member of the Board of Statutory Auditors should attend every meetings of the Controls, Risks and Related Parties Committee;

(e) the External Auditor participates in the meetings of the Controls, Risks and Related Parties Committee where invited to do so, in order that it may be apprised of the Committee's activities and decisions, and report on its planning, and the results, of its audit work.

10 DIRECTORS' INTERESTS AND RELATED-PARTY TRANSACTIONS

10.1 PROCEDURE FOR TRANSACTIONS WITH RELATED PARTIES

The Issuer has adopted the RPT Procedure, which governs transactions with related parties carried out, with the Company or subsidiaries, in accordance with the provisions of the RPT Regulation.

The RPT Procedure was preliminarily approved by the Board of Directors of the Issuer on 18 May 2023, and came into force as of the First Trading Day. On 19 February 2024, supported by favourable advice from the Independent Directors, the Board of Directors definitively approved the RPT Procedure.

The RPT Procedure is available on the Issuer's website at *www.ferrettigroup.com*, in the *Corporate Governance* section, to which you should refer for further information.

As at the date of this Corporate Governance Report, the Company has not adopted any specific operational solutions to facilitate the identification and management of situations in which a Director has an interest, of his own or on behalf of any third party, as it considers that the RPT Procedure and the general principles regarding Directors' responsibilities are sufficient.

With respect to the work performed by the Controls, Risks and Related Parties Committee regarding application of the RPT Procedure, please see paragraph 9.3.2 of this Corporate Governance Report.

11 BOARD OF STATUTORY AUDITORS

11.1 APPOINTMENT AND REPLACEMENT OF STATUTORY AUDITORS

Pursuant to Article 27 of the By-Laws, the Board of Statutory Auditors has three standing auditors and two alternate auditors, who were appointed by the Shareholders' Meeting on the basis of lists submitted by shareholders. The minority is entitled to elect the standing auditor who is to act as Chair of the Board of Statutory Auditors and an alternate auditor.

The Board of Statutory Auditors is appointed on the basis of lists that must be filed at the Company's registered office within the terms provided under relevant laws and regulations, in which candidates are ranked by order of preference. The list consists of two sections, one for candidates for the position of standing auditor, the other for candidates for the position of alternate auditor.

Lists containing three or more candidates must have candidates from both genders in accordance with legal requirements and/or the codes of conduct drawn up by companies managing regulated markets or by trade associations to which the Company belongs.

Only shareholders that individually or together with other shareholders hold shares with voting rights representing the percentage of the share capital required by the laws and regulation in force for the submission of lists of candidates for election to the Company's Board of Directors are entitled to submit lists. The participation threshold most recently established by CONSOB for Ferretti pursuant to Art. 144-*septies*(1) of the Issuers' Regulations, under its resolution no. 92 of 31 January 2024, is 2.5%.

This shareholding must be established by certificates that must be produced, on the day on which the lists are filed, or within such period as the laws and regulation in force regarding the Company's publication of the lists. These details are set forth in the notice calling the meeting.

The list must be accompanied by: (a) information on the identity of the shareholders who submitted them, with an indication of the total percentage of shareholding held, (b) comprehensive information regarding the personal and professional characteristics of the candidates, (c) the declarations in which the individual candidates accept their candidacy and certify, under their own responsibility, that they meet the requirements under the law and the By-Laws for the office, (d) a list any positions of administration and control each candidate holds in other companies, (e) a declaration by the shareholders other than those who hold, individually or jointly, a controlling interest or represent the single-largest shareholding, as to the absence of affiliation with the latter, as applicable laws and regulations provide; and (f) any other declaration, disclosure and/or document required by the laws and regulations in force at the time.

In the event that, when the deadline under the laws and regulations in force for the submission of lists expires, a single list has been filed or more than one list has been filed by shareholders who are connected with each other pursuant to the provisions of the laws and regulations in force, further lists of candidates may be submitted until such latter date as the laws and regulations in force may provide, in which case, the percentage of participation in the Company's share capital required for the submission of a list is halved.

The election of the statutory auditors takes place as follows: (i) two standing auditors and one alternate auditor are elected from the list that obtained the highest number of votes at the Shareholders' Meeting, on the basis of the order in which they are listed in the sections of the list; (ii) from the list that obtained the second-highest number of votes and that is not connected in any way, directly or indirectly, pursuant to the laws and regulations in force at the time, with those who submitted, or voted for, the list under (i) above, is elected, in accordance with the laws and regulations in force, the remaining standing auditor, who becomes Chair of the Board of Statutory Auditors; and the remaining alternate auditor, based on the ranking order in the sections of the list.

In the event that more than one list has obtained the same number of votes, a new ballot is held among for all those entitled to vote present at the Shareholders' Meeting, and the candidates on the list that obtains the single-largest number of votes is elected.

In the event that only one list has been submitted, the Board of Statutory Auditors shall be drawn entirely from that list, provided it receives the majorities required by law.

If, as a result of the application of this list voting mechanism, the composition of the Board of Statutory Auditors does not comply with the rules on gender balance, the Shareholders' Meeting appoints statutory auditors who do meet the requirements in place of the candidates who do not meet, drawing the replacements from the same list as those they replace.

In the event that the requirements of the law and the By-Laws are no longer satisfied, a statutory auditor ceases to hold office.

In the event that a statutory auditor is replaced, they are replaced by the alternate member from the same list, provided that they have confirmed they meet the requirements of the office, while complying with the rules in force on gender balance in the Board of Statutory Auditors, for the remainder of the term of office. If such a replacement cannot be made in a manner compliant with the regulations in force, the Shareholders' Meeting appoints a statutory auditor who meets the requirements for compliance.

In the event of the replacement of the Chair, this office shall be assumed by the statutory auditor who takes his place.

The previous rules on the election of statutory auditors by voting list do not apply to Shareholders' Meetings that must appoint standing and/or alternate auditors to make the Board of Statutory Auditors up to its full number. In such cases, the Shareholders' Meeting resolves by the majority for which the law provides, in compliance with the principle that minorities must receive representation. Procedures for replacing statutory auditors must in any event ensure compliance with the laws and regulations in force regarding gender balance, as specified above.

11.2 COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS (PURSUANT TO ARTICLE 123-*BIS*(2)(D) AND (D-*BIS*), CLFI)

As at the date of this Corporate Governance Report, the Board of Statutory Auditors in office had been appointed by resolution of the Shareholders' Meeting of 13 June 2023. Earlier in the Reporting Period, the Board of Statutory had comprised the Chair, Luigi Capitani, and Luigi Fontana and Fausto Zanon (as standing auditors) and Giulia De Martino and Veronica Tibiletti (as alternate auditors).

Since the Company was listed on Euronext Milan following the appointment of the Board of Statutory Auditors, this appointment did not take place under the voting mechanism that was included in the By-Laws on 18 June 2023 with effect from the First Trading Day.

The votes results in the following persons being elected as members of the Board of Statutory Auditors: (i) Luigi Capitani, Chair; (ii) Giuseppina Manzo, statutory auditor; (iii) Luca Nicodemi, statutory auditor; (iv) Tiziana Vallone, alternate auditor; and (v) Federica Marone, alternate auditor.

The Board of Statutory Auditors will remain in office until the date of the Shareholders' Meeting called to approve the financial statements as at and for the year ending 31 December 2025.

The following table sets forth the composition of the Board of Statutory Auditors as of the date of this Corporate Governance Report.

CHARGE	NAME AND SURNAME	PROFESSION
Chair	Luigi Capitani	Chartered Accountant and Registered Auditor
Auditor	Giuseppina Manzo	Chartered Accountant and Registered Auditor
Auditor	Luca Nicodemi	Chartered Accountant and Registered Auditor
Alternate Auditor	Tiziana Vallone	Chartered Accountant and Registered Auditor
Alternate Auditor	Federica Marone	Chartered Accountant and Registered Auditor

Please refer to Table 3 in the appendix for further detail regarding the composition of the Board of Statutory Auditors.

The following are the main professional characteristics of the members of the Board of Statutory Auditors:

— **Luigi Capitani**: a graduate in Economics and Commerce from the University of Parma, he has been a Chartered Accountant since 1993 and an Auditor since 1995. Since November 2023 he has also been a member of the Association of Business Recovery Professionals. He mainly deals with extraordinary transactions, corporate finance, business crisis, design and management of trusts and family assets, strategic, tax, corporate and financial consultancy. He has extensive experience in insolvency proceedings and corporate restructuring as well as a tax litigator. He holds positions on boards of directors and statutory auditors, and is a member of supervisory boards pursuant to Legislative Decree 231/2001, at a variety of entities and companies.

— **Giuseppina Manzo**: a graduate in Economics and Business Law in 2004 from Bocconi University in Milan, a chartered accountant since 2009. Since 2009 she has been a registered auditor. She works as a consultant on financial information and corporate finance for medium-sized and large companies and groups, including listed companies, operating mainly in the following sectors: banking, industrial, energy and luxury. She has extensive experience in: (i) the valuation of companies and shareholdings, also for the purposes of impairment testing; (ii) fairness opinions on corporate matters; (iii) advising on financial statements and the application of domestic and international accounting standards (IAS/IFRS); (iv) expert reports, both for parties to litigation and for the tribunal itself, in the context of arbitration and court proceedings concerning valuation issues; (v) advice on debt sustainability, also pursuant to article 2501 bis of the Italian Civil Code; and specialization with respect to: (i) extraordinary finance transactions, such as mergers, demergers, contributions, transformations, acquisitions, sales and reorganizations of groups, and (ii) processes for the acquisition of share packages.

— **Luca Nicodemi**: a graduate in Business Administration from Bocconi University, with a specialisation in Finance, he is a Chartered Accountant and Auditor, and a registered expert witness at the Court of Milan. An expert in corporate governance, he holds important positions in leading football and industrial companies, supervised entities and asset management firms. He has extensive experience in: (i) professional advice (on financial, accounting and tax matters) for M&A transactions, debt restructuring, company valuations for national and international institutional entities (banks, domestic and international private equity funds, sovereign wealth funds, leading investment banks, listed companies, and domestic and international law firms); (ii) valuation, fairness and accounting advice and opinions to leading industrial groups in, inter alia, the luxury, infrastructure, banking sectors; and (iii) professional work as a member of the supervisory boards pursuant to Legislative Decree 231/2001 for multinational companies and regulated entities.

— **Tiziana Vallone**: a graduate in Economics and Commerce at the State University of Bari, she is a chartered accountant, registered auditor and auditor of local authorities. Expert in auditing, corporate finance, corporate law and corporate restructuring, she holds positions on boards of directors and statutory auditors at a number of companies, including multinational and listed companies. She also currently advises as an expert to national roundtables organised by the Ministry of Industry and Made in Italy. She was a lecturer at Bocconi University in Milan until 2006 and currently holds courses at the Order of Chartered Accountants of Milan and the Bar Association of Milan, Bologna and Bergamo on topics of corporate finance, business crisis and risk management. She is a member of various commissions and working groups, such as the Crisis and Business Recovery Commission, where she is the vice-president.

— **Federica Marone**: a graduate in Economics and Business, specialising in law, at the Parthenope University of Naples, she has been a Chartered Accountant and Auditor since 2006. Until 2023 she was an adjunct lecturer for supplementary teaching activities for the Tax Law course at the Faculty of Law of the Suor Orsola Benincasa University of Naples. Currently, she works as a chartered accountant and tax litigator, drafting opinions and holding various positions as director, liquidator, auditor, and statutory auditor at various corporations.

For further information on the CVs and professional experience of the members of Ferretti's Board of Statutory Auditors, please refer to the Issuer's website at *www.ferrettigroup.com*, in the section, *Corporate Governance*.

There has been no change in the composition and structure of the Board of Statutory Auditors between the end of the Reporting Period and the date of this Corporate Governance Report.

The Board of Statutory Auditors is validly constituted where a majority of the statutory auditors is present and it resolves by a vote in favour from an absolute majority of those present.

The meetings of the Board of Statutory Auditors may also be held with the participants in multiple locations, which may be close at hand or remote, and may be connected by video or telephone conferencing, provided that the of the meeting is able to is able to establish the identity of those participating in the meeting and their entitlement to do so, to govern the conduct of the meeting, and to observe and declare the outcome of votes; the person taking the minutes is able to adequately perceive the events being minuted; and all participants are able to participate in real time in the discussions and vote simultaneously, and be able to receive and transmit documentation in real time.

The meeting is deemed held in the place stated in the notice of call, where the person taking the minutes must also be in order to enable them to be prepared and signed.

The Chair and the person taking the minutes may be in different places.

The Board of Statutory Auditors met 17 times in the course of the Reporting Period, on the following dates: 3 March 2023, 8 March 2023, 22 April 2023, 8 May 2023, 11 May 2023, 16 May 2023, 18 May 2023, 4 July 2023, 27 July 2023, 1 August 2023, 26 September 2023, 8 November 2023, 16 November 2023, 22 November 2023, 5 December 2023 and 21 December 2023. It should also be noted that of the 17 meetings, eight were meetings of the previous Board of Statutory Auditors and nine were meetings of the current Board of Statutory Auditors.

The meetings were duly minutes. The average duration of the Board of Statutory Auditors meetings was approximately 60 minutes.

In the year ending 31 December 2024, there have been two meetings of the Board of Statutory Auditors on 18 January 2024 and 7 February 2024, and another ten meetings of the Board of Statutory Auditors are currently scheduled to be held.

In the course of the Reporting Period, with respect to the previous Board of Statutory Auditors, the overall participation rate was 95%, specifically: (i) 85% for Luigi Capitani; (ii) 100% for Luigi Fontana; and (iii) 100% for Fausto Zanon. For the current Board of Statutory Auditors, the overall participation rate was 100%, specifically: (i) 100% for Luigi Capitani, (ii) 100% for Giuseppina Manzo; and (iii) 100% for Luca Nicodemi.

At its meeting of 4 July 2023, the Board of Statutory Auditors confirmed that it satisfied the requirements imposed by law and the Corporate Governance Code, in terms of professional standing, expertise, integrity and independence, and it completed its self-evaluation process, observing that it was consonant with its duties, given its suitably calibrated composition, specifically with reference to features of experience, gender composition and the age of its members. The members of the Board of Statutory Auditors also considered that they had the appropriate time and resources to devote to their duties in the Company. The outcome of these evaluations was subsequently transmitted to the Board of Directors and released to the market.

In carrying out the above evaluations, all the information made available by each member of the Board of Statutory Auditors was considered, as required by the recommendations of the Corporate Governance Code, with consideration of any circumstance that affects or could affect independence in accordance with the CLFI and the Corporate Governance Code (see recommendation 6, as referred to in recommendation 9) and all the criteria set forth in the Corporate Governance Code with respect to the independence of Directors were applied (recommendation 7, as referred to in recommendation 9).

The Board of Statutory Auditors has supervised and continues to supervise the independence of the External Auditor, verifying both its compliance with relevant regulations, and the nature and extent of the services other than accounting control that it and the other entities in its network provide to the Issuer or its subsidiaries.

The Board of Statutory Auditors has continuously maintained regular coordination with the Controls, Risks and Related Parties Committee, the Internal Audit function and the Supervisory Board. For information on the manner in which they coordinate, please see paragraph 9.8 of this Corporate Governance Report, above.

Pursuant to Legislative Decree 39/2010 (in implementation of Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC, and repealing Council Directive 84/253/EEC), the Board of Statutory Auditors is assigned the functions of an audit committee, in particular, the functions of supervising: (i) the financial reporting process; (ii) the effectiveness of internal control, internal audit, where applicable, and risk management systems; (iii) statutory audit of the annual accounts and the consolidated accounts; and (iv) the independence of the External Auditor, in particular with respect to the provision of additional services to the audited entity.

For so long as the Company's shares are admitted to trading on an Italian regulated market, the Board of Statutory Auditors also exercises its other duties and powers under the specific legislation with particular reference to the information to which it is entitled, the Directors are pursuant to Article 150, CLFI, obliged to report on a quarterly basis.

The Chair of the Board of Directors ensured that the statutory auditors have adequate knowledge of the sector in which the Issuer operates, relevant business dynamics and developments, the principles of correct risk management and the relevant regulatory framework. In particular, during the meetings of the Board of Directors during the Reporting Period, the Statutory Auditors received regular in-depth analysis of each specific sector in which the Issuer has business, in order to better understand the corporate dynamics underlying the business and the related developments that took place over the course of the year.

Statutory auditors' remuneration is set so as to be commensurate with the efforts required, the importance of the role, the size of the business, and the features of the sector in which it operates. In this regard, it should be noted that the Shareholders' Meeting of 13 June 2023 set the remuneration of the Chair of the Board of Statutory Auditors as an all-inclusive gross annual fee of Euro 40,000 and the remuneration of each of the standing auditors as an all-inclusive gross annual fee of Euro 30,000.

The Issuer has not enacted any specific obligation that statutory auditors promptly inform the other members of the Board of Statutory Auditors and the Chair of the Board of Directors as to the nature, terms, origin and extent of any interest he has, of his own or on behalf of any third party, in any transaction involving the Issuer, as it considers that such disclosure would in any event be an ethical duty of any member of a board of statutory auditors.

In accordance with the By-Laws, over the course of the Reporting Period the Chief Executive Officer has, together with the Executive Director, reported appropriately to the Board of Statutory Auditors on its work, on the general performance of the business and its anticipated future development, the most significant transactions for the business, results of operations and financial condition, and the most significant transactions in terms of size or other features by the Company and its subsidiaries, at the meetings of the Board of Directors and at least quarterly. That is particularly the case for transactions in which any Director has an interest on his own behalf or on behalf of third parties, or that are influenced by any person who directs or coordinates the Company's activities.

With regard to the provision of Article 123-*bis*(2)(d-*bis*), CLFI, on diversity policies as applied to administrative, management and control bodies, recognising the importance of diversity and inclusion to the Group's success, the Board of Directors on 18 May 2023 adopted a Group policy on diversity on boards of directors and statutory auditors, which sets out principles in pursuit of an objective of integrating management, professional and academic features, also of an international nature, while taking also into account balanced gender representation.

With reference to gender diversity in particular, Law No. 160 of 27 December 2019 amended, *inter alia*, article 148, CLFI, introducing a new test, under which at least two-fifths of the members of the Board of Statutory Auditors (rather than the third that applied previously) must be reserved to the less-represented gender for six consecutive terms of office. This new test applies from the first appointment of such boards that occurs after 1 January 2020.

CONSOB, by its resolution No. 21359 of 13 May 2020, consistent with its notice 1/2020 of 30 January 2020, amended article 114-*undecies*.1(3) of the Issuers' Regulations, such that where boards have three standing members, the calculation of the component for the less-represented gender under article 148, CLFI, is rounded down, not up.

Since the current Board of Statutory Auditors was appointed on 13 June 2023, prior to the Company's listing on Euronext Milan, the above provisions apply from the next appointment of the Board of Statutory Auditors.

Without prejudice to the above, as at the date of this Corporate Governance Report, a third of the standing statutory auditors are in any event from the less-represented gender. Accordingly, the Board of Statutory Auditors' present composition complies with the test under article 148(1-*bis*), CLFI, both in its previous and current form, and with the recommendations under article 2 of the Corporate Governance Code.

In the course of the Reporting Period, no circumstances arose that resulted in any member of the Board of Statutory Auditors having to inform the Company of any interest they held, on their own behalf or on behalf of others, in any particular transaction by the Company.

12 SHAREHOLDER RELATIONS

Shareholders are kept suitably informed of developments at the Company and the Group through the prompt and regular publication of corporate documentation on the Issuer's website at *www.ferrettigroup.com,* in the sections, *Investors* and *Corporate Governance*, and, where applicable laws and regulations so require on the Emarketstorage authorised storage mechanism (at *www.emarketstorage.it*).

The Company encourages shareholders to take an active interest in the Company. During the Reporting Period, the Company has maintained effective and transparent communication with Shareholders by disseminating high-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.

The Issuer's website allows investors to access and consult all of the Company's press releases, and, following their approval by the relevant corporate bodies, a complete set of its accounting information (which is to say, the annual financial statements, the interim financial statements, and the interim report). The main documents related to the Group's governance are also available for consultation on the Company's website.

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

On 18 May 2023, the Board of Directors resolved to appoint Margherita Sacerdoti to be Ferretti's Investor Relator & Sustainability Manager (email, *investorrelations@ferrettigroup.com*), with responsibility for relations with shareholders generally, including institutional investors, and some specific tasks regarding price-sensitive information and dealings with CONSOB and Borsa Italiana.

On 18 May 2023, the Board of Directors approved, on the proposal of the Chair and by agreement with the Chief Executive Officer, a Shareholder Engagement Policy that reflected the recommendations of the Corporate Governance Code, domestic and international best practice, and engagement policies that institutional investors and asset managers had compiled (see recommendation 3 of the Corporate Governance Code).

The Shareholder Engagement Policy lays down terms governing: (i) the purpose and scope of the policy itself; (ii) the corporate bodies and organisational structures engaging in dialogue with shareholders and other interested parties; (iii) the instruments that may be used for that dialogue, and the manner in which they are used; (iv) the topics, content and timing of dialogue with shareholders and other interested persons; and (v) the terms upon which the policy may be amended, and the persons to whom requests for establishing dialogue with the Company should be directed.

The main topics discussed at conferences and in meetings with shareholders in the Reporting Period were:

(a) operating performance, the full-year financial statements, and interim financial results;

(b) business strategy;

(c) share performance;

(d) corporate communication and transparency towards the market;

(e) the IARMS; and

(f) ESG policies.

During the Reporting Period, dialogue with the financial community (meaning, investors and analysts) was consistent over time. More particularly:

— a Capital Markets Day was held in March 2023 to present the business strategy to the financial community, with a large number of members of the financial community (including analysts and investors) participating;

— the Company participated in roadshows (remotely and in person) in Europe and Asia, to foster discussions with investors;

— the Company invited analysts and investors to events and exhibitions from June to September 2023, to show its products and discuss how the market was performing; and

— the Company participated in conferences organised by brokers.

The Shareholder Engagement Policy is available on the Issuer's website at *www.ferrettigroup.com*, in the section, *Corporate Governance*.

For so long as the shares are quoted on the Hong Kong Stock Exchange, the Company is obliged to establish and keep a shareholders' register in Hong Kong, in accordance with the laws and regulations of Hong Kong. This may be through a third-party supplier, authorised to supply transfer services in relation to shares quoted on the Hong Kong Stock Exchange (a "**Hong Kong Branch Register**"), and that is without prejudice to the legal status and prevailing significance of the main register kept pursuant to the laws of Italy.

In this regard, pursuant to article 36 of the By-Laws, the Hong Kong Branch Register may be inspected by shareholders in the Company and by Beneficial Owners (meaning the indirect beneficiaries of shares in the Company under the laws of Hong Kong), during a period of at least two hours each business day, as permitted by applicable law. The Hong Kong Branch Register may, by notice sent by any electronic means that is accepted for such purposes by the Hong Kong Stock Exchange, be closed during particular hours or for periods not exceeding 30 days per year in aggregate, as the Board of Directors may determine, generally or in relation to any particular class of shares.

13 SHAREHOLDERS' MEETINGS

13.1 CALL OF SHAREHOLDERS' MEETING

Pursuant to article 13 of the By-Laws, the ordinary Shareholders' Meeting must be called to meet at least once a year, to consider approval of the financial statements, within 120 days of the end of the financial year, or within 180 days where the Company is obliged to prepare consolidated financial statements, or where there are particular reasons for that longer period regarding the Company's structure or objects, subject always to article 154-*ter,* CLFI, and any laws and regulations in force.

Ordinary and extraordinary Shareholders' Meeting are generally held in the municipality in which the Company has its registered office, except where the Board of Directors resolves that it be held elsewhere, either in Italy or elsewhere in the European Union, the United Kingdom, a country within Greater China (the PRC, the Hong Kong Special Administrative Region, Macao or Taiwan), or the United States of America, subject always to article 14.5 of the By-Laws.

The Shareholders' Meeting is called, in accordance with the laws and regulations in force, by notice published in Italian and English on the Company's website, and publicised by the other means for which applicable laws and regulations provide. The notice contains the information required by the laws and regulations in force, which may reflect the items on the agenda.

The Board of Directors may also call a Shareholders' Meeting where shareholders representing at least 5% of share capital so request in relation to specified agenda items, and subject always to the limits set forth in the final part of article 2367 of the Civil Code. In the event of an unjustified delay in calling the meeting, the Board of Statutory Auditors may call it instead.

For so long as the shares are listed on the Hong Kong Stock Exchange, the notice calling the meeting must also be published in Chinese, at least 21 days prior to the date of the Shareholders' Meeting (or such longer period as may apply under the law), and the rules governing communications for companies with shares listed on the Hong Kong Stock Exchange apply. The notice must also be published, within the same periods, on the website of the Hong Kong Stock Exchange.

Pursuant to article 126-*bis*, CLFI, shareholders who individually or together represent at least 2.5% of the share capital may request that additional items be added to the agenda, within ten days of the agenda's publication, or within five days where the call is made pursuant to article 125-*bis*(3) or article 104(2), CLFI. Requests should set out the items for inclusion or proposed resolutions on matters already on the agenda. Shareholders requesting to add items to the agenda must provide a suitably detailed report setting out the grounds for the proposed resolutions on any new items whose discussion they are proposing, or the grounds for the further proposals for resolutions on items already on the agenda, and provide that to the Board of Directors by the deadline for submission of additional items.

13.2 PARTICIPATION IN THE SHAREHOLDERS' MEETING

The entitlement to attend and speak at the Shareholders' Meeting and the exercise of voting rights are governed by the laws in force at the time and the provisions of the By-Laws, subject always to the rules applicable to companies with shares listed on the Hong Kong Stock Exchange.

Those rules provide that all persons who are direct holders of shares under the applicable laws and regulations are entitled to exercise all their rights with respect to the relevant company in the manner provided by applicable law and the By-Laws.

All Beneficial Owners who are not direct holders of the shares may exercise all corporate rights, including the right to attend and vote at General Meetings, where no other person is entitled to do so on their own behalf, (a) collectively, through the Holder of Record registered in either the Main Register or the Hong Kong Branch Register, or a person authorised by the Holder of Record; or (b) individually, through the Holder of Record or a person appointed by the Holder of Record, or, where the Holder of Record has granted authorisation and/or a proxy, on their own behalf, to the fullest extent permitted by all applicable laws and regulations.

The exercise of corporate rights by Beneficial Owners, in the name of the Holder of Record, collectively or individually, does not result in any obligation to revise the Hong Kong Branch Register or the Main Register.

Where a holder of shares (or other financial instruments issued by the Company) is a clearing house recognised under applicable laws and regulations as a result of the shares' listing on the Hong Kong Stock Exchange, or one or more of its nominees, it may nominate one or more persons to act as proxy and participate in any ordinary or extraordinary Shareholders' Meeting of the Company (or meeting of the holders of the other financial instruments), provided that, where they nominate more than one proxy, the authorisation must specify the number of shares (or other financial instruments) to which the authorisation relates. Any person authorised in the above manner is considered duly authorised without further certification, except where applicable laws or regulations require. They are entitled to exercise the same rights and powers on behalf of the principal (whether a clearing house or a nominee) as if the proxy (or representative) were a shareholder of the Company holding that number of shares (or other financial instruments, as the case may be) as was specified in the authorisation and any certificates that the laws or regulations require.

Entitlement to exercise shareholders' rights is based upon the records as at the dates set by the Board of Directors, for:

(a) determining the shareholders entitled to receive payment of dividends, other distributions and rights, and the Beneficial Owners entitled to receive, under Hong Kong laws and regulations, payment of dividends, other distributions and rights in respect of the shares held by the Holder of Record. Specifically, with respect to Beneficial Owners, that date may be before, on, or after the date on which that payment of dividends, or other distributions or rights, is resolved upon, paid or made; and

(b) determining the shareholders entitled to receive the materials related to the Company's ordinary and/or extraordinary Shareholders' Meeting.

A shareholder who is entitled to more than one vote is not obliged to apply all of their votes the same way. Divergent voting is valid and legitimate, except as applicable laws and regulations may specify otherwise.

Where the shares of the Company are admitted to trading on a market such as the Hong Kong Stock Exchange, which distinguishes between legal ownership and beneficial ownership, shareholders' rights may by authorisation from the legal owner be exercised by beneficial owners, to the fullest extent permitted by applicable laws and regulations.

Under article 15 of the By-Laws, those entitled to vote may be represented by a proxy, in accordance with, and subject to the limits thereon imposed by, the law. The proxy must be granted in written by the principal or their authorised representative, or, where the principal is a company, by written proxy signed by an appropriate officer, representative or other duly authorised person. Where those entitled to vote act on behalf of clients, or other third parties, they may name as proxies the persons for whom they act, or one or more third parties those persons designate.

Where, as a result of the applicable laws and regulations in the place in which the Company's shares are listed, a shareholder must abstain from voting on a particular resolution, the vote by them or their proxy in breach of that requirement is not taken into consideration when determining whether the resolution has passed.

For the avoidance of doubt, the shares in question are included in the calculation of whether the meeting is quorate.

A proxy may be granted electronically, where that is consistent with applicable laws. Electronic notification to the Company of a proxy for the Shareholders' Meeting may be made by sending the document to the email address stated in the notice calling the meeting.

The Company may, for each Shareholders' Meeting, designate a person in the notice of call to whom shareholders may grant proxies and give voting instructions for all or some of the items on the agenda, within such periods and by such means as the law may provide (under article 135-*undecies*, CLFI).

To address organisational requirements during the Covid-19 pandemic, Decree Law 18/2020 (converted with amendments into Law No. 27 of 24 April 2020, and extended pursuant to article 3(1) of Decree Law No. 228 of 30 December 2021, converted with amendments into Law No. 15 of 25 February 2022), introduced temporary measures for shareholders' meetings that could apply as exceptions to the by-laws, or where the by-laws were silent. Particularly, these measures allowed: (i) shareholders' meetings to be held using telecommunications that would enable participants to be identified, allow participation, and permit voting rights to be exercised; (ii) electronic voting, or by correspondence, or through a duly appointed proxy; (iii) listed issuers to state in the notice calling the meeting that shareholders could only participate through a proxy; and (iv) meetings to be held without the chair, secretary and notary necessarily being in the same location. The Company did not make use of these provisions in that the Shareholders' Meetings held during the Reporting Period (on 18 May and 13 June 2023) were held prior to the listing of the Company's shares on Euronext Milan.

13.3 CONDUCT OF THE SHAREHOLDERS' MEETING

The Shareholders' Meeting is chaired by the Chair of the Board of Directors, or by the Deputy Chair, where appointed. If they are absent or unable to act, the Shareholders' Meeting elects a chair for the meeting by a majority vote of those present. The chair is assisted by a secretary, who does not have to be a shareholder, appointed by the Shareholders' Meeting; and one or more vote scrutineers, if the chair so wishes. Where the law so requires or the chair of the Shareholders' Meeting wishes, a notary may act as the meeting's secretary.

In determining whether a meeting is quorate, and whether resolutions have passed, the Shareholders' Meeting, in both ordinary and extraordinary session, observes the provisions of the Civil Code, except that resolutions regarding the Company's voluntary liquidation, and/or changes to the By-Laws, require the vote in favour by at least 75% of the share capital represented at the Shareholders' Meeting.

The Shareholders' Meeting, in both ordinary and extraordinary session, is called to meet on a single occasion, unless the Board of Directors states in the notice of meeting that the Shareholders' Meeting may be subject to a second call, or further calls thereafter. Where however shareholders representing at least 5% of the share capital have requested that the meeting be called, and the request stated the items on the agenda, then, subject to the limits under article 2367, final part, of the Civil Code, the Board of Directors must only permit a first call of that meeting.

The Shareholders' Meeting, in both ordinary and extraordinary session, may take place with participants in multiple locations, which may be close at hand or remote, and may be connected by video and/or telephone conferencing, provided that all participants are able to be identified, and they are able to follow the discussions, participate in the deliberations in real time regarding the meeting's activities, and participate in voting, and that all of the above is recorded in the minutes of the meeting. Where the notice of call so states, those entitled to vote may vote electronically, in the manner the notice specifies.

Pursuant to article 10 of the By-Laws, a shareholder may withdraw from the Company in those circumstances under which he is permitted to do so by mandatory law.

The right to withdraw a shareholding is not available to shareholders who did not vote in the context of the approval of resolutions regarding an extension to the Company's term, or the introduction or removal of restrictions upon the circulation of shares. The shares' liquidation value is determined under article 2437-*ter* of the Civil Code.

After deduction of at least 5% to the legal reserve for so long as it has not reached one fifth of share capital, under article 30 of the By-Laws net profits shown on the financial statements are allocated among the Shareholders in accordance with the resolutions passed by the Shareholders' Meeting.

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The Shareholders' Meeting approved the Rules of the Shareholders' Meeting on 18 May 2023 and these have been adopted as from the First Trading Day. They are available on the Company's website at *www.ferrettigroup.com*, in the sections on *Corporate Governance*. The Rules of the Shareholders' Meeting provide, inter alia, that:

(a) the chair of the Shareholders' Meeting (that is, the Chair of the Board of Directors, or a person designated by the Shareholders' Meeting, where he is absent or unable to act) may take all such measures as are considered opportune to ensure that the meeting proceeds properly and the participants are able to exercise their rights;

(b) the chair governs discussions, allowing directors, statutory auditors, general managers, CFOs, other executives, and those persons who have so requested, to speak. Those entitled to exercise voting rights are entitled to speak on each of the items under discussion and to make proposals in that regard. Directors, statutory auditors, the General Manager, the CFO, and other executives may request that they be permitted to speak, where that is considered necessary. Such a request may be brought as soon as the Shareholders' Meeting opens, and at any time before the chair declares discussion of a particular item closed. In order to ensure that the Shareholders' Meeting is carried out in an orderly fashion, the chair may establish a deadline for the submission of requests to speak, when discussion of particular items begins, or in the course of their discussion. The chair establishes how such requests may be made, how they will be effected, and the order in which they are made;

(c) before beginning voting, the chair readmits to the Shareholders' Meeting any persons who were excluded during discussions under the terms of the Rules, and checks the number of attendees and the number of votes to which they are entitled;

(d) the chair establishes an order of voting for the various resolutions under consideration, also taking into consideration whether any are alternative to one another, and may order voting on each item after the end of its discussion, or at the end of discussion of some or all of the items on the agenda.

In the course of the Reporting Period, two ordinary Shareholders' Meetings were held, on 18 May 2023 (attended by eight directors and three standing statutory auditors) and 13 June 2023 (attended by seven directors and three standing statutory auditors).

The Board of Directors reported to the Shareholders' Meeting on its past and future work, and ensured that shareholders were in a position to make informed decisions on the matters before the Shareholders' Meeting.

As at the date of those Shareholders' Meetings, the Company had not been listed on Euronext Milan. It was thus not subject to obligations to publish the reports prepared in connection with various items on the agenda, pursuant to article 125-*ter,* CLFI, as amended, and article 84-*ter* of the Issuers' Regulations. Additionally, no measures intended to counter the spread of Covid-19 were applied.

With respect to the rights of shareholders not described in this Corporate Governance Report, please refer to the applicable laws and regulations.

14 SUBSEQUENT CHANGES TO CORPORATE GOVERNANCE PRACTICES

On 2 August 2023, the Board of Directors approved a whistleblowing procedure through which employees may report irregularities or breaches of applicable laws or regulations, or of internal procedures. For information regarding the Company's whistleblowing system, please see paragraph 9.5.2 of this Corporate Governance Report.

Otherwise, as at the date of this Corporate Governance Report, no further corporate governance practices have been applied by the Issuer beyond its obligations under the laws and regulations in force.

15 CHANGES SINCE THE END OF THE FINANCIAL YEAR

No changes have been made since the end of the Reporting Period, other than the establishment of the Strategic Committee.

16 COMMENTS REGARDING THE LETTER DATED 14 DECEMBER 2023 FROM THE CHAIR OF THE CORPORATE GOVERNANCE COMMITTEE

In the course of its meeting of 19 February 2024, the Board of Directors' attention was brought to a letter from the Chair of the Corporate Governance Committee that had previously been brought to the attention of the Board of Statutory Auditors, with respect to matters within its purview. The letter had been sent to Chair of the Board of Directors, the Chief Executive Officer and the Chair of the Board of Statutory Auditors on 14 December 2023.

It provided certain general indications regarding the application of the Corporate Governance Code that had emerged as a result of monitoring activities, and some recommendations regarding the manner in which the Code was applied, in the following areas: (i) the Business Plan; (ii) the supply of information to Directors prior to meetings of the Board of Directors; (iii) approaches to the ideal composition of the Board of Directors; and (iv) shares with additional voting rights.

The Issuer's observations below take into consideration the fact that Ferretti has been listed on Euronext Milan only since June 2023.

17 CHANGE IN CONSTITUTIONAL DOCUMENTS

The Company has adopted certain corporate governance policies that are required for Italian listed companies and made certain changes to its By-laws in order to comply mainly with the Italian Consolidated Financial Act and other applicable Italian laws and regulations for listed companies.

The resolution in relation to the adoption of the new By-laws was considered and approved by the Shareholders at the extraordinary general meeting held on May 18, 2023 and the amended By-laws were effective from June 27, 2023 upon the first trading date on Euronext Milan. The new By-laws are available on the websites of the Hong Kong Stock Exchange and the Company.

Business Plan

In accordance with recommendation 1 of the Corporate Governance Code, the Board of Directors examines and approves the business plan for the Company and the Group, also on the basis of analysing matters relevant to value generation over the long term with support from the relevant Committee. It also regularly monitors the business plan's implementation and assesses operating performance generally, regularly comparing results with forecasts.

The Rules of the Sustainability Committee provide that the Committee support the Board of Directors in its analysis of matters relevant to value generation over the long term.

Supply of information to Directors prior to meetings of the Board of Directors

The Board of Directors approved the Rules of the Board of Directors, and the Rules of the individual Committees, on 20 March and 18 May 2023, respectively (and those of the Strategic Committee on 19 February 2024)., and they are available on the Company's website at *www.ferrettigroup.com* in the section, *Corporate Governance.* They provide for deadlines by which documentation must be provided to members of the Board of Directors. More particularly, the Rules of the Board of Directors provided that meetings are called by the Chair, and documentation provided at least three days prior to the meeting, unless there are specific circumstances that prevent that. For further information regarding the Rules of the Board of Directors, please see paragraph 4.4.1 of this Corporate Governance Report, above.

Approaches to the ideal composition of the Board of Directors

Regarding the Board of Directors being invited to state a position regarding the Board's ideal composition, the outgoing Board of Directors made no statement regarding the size and composition of the Board of Directors prior to the Shareholders' Meeting of 18 May 2023 that would *inter alia* consider its reappointment, since the Company was subsequently to list on Euronext Milan (in June 2023).

The Rules of the Board of Directors and those of the Nomination Committee provide for the respective bodies to state a position regarding the optimal composition in terms of numbers and qualification shortly before the Board of Directors comes up for reappointment. In doing so, they must take account of the size, composition and functioning of the Board of Directors and of its Committees.

Shares with additional voting rights

Pursuant to article 127-*quinquies*(1), CLFI, the by-laws of listed companies may provide for shares with additional voting rights. As at the date of this Corporate Governance Report, the By-Laws do not provide for shares with additional voting rights. Should the Board of Directors propose the introduction of such shares to the Shareholders' Meeting, in accordance with recommendation 2 of the Corporate Governance Code it should set forth, in its report to the meeting, appropriate justification regarding the purpose of that decision, the expected effects upon the shareholder structure and control of the Company and on its future strategies, and account for the process under which the decision was reached and any contrary views expressed at the Board of Directors.

The recommendations were also brought before the Board of Statutory Auditors, with respect to the matters within its purview.

****

Milan, 14 March 2024
Ferretti S.p.A.

on behalf of Board of Directors

Alberto Galassi
(Chief Executive Officer)

TABLES

TABLE 1 — COMPOSITION OF THE BOARD OF DIRECTORS AS AT THE END OF THE Reporting Period

Board of Directors													
Position	Member	Year of birth	Date of first appointment (*)	In office since	In office until	List (in which submitted) (**)	List (M/m) (***)	Executive	Non-executive	Independent per Code	Independent per CLFI	Other appts (****)	Participation rate (*****)
Chairman	**Tan Xuguang**	1961	6 July 2012	18 May 2023	Shareholders' Meeting approving full-year accounts 2025	N/A	N/A		x			8	7/8
Chief Executive Officer	**Alberto Galassi**	1964	23 October 2013	18 May 2023	Shareholders' Meeting approving full-year accounts 2025	N/A	N/A	x				4	8/8
Executive Director	**Xu Xinyu**	1963	6 July 2012	18 May 2023	Shareholders' Meeting approving full-year accounts 2025	N/A	N/A	x				3	8/8
Director and Honorary Chair	**Piero Ferrari**	1945	1 June 2017	18 May 2023	Shareholders' Meeting approving full-year accounts 2025	N/A	N/A		x			4	8/8
Director	**Li Xinghao**[3]	1985	6 March 2020	18 May 2023	Shareholders' Meeting to approve 2025 accounts	N/A	N/A		x			7	8/8
Director	**Hua Fengmao**[4]	1968	21 December 2021	18 May 2023	Shareholders' Meeting to approve 2025 accounts	N/A	N/A		x	x	x	—	8/8
Director	**Stefano Domenicali**	1965	21 December 2021	18 May 2023	Shareholders' Meeting to approve 2025 accounts	N/A	N/A		x	x	x	2	8/8
Director	**Patrick Sun**	1958	21 December 2021	18 May 2023	Shareholders' Meeting to approve 2025 accounts	N/A	N/A		x	x	x	2	8/8
Director	**Lan Jiang**	1967	18 May 2023	18 May 2023	Shareholders' Meeting to approve 2025 accounts	N/A	N/A		x			1	4/4
DIRECTORS WHO LEFT OFFICE DURING THE Reporting Period													
–	–	–	–	–	–	–	–	–	–	–	–	–	–

Number of meetings held during the Reporting Period: eight
Shareholding required to submit a list for the election of one or more members (pursuant to article 147-*bis*, CLFI): 2.5%

Notes:

The following systems are in the column, "Position":

- • indicates the Director in charge of the internal controls and risk management system.
- ° indicates the Lead Independent Director.
- (*) Each Director's date of first appointment is the first occasion on which they were ever appointed to the Issuer's Board of Directors.
- (**) This column indicates whether the Director appeared on a list submitted by shareholders or by the Board of Directors.
- (***) This column shows whether the list from which the director was drawn was from a majority group of shareholders (indicated by "**M**"), or a minority group (indicated by "**m**").
- (****) This column shows the number of positions the director holds as a director or statutory auditor in other listed, or materially large, companies. The main Repot sets forth full details of the positions held.
- (*****) This column shows the participation rate by directors in meetings of the Board of Directors (the number of meetings attended, and the total number of meetings they could have attended, e.g., 6/8; 8/8 and so forth).

[3] The director Li Xinghao resigned with effect from 19 February 2024, and on that date Zhang Quan was co-opted to the Board of Directors to replace Li Xinghao.

[4] The director Hua Fengmao resigned with effect from 19 February 2024, and on that date Zhu Yi was co-opted to the Board of Directors to replace Hua Fengmao.

TABLE 2 — COMPOSITION OF THE COMMITTEES, AS AT THE END OF THE Reporting Period

Board of Directors Position and classification	Member	Executive Committee (*)	Executive Committee (**)	Controls, Risks and Related Parties Committee (*)	Controls, Risks and Related Parties Committee (**)	Remuneration Committee (*)	Remuneration Committee (**)	Nomination Committee (*)	Nomination Committee (**)	Sustainability Committee (*)	Sustainability Committee (**)
Chairman of the Board of Directors — non-executive — not independent	Tan Xuguang	N/A	N/A					0/2	P	0/1	P
Chief Executive Officer — executive — not independent	Alberto Galassi	N/A	N/A					2/2	M	1/1	M
Executive Director — executive — not independent	Xu Xinyu	N/A	N/A			2/2	M			1/1	M
Director and Honorary Chairman of the Board of Directors — non-executive — not independent	Piero Ferrari	N/A	N/A			2/2	M			1/1	M
Director — non-executive — not independent	Li Xinghao	N/A	N/A	4/4	M					0/1	M
Director — non-executive — independent for purposes of CLFI and Corporate Governance Code	Hua Fengmao	N/A	N/A	3/4	M	1/2	M	2/2	M	1/1	M
Director — non-executive — independent for purposes of CLFI and Corporate Governance Code	Stefano Domenicali	N/A	N/A	4/4	M	2/2	P	2/2	M		
Director — non-executive — independent for purposes of CLFI and Corporate Governance Code	Patrick Sun	N/A	N/A	4/4	P	2/2	M	2/2	M		
Director — non-executive — not independent	Lan Jiang	N/A	N/A							0/1	M
—	—	—	—	—	—	—	—	—	—	—	—
Meetings held during the Reporting Period		N/A		4		2		2		1	

TABLE 3 — COMPOSITION OF THE BOARD OF STATUTORY AUDITORS AS AT THE END OF THE Reporting Period

Board of Statutory Auditors

Position	Member	Year of birth	Date of first appointment (*)	In office since	In office until	List (M/m) (**)	Independent (for purposes of the Corporate Governance Code)	Participation rate at meetings of the Board of Statutory Auditors (***)	Number of other positions (****)
Chair	Luigi Capitani	1965	3 July 2012	13 June 2023	Shareholders' Meeting to approve 2025 accounts	N/A	x	9/9	12
Statutory Auditor (standing)	Giuseppina Manzo	1981	13 June 2023	13 June 2023	Shareholders' Meeting to approve 2025 accounts	N/A	x	5/9	3
Statutory Auditor (standing)	Luca Nicodemi	1973	13 June 2023	13 June 2023	Shareholders' Meeting to approve 2025 accounts	N/A	x	5/9	44
Statutory Auditor (alternate)	Tiziana Vallone	1969	13 June 2023	13 June 2023	Shareholders' Meeting to approve 2025 accounts	N/A	x	—	13
Statutory Auditor (alternate)	Federica Marone	1975	13 June 2023	13 June 2023	Shareholders' Meeting to approve 2025 accounts	N/A	x	—	1
			STATUTORY AUDITORS WHOSE TERM OF OFFICE ENDED DURING THE Reporting Period						
Statutory Auditor (standing)	Luigi Fontana	1966	28 May 2014	16 March 2020	Shareholders' Meeting that approved 2022 accounts	N/A	N/A	7/8	7
Statutory Auditor (standing)	Fausto Zanon	1958	3 July 2012	16 March 2020	Shareholders' Meeting that approved 2022 accounts	N/A	N/A	7/8	12
Statutory Auditor (alternate)	Giulia De Martino	1978	25 July 2014	16 March 2020	Shareholders' Meeting that approved 2022 accounts	N/A	N/A	—	14
Statutory Auditor (alternate)	Veronica Tibiletti	1978	16 March 2020	16 March 2020	Shareholders' Meeting that approved 2022 accounts	N/A	N/A	—	12

Number of meetings held during the Reporting Period: 17
Shareholding required to submit a list for the election of one or more members (pursuant to article 148, CLFI): 2.5%

Notes:

(*) Each Statutory Auditor's date of first appointment is the first occasion on which they were ever appointed to the Issuer's Board of Statutory Auditors.

(**) This column shows whether the list from which the Statutory Auditor was drawn was from a majority group of shareholders (indicated by "**M**"), or a minority group (indicated by "**m**").

(***) This column shows the participation rate in meetings of the Board of Statutory Auditors (the number of meetings attended, and the total number of meetings they could have attended, e.g., 6/8; 8/8 and so forth).

(****) This column shows the number of positions the statutory auditor holds as a director or statutory auditor for the purposes of article 148-*bis*, CLFI, and the implementing provisions contained in the Issuers' Regulations. The full list of appointments is published by CONSOB online, pursuant to article 144-*quinquiesdecies* of the Issuers' Regulations.

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, 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 145 to 146.

On June 5, 2023, the Company paid the final dividend of €19,903 thousand in aggregate to the owners of the Company in respect of the financial year ended December 31, 2022.

The Board has recommended the payment of a final dividend of €32,833 thousand (€0.097 per Share) (the "**Proposed Final Dividend**") (2022: €0.0588 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 26, 2024. The Proposed Final Dividend shall be made in Euro to the Shareholders, 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 Monday, April 22, 2024.

CLOSURE OF THE REGISTER OF MEMBERS

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

Those with voting rights have a right to attend the AGM. In accordance with law and the By-Laws, those who, based on the communication sent to the Company from an intermediary in accordance with applicable legislation and in accordance with the accounting records at the end of the 7th trading day before the date set for the AGM (i.e. Thursday, April 11, 2024), have the right to attend and vote at the AGM. Transfers to and from the relevant accounts subsequent to this date do not affect the right to vote at the AGM. The communication of the intermediary must be received by the Company by the end of the third business day before the date fixed for the AGM (i.e. by Wednesday, April 17, 2024).

Please refer to the section headed "Guidance for the Annual General Meeting" in the circular of the Company dated March 28, 2024 for details of the actions to be taken by Shareholders in this respect.

No book closure will be required for the determination of Shareholders eligible to vote at the AGM.

To qualify for the payment of the Proposed Final Dividend

No book closure will be required for the determination of Shareholders entitled to the payment of the final dividend. The final dividend will be paid to Shareholders recorded on the Company's registers of members on Tuesday, June 25, 2024. Please note that the ex-entitlement date will be Monday, June 24, 2024.

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 Hong Kong 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 as of the date of this directors' report are:

Executive Directors

Mr. Alberto Galassi *(Chief Executive Officer)*
Mr. Xu Xinyu (徐新玉)

Non-executive Directors

Mr. Tan Xuguang (譚旭光) *(Chairman)*
Mr. Piero Ferrari *(Honorary Chairman)*
Ms. Jiang Lan (Lansi) (蔣嵐)
Mr. Zhang Quan (張泉)

Independent Non-executive Directors

Mr. Stefano Domenicali
Mr. Patrick Sun (辛定華)
Ms. Zhu Yi (朱奕)

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 as disclosed in this report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

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, 2023, the Company's reserves available for distribution to the Shareholders in accordance with the By-laws amounted to €37.6 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, 2023 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.

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

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Reporting 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 Hong Kong 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 Reporting 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 Reporting 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.

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 29 to 113 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

According to the information disclosed publicly and as far as the Directors are aware, upon the Hong Kong 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 Reporting Period, the charitable donations made by the Group amounted to €1,176 thousand (2022: €358 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 Reporting Period is set out in Note 48 to the Consolidated Financial Statements. For the year ended December 31, 2023, 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 Reporting 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 Reporting 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
€300,001–€900,000	7
0–€300,000	3

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Save for Mr. Zhang Quan and Ms. Zhu Yi, each of the Directors has been appointed for a term of three years (subject to termination in certain circumstances as stipulated in the relevant letters of appointment) from May 18, 2023 and will remain in force until the Company's Annual General Meeting called to approve its financial statements for the financial year ending December 31, 2025. 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.

Mr. Zhang Quan and Ms. Zhu Yi were appointed as a non-executive Director and an independent non-executive Director of the Company, respectively, with effect from February 19, 2024 for an initial term until the date of the Company's Annual General Meeting to approve the financial statements of the Company for the Reporting Period. Their appointments will be subject to re-election by the Shareholders at the AGM.

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 Reporting 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, 2023, 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 Hong Kong 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 Hong Kong Stock Exchange were as follows:

Name of Director	Capacity/Nature of Interest	Number of Shares(2)	Approximate Percentage of Shareholding
Mr. Piero Ferrari	Interest in a controlled corporation(1)	15,441,768 (L)	4.56% (L)

Notes:

(1) KHEOPE SA directly holds 15,441,768 Shares. KHEOPE SA is wholly-owned by Mr. Piero Ferrari. Mr. Piero Ferrari is deemed to be interested in the Shares held by KHEOPE SA for the purpose of Part XV of the SFO.

(2) The letter "L" denotes a long position or voting rights connected to the Shares.

Save as disclosed above, as at December 31, 2023, 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 Hong Kong 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 Hong Kong 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, 2023, 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 Hong Kong 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 Shareholders	Capacity/Nature of Interest	Number of Shares[1]	Approximate Percentage of Shareholding
SHIG	Interest in a controlled corporation[2]	127,070,120 (L)	37.54% (L)
Weichai Group	Interest in a controlled corporation[2]	127,070,120 (L)	37.54% (L)
Weichai Holding (HK)	Interest in a controlled corporation[2]	127,070,120 (L)	37.54% (L)
FIH	Beneficial owner	127,070,120 (L)	37.54% (L)
Valea Foundation	Interest in a controlled corporation[3]	33,872,900 (L)	10.01% (L)
Komarek Karel	Beneficial owner[3]	33,872,900 (L)	10.01% (L)

Notes:

(1) (L) — Long Position.

(2) FIH directly holds 127,070,120 Shares arising from the over-allotment option granted to the stabilization manager of the Italian Listing. FIH is wholly owned by Weichai Holding (HK). Weichai Holding (HK) is wholly owned by Weichai Group, which is a wholly-owned subsidiary of SHIG. SHIG is owned by Shandong SASAC, 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.

(3) Flipnation Limited holds 33,872,900 Shares. Flipnation Limited is wholly owned by Valea Group AG, which is in turn wholly owned by Valea Foundation. Komarek Karel is the founder/sole beneficiary of the Valea Foundation, which is a foundation under Liechtenstein law and no individual owns shares.

Save as disclosed herein, the Directors are not aware of any person who, as at December 31, 2023, has an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Hong Kong 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.

TERMINATION OF SHARE OPTION SCHEME

The Company adopted a generic Share Option Scheme on May 25, 2022 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 scheme participants and to promote the long-term financial success of the Group by aligning the interests of holders of the share options to Shareholders.

On May 18, 2023, the Company's Shareholders' Meeting approved a resolution to revoke the Share Option Scheme, effective as of the first trading date on Euronext Milan. As a result, the Share Option Scheme has been terminated on June 27, 2023, being the first trading date on Euronext Milan.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during the Reporting 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 Hong Kong 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 Reporting 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 2023 Interim Report is set out below:

- Mr. Tan Xuguang was appointed as the chairman of the Strategic Committee with effect from February 19, 2024.

- Mr. Xu Xinyu ceased to be a director of Weichai Power Co., Ltd. in June 2023.

- Ms. Jiang Lan (Lansi) was appointed as a non-executive Director and a member of each of the Audit Committee and the Environmental, Social and Governance Committee with effect from February 19, 2024.

- Each of Mr. Alberto Galassi, Mr. Piero Ferrari, Mr. Xu Xinyu and Mr. Patrick Sun was appointed as a member of the Strategic Committee with effect from February 19, 2024.

- Mr. Li Xinghao resigned as a non-executive Director and a member of the Audit Committee and the secretary of the Board with effect from February 19, 2024.

- Mr. Hua Fengmao resigned as an independent non-executive Director and a member of each of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Environmental, Social and Governance Committee with effect from February 19, 2024.

Save as disclosed above and expressly indicated in this annual report, since the publication of the Company's 2023 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 Reporting 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.

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 Reporting 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 Reporting 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 NET PROCEEDS FROM THE HONG KONG LISTING

The Group received net proceeds (after deduction of underwriting commissions and related costs and expenses) from the Hong Kong Listing 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 Hong Kong Prospectus.

Since the Listing Date and up to December 31, 2023, the Group has been gradually utilizing the net proceeds from the Hong Kong Listing according to the manner and proportions disclosed in the Hong Kong Prospectus. For details, please refer to the table below:

	Net amount available upon Hong Kong Listing *(HKD million)*	Net amount utilized as of December 31, 2023 *(HKD million)**	Unutilized net amount as of December 31, 2023 *(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**	**1,049.7**	**217.0**	**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	543.1	(114.6)	—
— Development of new flagship models of super yachts under Riva, Wally, Pershing, and Custom Line brands	465.8	126.3	339.4	—
— 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	380.3	(7.8)	—
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, 2025**
— 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**	**7.0**	**142.0**	**N/A**
Total	1,862.9	1,056.7	806.1	—

* using EURO/HKD exchange rate as at December 31, 2023

EXTERNAL AUDITOR

At the annual general meeting of the Company on May 18, 2023, it was resolved that EY S.p.A. be appointed as an independent auditor of the Company upon the expiration of its current term of office.

Upon completion and in connection with the Italian Listing, as the Company will be qualified as a "Public Interest Entity" pursuant to Article 16 of Legislative Decree No. 39/2010 as amended and as supplemented, the Company is required to appoint its independent auditor for a term of nine financial years.

The Board acknowledged the reasoned proposal of the Board of Statutory Auditors and the re-appointment of the Company's existing independent auditor, EY S.p.A., for a term of nine financial years was considered and approved by the Shareholders at the annual general meeting on May 18, 2023. The term of such appointment shall expire on the date of the Shareholders' general meeting to approve the financial statements for the year ending December 31, 2031.

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

Service Category	**Fees Paid/ Payable** *(EUR'000)*
Audit related services	465
Non-audit related services	1,000
Total	1,465

The audit and audit-related services conducted by the External Auditor mainly comprised statutory audits and reviews for the Group and certain of its subsidiaries. The non-audit services conducted by the External Auditor mainly included due diligence services, gap assessment service for the ESG report and dual listing work.

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 Hong Kong 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 nine 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 14, 2024

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 63, obtained a doctorate degree in engineering from Tianjin University and is a senior engineer. He 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 and the secretary of the Party Committee 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 of Weichai Power Co., Ltd., a company listed on the Hong Kong Stock Exchange and the Shenzhen Stock Exchange, since December 2002. He is currently the chairman of Shaanxi Heavy Duty Automobile Co., Ltd. and the director of the National Key Laboratory of Internal Combustion Engine and Power System.

Mr. Tan joined Weifang Diesel Engine Factory ("**WDE Factory**") in 1977 as a tester, business manager and a general manager of Weichai Import and Export Co., Ltd.. He was the director of WDE Factory in 1998, chairman of Torch Automobile Group Co.,Ltd. in 2005 and chairman of Shandong Juli Co., Ltd. in 2007.

Mr. Tan has over 40 years of extensive technical innovation and engineering management experience in the global equipment manufacturing industry. As a leading person in the industry with significant domestic and foreign impact, 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, the committee member of the 14th National Committee of the Chinese People's Political Consultative Conference and a committee member of the Population, Resources and Environment Committee. Mr. Tan was awarded the National Model Worker twice in 2005 and 2020, and the National Excellent Communist Party Member in the centenary founding of the Party in June 2021. He was awarded various honors including the First Class National Science Technology Advance Award as the first author in December 2018; the Qilu Outstanding Talent Award in April 2019 and enjoyed the special government allowance from the State Council in January 2019; the National Innovation Award in May 2020; 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 and the title of "National Outstanding Engineer" by the Central Committee of the Communist Party and the State Council of the PRC in January 2024.

Executive Directors

Mr. Alberto Galassi, aged 59, graduated in Law from the University of Modena in 1990 and admitted to the Italian Bar Association in 1996, he began his career as a lawyer, specializing in administrative law and international arbitration. He is the Chief Executive Officer and executive Director of the Company. He was appointed to the Board on October 23, 2013 and became the Chief Executive Officer of the Company on May 23, 2014. Mr. Galassi was recently re-appointed as Chief Executive Officer of the Company 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. In addition to his legal experience, he has over 20 years' corporate and commercial experience and has been a board member in several well-known companies, including Novico S.p.A., an Italian medical device company between 1995 and 1997, and Piaggio Aero Industries S.p.A. ("**Piaggio Aerospace**"), a major industry player in business aviation, defence and security. There, in 2000 he became a member of the Board of Directors and a member of the Executive Committee as well as head of sales and marketing, playing a crucial role in Piaggio Aerospace's revival and its subsequent international success, becoming its Chief Executive Officer in 2009. He has also been a member of the board of directors of Manchester City Football Club since June 2012 and of Palermo Football Club S.p.A. since July 2022.

Mr. Xu Xinyu, aged 60, is a graduate in mathematics from Liaocheng University in the PRC in July 1986, with an executive MBA degree from the National University of Singapore in June 2006 and a senior economist since November 2001, is an executive Director of the Company. 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 Ferretti Group. He began his career at Weifang Diesel Engine Factory from July 1986 to January 1997 as Head of Human Resources and Operations. He was then Deputy General Manager of Shandong Weichai Import and Export Co. Ltd. from January 1997 to July 1998, Deputy General Manager and Deputy Executive General Manager of Weifang Diesel Engine Factory from July 1999 to July 2004, a Director of Torch Automobile Group Co. Ltd from December 2005 to April 2007, 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 Chairman of Weichai America Corp. from May 2009 to July 2012. He was also the executive director of Weichai Power Co. Ltd, a company listed on both the Hong Kong Stock Exchange (stock code: 02338) and the Shenzhen Stock Exchange (stock code: 000338) from December 2002 to June 2023. He has also served as Vice Chairman and Deputy General Manager of Weichai Group since September 2020, Director of Weichai Power (Hong Kong) International Development Co. Ltd. since December 2011, Chairman of Weichai Power (Luxembourg) Holding S.à r.l. since November 2012 and Chairman of FIH since April 2020.

Non-executive Directors

Mr. Piero Ferrari, aged 78, is the Honorary Chairman of the Board and non-executive Director of the Company. He was appointed to the Board on 16 June 2016 and is responsible for the high level oversight of the Board and the management and operations of the Group. He is Vice President and Non-Executive Director of Ferrari N.V. (a company listed on the New York Stock Exchange and Borsa Italiana, under ticker symbols RACE and RACE.MI respectively) and since 1988 he has been Vice President of Ferrari S.p.A., whose brand is one of the most important luxury brands in the world in the design, production and sale of high-performance luxury sports cars that also participate in Formula 1. His first role at Ferrari was in 1965, when he worked on the production of the Dino 206 Competizione race car. From 1970 to 1988 he held various managerial positions in the motorsport division of Ferrari, with increasing responsibilities. He was also responsible for managing Ferrari's relationships with suppliers, sponsors and Fédération Internationale de l'Automobile (the International Automobile Federation). He founded High Performance Engineering (HPE-COXA) in 1998 and has served as Chairman of the company ever since. From 1999 to 2014 he was Chairman of Piaggio Aerospace and from 1998 to 2001 he was president of the Italian Automobile Sports Commission. From 2002 to 2011 and from 2011 to 2014 he was also a director and deputy chairman of BPER Banca S.p.A., a bank listed on the Milan stock exchange. He received academic awards such as the honorary degree in Aerospace Engineering conferred by the University of Naples Federico II in September 2004 and the honorary degree in Mechanical Engineering conferred by the University of Modena and Reggio Emilia in November 2005. In October 2004, he also received the title of Cavaliere del Lavoro from the President of the Italian Republic, Carlo Azeglio Ciampi.

Ms. Jiang Lan (Lansi), aged 56, obtained her EMBA at Oxford University in 2015 and a bachelor's degree in education from Beijing Normal University in 1989. She was appointed as the non-executive Director on May 18, 2023. Ms Jiang has extensive experience in various fields such as company establishment and restructuring, mergers and acquisitions and joint venture negotiation and integration, sales and marketing, strategy and business development, brand development, corporate communications as well as government relations. In particular, Ms. Jiang has extensive experience in the Chinese construction equipment and automobile industry and rich knowledge of general business culture and economic climate in China and Asia markets.

Ms. Jiang was the executive dean of the Design School of Shanghai Institute of Visual Arts and the group vice president and executive board director of DeTao Group from 2016 to 2021, the senior advisor to the chairman and European affairs of Shandong Linyi Construction Group from 2014 to 2015, the managing director of KJE International Holding Ltd. from 2014 to 2015 and the senior vice president of sales and marketing of Dooran Infracore China Co., Ltd. from 2012 to 2013. In addition, Ms. Jiang has served various management roles in Volvo Group China and Volvo Construction Equipment, including the chief representative of Volvo Construction Equipment Shanghai Representative Office from 1999 to 2002, the director of marketing communications and brand management of Volvo Construction Equipment Region Asia from 2002 to 2005, the vice president of corporate communications and brand of Volvo Group China from 2005 to 2012 and the chairman of Volvo Construction Equipment (China) Co., Ltd. from 2010 to 2012.

Mr. Zhang Quan, aged 60, is a senior economist and holds the bachelor's degree in engineering from Shandong Polytechnical University and master's degree in business administration from Fudan University. He was appointed as a non-executive Director on February 19, 2024. Mr. Zhang is the vice chairman of Weichai Power Co., Ltd., a company listed on the Hong Kong Stock Exchange (stock code: 02338) and the Shenzhen Stock Exchange (stock code: 000338). Mr. Zhang joined WDE Factory in July 1986 and had successively served as the deputy secretary of Party Branch of the Engine Research Institute, the chief quality officer and director of the quality department, the procurement department and the marketing department, assistant factory director, deputy factory director, chief marketing officer, executive president and executive chief executive officer of WDE Factory. From July 2015 to present, Mr. Zhang served as the director of Weichai Heavy Machinery Co., Ltd, a company listed on the Shenzhen Stock Exchange (stock code: 000880). From December 2014 to present, Mr. Zhang served as the director of Beiqi Foton Motor Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600166). From August 2019 to present, Mr. Zhang served as the director of Weichai Lovol Smart Agriculture Technology Co., Ltd. Mr. Zhang had successively served as a director of Weichai Group, a director of XCMG Construction Machinery Co., Ltd. and a director of Shantui Construction Machinery Co., Ltd. and was selected as the "Leading Talent of Taishan Industry".

Independent non-executive Directors

Mr. Stefano Domenicali, aged 58, is a graduate in Economics and Commerce from the University of Bologna, with over 30 years of experience in the automotive industry, luxury brands and in organization promotion. Mr Domenicali was appointed as an independent non-executive Director on 21 December 2021. He is responsible for giving strategic advice and guidance on the business and operations of the Group and ensuring that the interests of all shareholders, in particular minority shareholders, are taken into consideration. He began his professional career in 1991 with Ferrari, where he held various positions, including Head of Direzione Sportiva F1 from 2004 and Team Principal for the Formula 1 team from 2008, where he won a total of 14 titles in the F1 Constructors' and Drivers' Championships. From 2009 to 2014, he represented Ferrari on the FIA World Motor Sport Council. In November 2014, he became Vice President of New Business Initiatives at AUDI AG, a leading premium car manufacturer, and in March 2016 he became CEO of Automobili Lamborghini, a leading manufacturer of sports supercars. He stepped down as President of the FIA Single Seater Commission in 2020 and in January 2021 became President and Chief Executive Officer of Formula 1. In his career in the car industry, he has been successful in both motorsport and commercial roles.

Mr. Patrick Sun, aged 65, graduated from the Wharton School of the University of Pennsylvania in the United States of America, 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 of America, 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. He was 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 given due consideration.

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 Hong Kong 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 Hong Kong 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 Hong Kong Stock Exchange from 2000 to 2002 and a council member of the Hong Kong Stock Exchange from 1995 to 2000.

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.

Ms. Zhu Yi, aged 47, received a bachelor's degree in economics from Shanghai University of Finance and Economics and, in 2001, a master's degree in finance from the same university. She was appointed as an independent non-executive Director of the Company on February 19, 2024. In 1998, Ms Zhu has over 20 years of experience in the investment banking industry, having joined the Morgan Stanley Group in 2002 and worked there until February 2020, where she lastly held the position of managing director, focusing on the automotive, industrial and infrastructure sectors. Since 2020, she has served as partner in Shanghai Huasheng Youge Equity Investment Management Co., Ltd, a subsidiary of China Renaissance Holdings Limited, a company listed on the Hong Kong Stock Exchange, demonstrating professional and leadership skills in managing different projects and transactions.

Secretary Of The Board

Mr. Ma Jun, aged 38, obtained a bachelor's degree in finance from Shandong University of Finance and Economics in June 2008 and a master's degree in finance from Southwestern University of Finance and Economics in June 2011. He was appointed as the Secretary of the Board on February 19, 2024. Mr. Ma joined Weichai Power in 2011 and served many departments of that company including the securities department, the capital operation department and the Board of Directors' Office. He is mainly responsible for capital operation and has been involved in various domestic and international capital projects of Weichai including domestic and foreign investment mergers of industrial chain related resources, internal resource consolidation within the group, spin off and equity incentive projects etc. He has extensive experiences in capital operation projects.

Senior Management

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

Mr. Marco Zammarchi, aged 59, 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. He 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. Stefano De Vivo, aged 45, 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. He 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. Matteo Cecada, aged 52, obtained a master's degree in Aerospace Engineering from the University of Pisa (Italy) in May 1998. He 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. Giuliano Felten, aged 62, 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. He was admitted to the Italian Association of Company Lawyers in May 1987. He 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.

He served as a lecturer at the International Law Institute of the Catholic University of the Sacred Heart from May 1987 to December 1988.

Mr. Nicola Zambelli, aged 51, 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. He 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. Enrico Sgarbi, aged 48, obtained a degree in Law from the University of Modena and Reggio Emilia in March 2003 in Italy. He 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. Andrea Brasini, aged 49, obtained a bachelor's degree in Political Sciences Alma Mater Studiorum University in Bologna (Sub. Forlì) in March 2001 in Italy. He 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 held an officer position in the Italian Army for the period from January 1994 to April 1995.

Mr. Cristiano Bozzini, aged 52, 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. He 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. Niccolò Pallesi, aged 43, 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. He 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.

Ms. Margherita Sacerdoti, aged 40, 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 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.

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.

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 145 to 254, which comprise the consolidated statement of financial position as of December 31, 2023, 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 relevant information on the accounting standards applied.

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, 2023, 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, 2023, 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 judgement on regards the estimate of costs planned at the budgeting stage, relating to contracts. More specifically, application of the cost-to-cost method requires the prior estimate of costs throughout the life of individual projects and their updating at each reporting date. Because of the mentioned complexity that characterizes this measurement, we identified this area as a key audit matter. Relevant disclosures are included in note 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 assessment of the reasonableness of the significant assumption related to estimated costs to complete the individual projects; • the verification of the arithmetic correctness of the calculations performed by the management. Lastly, we have reviewed the disclosure provided in the notes to the financial statement regarding this key audit matter.

Key Audit Matter	Audit Response
Recoverability of intangible asset with an indefinite useful life	
As of December 31, 2023, the Group reports intangible assets of Euro 277 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 judgement, particularly with reference to the forecasted future cash flows of each CGU, the determination of the normalized cash flows used for the terminal value estimate and the determination of long-term growth and discount rates applied to the forecasted future cash flows. Because of the judgment required and the complexity of assumptions used to estimate the recoverable amount of the Trademarks, we identified this area as a key audit matter. Relevant disclosures are included in note 4 and note 31 to the financial statements.	Our audit procedures in response to the key audit matter concerned, among others: • assessment of the impairment process of intangible assets; • testing the CGUs identification process and the allocation of assets and liabilities to the CGUs; • an examination of the forecasted future cash flows for each CGU as well as the verification of the consistency of future cash flows related to each CGU with the business plans 2023–2027 and budget 2024 approved by the Company's board of directors respectively on March 8, 2023 and February 19, 2024; • assessment of quality of forecasts taking into consideration the historical accuracy of the previous forecast; • assessment of reasonableness of the long-term growth rates and discount rates. Our procedures were performed with the support of our experts in valuation techniques, who performed an independent recalculation of the recoverable amount of the CGUs and sensitivity analysis of the key assumptions that could have a significant effect on the estimate of the recoverable value. Lastly, we have reviewed the disclosure provided in the notes to the financial statement regarding this key audit matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2023 but does not include the 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 Company's 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 Gianluca Focaccia.

EY S.p.A.

Gianluca Focaccia
Recognised PIE Auditor
Bologna

March 14, 2024

Consolidated Income Statement

For the year ended December 31, 2023

(in thousands Euro)	*Notes*	**December 31, 2023**	December 31, 2022
Revenue		**1,196,352**	1,072,449
Commissions and other costs related to revenue		**(61,868)**	(42,350)
NET REVENUE	7	**1,134,484**	1,030,099
Change in inventories of work-in-process, semi-finished and finished goods	8	**118,753**	35,181
Cost capitalized	9	**32,781**	31,982
Other income	10	**22,223**	16,002
Raw materials and consumables used	11	**(615,523)**	(514,468)
Contractors costs	12	**(209,426)**	(166,051)
Costs for trade shows, events and advertising	13	**(23,529)**	(19,963)
Other service costs	14	**(117,917)**	(117,680)
Rentals and leases	15	**(9,755)**	(8,931)
Personnel costs	16	**(130,727)**	(128,810)
Other operating expenses	17	**(7,961)**	(9,052)
Provisions and impairment	18	**(30,747)**	(33,115)
Depreciation and amortization	19	**(63,167)**	(53,089)
Share of loss of a joint venture	20	**—**	(44)
Financial income	21	**8,652**	2,328
Financial expenses	22	**(4,139)**	(4,452)
Foreign exchange gains	23	**19**	9,448
PROFIT BEFORE TAX		**104,022**	69,385
Income tax	24	**(20,519)**	(8,839)
PROFIT FOR THE YEAR		**83,503**	60,546
Attributable to:			
Shareholders of the Company		**83,048**	60,274
Non-controlling interests		**456**	271
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
Basic and diluted (€)	44	**0.25**	0.19

Consolidated Comprehensive Income Statement

For the year ended December 31, 2023

(in thousands Euro)	*Notes*	**December 31, 2023**	December 31, 2022
PROFIT FOR THE YEAR		**83,503**	60,546
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:			
Actuarial gain/(loss) on defined benefits plan	42	**165**	891
Income tax effect	42	**(40)**	(214)
		125	676
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Gains/(losses) from the translation of foreign operations	42	**(2,437)**	3,641
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**(2,312)**	4,317
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**81,191**	64,862
Attributable to:			
Shareholders of the Company		**80,737**	64,588
Non-controlling interests		**456**	274

Consolidated Statement of Financial Position

As at December 31, 2023

(in thousands Euro)	*Notes*	**December 31, 2023**	December 31, 2022
CURRENT ASSETS			
Cash and cash equivalents	25	**314,109**	317,759
Trade and other receivables	26	**70,271**	59,432
Contract assets	27	**166,846**	115,372
Inventories	28	**337,732**	198,120
Advances on inventories	28	**37,266**	39,156
Other current assets	29	**820**	86,732
Income tax recoverable	26	**3,203**	2,091
		930,247	818,663
NON-CURRENT ASSETS			
Property, plant and equipment	30	**382,346**	303,394
Intangible assets	31	**276,652**	264,070
Other non-current assets	32	**6,077**	5,031
Deferred tax assets	33	**6,926**	16,397
		672,002	588,893
TOTAL ASSETS		**1,602,248**	1,407,556

Consolidated Statement of Financial Position

As at December 31, 2023

(in thousands Euro)	*Notes*	**December 31, 2023**	December 31, 2022
CURRENT LIABILITIES			
Minority Shareholders' loan	34	**1,000**	1,000
Bank and other borrowings	34	**11,253**	14,500
Provisions	39	**62,809**	42,946
Trade and other payables	35	**443,585**	337,364
Contract liabilities	36	**195,091**	185,914
Income tax payable	37	**6,299**	1,683
		720,037	583,408
NON-CURRENT LIABILITIES			
Bank and other borrowings	38	**21,616**	24,056
Provisions	39	**12,535**	13,049
Non-current employee benefits	40	**7,444**	7,646
Trade and other payables	35	**936**	1,006
		42,532	45,757
TOTAL LIABILITIES		**762,569**	629,165
SHARE CAPITAL AND RESERVES			
Share capital	41	**338,483**	338,483
Reserves	42	**500,357**	439,525
Equity attributable to shareholders of the Company		**838,840**	778,007
Non-controlling interests	43	**840**	384
TOTAL EQUITY		**839,680**	778,391
TOTAL LIABILITIES AND EQUITY		**1,602,248**	1,407,556

Consolidated Cash Flow Statement

For the year ended December 31, 2023

	December 31, 2023	December 31, 2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before tax	**104,022**	69,385
Depreciation and amortization	**63,167**	53,089
Loss/(gain) on disposal of property, plant and equipment	**(78)**	(100)
Provisions	**19,147**	15,696
Financial income	**(8,651)**	(13,761)
Financial expenses	**4,139**	4,452
Share of loss of joint venture	**—**	44
Impairment of trade receivables, net	**—**	558
Provision/(reversal of provision) against inventories, net	**9,183**	678
Decrease/(increase) in inventories	**(146,905)**	(64,167)
Change in contract assets and contract liabilities	**(42,296)**	50,672
Decrease/(increase) in trade and other receivables	**(4,626)**	(18,060)
Increase/(decrease) in trade and other payables	**96,932**	52,370
Change in other operating liabilities and assets	**5,674**	(612)
Income tax paid	**(6,044)**	(4,546)
Cash flows from operating activities (A)	**93,663**	145,697
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment and intangible assets	**(152,946)**	(81,453)
Proceeds from disposal of property, plant and equipment and intangible assets	**1,434**	1,330
Acquisition of subsidiaries (Note 45)	**—**	(9,153)
Other financial investments	**87,184**	(75,278)
Interest received	**8,651**	1,923
Cash flows used in investing activities (B)	**(55,678)**	(162,632)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of shares	**—**	234,753
Dividends paid	**(19,903)**	(6,707)
New bank and other borrowings	**1,000**	2,723
Repayment of bank and other borrowing	**(16,278)**	(70,143)
Interest paid	**(4,017)**	(2,582)

Consolidated Cash Flow Statement

For the year ended December 31, 2023

	December 31, 2023	December 31, 2022
Cash flows (used in)/from financing activities (C)	**(39,198)**	158,044
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (D=A+B+C)	**1,214**	141,109
Cash and cash equivalents at beginning of year (E)	**317,759**	173,010
Effect of foreign exchange rate changes, net (F)	**(2,437)**	3,641
CASH AND CASH EQUIVALENTS AT END OF YEAR (G=D+E+F)	**314,109**	317,759
Cash and cash equivalents as stated in the consolidated statements of financial position	**314,109**	317,759

Consolidated Statement of Changes in Equity

For the year ended December 31, 2023

(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, 2022	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
Profit for the year					**83,048**	**83,048**	**456**	**83,503**
Other comprehensive income for the year:								
Actuarial loss on defined benefits plan, net of tax					**125**	**125**		**125**
Exchange differences on translation of foreign operations				**(2,437)**		**(2,437)**		**(2,437)**
Total comprehensive income for the year				**(2,437)**	**81,173**	**80,736**	**456**	**81,191**
Transfer to the legal reserve			**2,620**		**(2,620)**	**0**		**0**
Dividends					**(19,903)**	**(19,903)**		**(19,903)**
At December 31, 2023	**338,483**	**425,041**	**10,907**	**5,533**	**58,876**	**838,840**	**840**	**839,680**

* These reserve accounts comprise the consolidated reserves of €500,358 thousand (2021: €439,525 thousand) in the consolidated statements of financial position.

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, 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, 2023 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, 2023 (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.

2. BASIS OF PREPARATION (CONTINUED)

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

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

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

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

3. 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, 2023, 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. and 15% of the share capital of Il Massello s.r.l., included the companies Parola s.r.l. and Smart Wood 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, 2023.

Subsidiaries

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

Name	Principal country of operation	Registered office	Currency	Share capital (in units)	% controlling interest	
					Direct	Indirect
Zago S.p.A.	Italy	Scorzé (Venice)	Euro	120,000	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 S.p.A.	Italy	Sarnico (Bergamo)	Euro	520,000	80%	
Ferretti Tech Srl	Italy	Cattolica (Rimini)	Euro	10,000	100%	
Allied Marine Inc.	USA	Fort Lauderdale (USA)	US Dollar	10	100%	
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 Group Singapore Pte. Ltd.	Singapore	Singapore	Euro	1		100%
Ferretti Asia Pacific Zhuhai Ltd.**	China	Hengqin (Zhuhai)	Renminbi	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.

Translation of the Financial Statements of Foreign Companies into Euro

The consolidated financial statements for the year ended December 31, 2023 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 USD1.10500), and for the income statement items by applying the average exchange rate of the period of reference (1 EUR equal to USD1.08114). 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 0.86905) 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 0.86976).

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.

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 balance is classified under assets in the item "Contract assets"; if, on the other hand, this differential is negative, the balance 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).

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

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

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

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

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

4. ACCOUNTING POLICIES (CONTINUED)

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.

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.

4. ACCOUNTING POLICIES (CONTINUED)

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.

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 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, including climate changes as described above. The estimates are based on evaluations and prior experience, as well as on assumptions made from time by time assessed based on the specific circumstances. Actual results may therefore differ from these estimates. Estimates and assumptions are reviewed periodically and the effects of any changes are reflected immediately on the income statement. Set out below are the main balance sheet items affected by the use of accounting estimates and the circumstances involving an element of 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 Reporting 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 Reporting Periods and based on the expected continuous improvements in future trading conditions and future forecasted profits. The additional DTAs that became recognizable in the Reporting 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 not early adopted any principles, interpretations or amendments published but not yet in force.

4. ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies and disclosure (Continued)

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

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

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

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

The amendments had no impact on the Group's consolidated financial statements.

Definition of Accounting Estimates — Amendments to IAS 8

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

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

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

The amendments had no impact on the Group's consolidated financial statements.

4. ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies and disclosure (Continued)

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

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

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

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

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

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

Standards issued but not yet effective

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

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

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

4. ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies and disclosure (Continued)

Standards issued but not yet effective (Continued)

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

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

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

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, 2023	December 31, 2022
Derivatives not designated as hedging instruments	**—**	—
Derivatives designated as hedging instruments	**—**	—
Financial assets at fair value through profit or loss	**—**	—
Life insurance with "Bipiemme Vita S.p.A.",	**—**	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	***22,427***	*17,011*
Financial assets included in other receivables	***1,261***	*2,563*
Other current assets	***820***	*3,465*
Other non-current assets	***2,028***	*2,530*
Total financial assets*	**26,537**	68,477

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

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

In addition during the previous year the Company began to sign time deposit accounts agreements with primary banks, in order to benefit of increasing interest rates, with maturities ranging from one month to six months. The details of contracts in place on December 31st, 2023 follows:

Fixed Interest Period	Bank	Currency	Amount	Rate %	Expire Date
Three months	China Construction Bank (Europe) S.A.	Eur	30,000	4,08%	19/01/2024
One month	Barclays Bank Ireland PLC	Eur	12,000	3,76%	22/01/2024
One month	Unicredit SpA	Eur	10,000	3,85%	22/01/2024
One month	Credit Agricole CIB Sa	Eur	30,000	4,03%	26/01/2024
One month	Unicredit SpA	Eur	10,000	3,85%	29/01/2024
Three months	Credit Agricole CIB Sa	Eur	20,000	3,98%	28/02/2024
Three months	BNL S.p.A.-BNP P Group	Eur	30,000	3,98%	04/03/2024
Interest			464		
"Time deposit accounts " under "Cash and Cash Equivalents"			**142,464**		

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

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial liabilities

	December 31, 2023	December 31, 2022
Interest-bearing loans and borrowings		
Bank and other borrowings	**4,733**	6,811
Lease liabilities	**26,044**	28,158
Minority Shareholder Loan	**1,000**	1,000
Other	**—**	1,676
Total Interest-bearing loans and borrowings	**31,776**	*37,645*
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	**2,093**	1,912
Total financial instruments at fair value	**2,093**	1,912
Other financial liabilities at amortized cost, other than interest-bearing loans and borrowings		
Trade and other payables	**398,517**	293,150
Total other financial liabilities	**432,387**	332,707

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, 2023		December 31, 2022	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets				
Life insurance with "Bipiemme Vita S.p.A."	**—**	**—**	4,900	4,900
Life insurance with "CNP Vita Assicurazioni S.p.A."	**—**	**—**	38,008	38,008
Total	**—**	**—**	42,908	42,908
Bank and other borrowings	**4,733**	**4,733**	6,811	6,811
Lease liabilities	**26,044**	**26,044**	28,158	28,158
Minority Shareholder Loan	**1,000**	**1,000**	1,000	1,000
Other	**—**	**—**	1,676	1,676
Liability arising on business combination	**2,093**	**2,093**	1,912	1,912
Total	**33,870**	**33,870**	39,557	39,557

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

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

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

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, 2023				December 31, 2022			
Financial statement line item	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Financial Other current assets	—	—	—	—	—	—	42,908	42,908
Bank and other borrowings	—	**4,732**	—	**4,732**	—	6,811	—	6,811
Lease liabilities	—	**26,044**	—	**26,044**	—	28,158	—	28,158
Minority Shareholders' Loan	—	**1,000**	—	**1,000**	—	1,000	—	1,000
Other	—	—	—	—	—	1,676	—	1,676
Liability arising on business combination	—	—	**2,093**	**2,093**	—	—	1,912	1,912

The Bank and other borrowings non-current under Level 3 for € 2,093 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
Changes not measured at fair value through profit or loss	**181**
At December 31, 20233	**2,093**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair Value Measurement (Continued)

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

The 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, 2023** **Bank and other borrowings non-current — Level 3**
-0.5%	**39**
+0.5%	**(39)**

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, 2023 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, 2023	**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)	**(4,732)**	**(2,208)**	**(372)**	**(186)**	**(1,362)**	**(1,211)**	**(5,338)**
Minority Shareholders' Loan	**(1,000)**	**—**	**—**	**(1,000)**	**—**	**—**	**(1,000)**
Other	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Liability arising on business combination	**(2,093)**	**—**	**—**	**—**	**(2,093)**	**—**	**(2,093)**
Lease liabilities	**(26,044)**	**(2,554)**	**(5,008)**	**(2,450)**	**(13,645)**	**(6,137)**	**(29,794)**
Trade and other payables	**(398,517)**	**(351,362)**	**(45,652)**	**(1,503)**	**—**	**—**	**(398,517)**
Total	**(432,386)**	**(356,125)**	**(51,032)**	**(5,139)**	**(17,100)**	**(7,348)**	**(436,743)**

	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)	(6,811)	(3,570)	(414)	(208)	(1,803)	(1,343)	(7,338)
Minority Shareholders' Loan	(1,000)	—	—	(1,000)	—	—	(1,000)
Other	(1,676)	(1,676)	—	—	—	—	(1,676)
Liability arising on business combination	(1,912)	—	—	—	(1,912)	—	(1,912)
Lease liabilities	(28,158)	(2,558)	(5,035)	(2,472)	(16,885)	(5,008)	(31,957)
Trade and other payables	(293,150)	(245,786)	(45,758)	(1,606)	—	—	(293,150)
Total	(332,707)	(253.590)	(51,207)	(5,285)	(20,600)	(6,351)	(337,034)

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. The figures as at December 31, 2022 have been reclassified for a better comprehension.

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 and 2023 no cash flow hedging was done in view of the exchange rate trend. In any case, as of December 31, 2023 and 2022, there were no currency forwards in place.

The 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, 2023**		At December 31, 2022	
Change % EUR/USD exchange rate	**+/- Profit before tax**	**+/- Equity**	+/- Profit before tax	+/- Equity
- 5%	**1,421**	**14,481**	522	15,038
+ 5%	**(1,285)**	**(13,101)**	(473)	(13,606)

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

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, 2023 and December 31, 2022 of the Group's financial debt (assuming that Euribor is above zero, considering the zero-floor condition generally applied to the Group's main borrowings).

(in thousand Euro)

Change in 6M Euribor		**At December 31, 2023**		At December 31, 2022	
(+)	(-)	**(+)**	**(-)**	(+)	(-)
+50 BP	-50 BP	**154**	**(154)**	175	(175)
+100 BP	-100 BP	**307**	**(307)**	350	(350)
+200 BP	-200 BP	**614**	**(614)**	700	(700)
+300 BP	-300 BP	**921**	**(921)**	1,050	(1,050)

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, 2023) are considered fully recoverable:

	Balance as at December 31, 2023	**Not due**	**Past due 30 days**	**30–60 days**	**60–90 days**	**Beyond 90 days**
Cash and cash equivalents	**314,109**	**314,109**	**—**	**—**	**—**	**—**
Trade receivables*	**22,427**	**5,528**	**1,669**	**3,191**	**4,453**	**7,586**
Other current assets	**820**	**820**	**—**	**—**	**—**	**—**
Financial assets included in other receivables	**1,261**	**1,261**	**—**	**—**	**—**	**—**
Financial assets included in other non-current assets	**2,028**	**2,028**	**—**	**—**	**—**	**—**
Total at December 31, 2022	**340,646**	**323,746**	**1,669**	**3,191**	**4,453**	**7,586**

(*) Net of the allowance for doubtful accounts of €3,496 thousand.

	Balance at December 31, 2022	Not due	Past due 30 days	30–60 days	60–90 days	Beyond 90 days
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 as 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.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (Continued)

The table below reports the amount of trade receivables — i.e., already net of any write-downs — which even if expired at the reporting date (December 31, 2023) are considered fully recoverable. The ageing analysis is presented on the basis of the collection due date of the relevant invoices and categorised into time bands based on analysis used by the management to monitor the Group's cash flow.

	Balance at December 31, 2023	Not due	Past due 30 days	Past due 30–60 days	Past due 60–90 days	Past due Beyond 90 days
%	**13%**	**0%**	**0%**	**0%**	**0%**	**31%**
Trade receivables	**25,923**	**5,535**	**1,669**	**3,197**	**4,474**	**11,047**
Provision for doubtful accounts	**3,496**	**8**	**0**	**6**	**21**	**3,461**
Total at December 31, 2023	**22,427**	**5,528**	**1,669**	**3,191**	**4,453**	**7,586**

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

The table below reports an analysis of the future financial flows of the trade payables outstanding as at December 31, 2023. The ageing analysis is presented on the basis of the payment terms of the purchasing invoices and categorised into time-bands based on analysis used by the management to monitor the cash flow forecast.

	Balance at December 31, 2023	Future financial flows Less than 3 months	4 to 9 months	10 to 12 months	1 to 5 years	More than 5 years	Total
Trade payables	(393,915)	(346,760)	(45,652)	(1,503)	—	—	(393,915)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 €162,657 thousand for the year ended December 31, 2023 (2022: €115,194 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, 2023, compared with those in the income statement for the fiscal year ended December 31, 2022.

7. NET REVENUE

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

	2023	2022
Total revenue from contracts with customers	**1,196,352**	1,072,449
Commissions and other costs related to revenue	**(61,868)**	(42,350)
Total net Revenue	**(1,134,484)**	1,030,099

The table below shows the breakdown of net revenue by production type[7]:

	2023	2022
Composite yachts	**491,751**	412,119
Made-to-measure yachts	**440,265**	433,000
Super yachts	**117,593**	95,441
Other businesses	**61,339**	55,559
Total net revenue new yachts	**1,110,949**	996,119
Pre-owned	**23,535**	33,980
Total net revenue	**1,134,484**	1,030,099

[7] The Ferretti Yacht 1000 model that was originally under the composite yachts segment had been reclassified under the made-to-measure yachts segment in this Reporting Period

7. NET REVENUE (CONTINUED)

Revenue arising from other businesses is broken down below.

	2023	2022
Boat brokerage	**9,742**	14,312
Sales and provision of carpentry products and services and kinematics and steel	**18,781**	16,909
FSD	**3,187**	2,945
Provision of services and sales of replacement parts, merchandise and other goods	**14,949**	14,894
Wally sailboats	**14,680**	6,500
Total other businesses	**61,339**	55,559

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.

7. NET REVENUE (CONTINUED)

"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 2023 as well the Group continued to sell Riva brand luxury accessories, as part of the Riva Brand Experience project.

The breakdown of net revenue by geographical area[8] was as follows:

(in thousands Euro)	**2023**	2022
Europe	**480,065**	468,226
Mea	**212,316**	87,248
Apac	**98,211**	72,090
America	**320,356**	368,555
Total net revenue new yachts	**1,110,949**	996,119
Pre-owned	**23,535**	33,980
Total net revenue	**1,134,484**	1,030,099

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.

(in thousands Euro)	**2023**	2022
At a point in time	**69,250**	75,133
Over time	**1,065,234**	954,966
Total net revenue	**1,134,484**	1,030,099

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

(in thousands Euro)	**2023**	2022
Revenue from contract liabilities	**160,550**	126,282

8 The geographical breakdown in the Reporting Period refers to breakdown by the dealer's area of exclusivity or by the customer's nationality

7. NET REVENUE (CONTINUED)

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

(in thousands Euro)	**2023**	2022
Within one year	**565,635**	471,924
After one year	**292,390**	277,985
	858,024	749,908

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 two 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.

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 €32,781 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

(in thousands Euro)	**2023**	2022
Cost over-accruals	**3,433**	2,891
Discounts from suppliers	**3,140**	2,550
Damage settlements	**1,997**	205
Rebilling of miscellaneous costs to customers and dealers	**1,273**	1,050
Rental income	**873**	1,285
Gains on sales of assets	**118**	205
Other	**11,388**	7,816
Total Other income	**22,223**	16,002

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 €2,996 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

(in thousands Euro)	**2023**	2022
Transportation and customs clearing costs	**27,776**	23,793
Technical consulting	**14,594**	15,138
Tax, legal and administrative consulting services	**10,488**	11,447
Utilities	**7,800**	8,607
Insurance	**6,757**	6,222
Entertainment expenses	**6,444**	4,739
Travel and per diem expenses	**6,358**	4,186
Fees paid to members of corporate governance bodies	**6,081**	8,287
Maintenance	**5,253**	4,569
Recruiting and training costs	**3,091**	2,678
Other	**23,275**	28,014
Total other service costs	**117,917**	117,680

The item "Technical consulting" amounting to €14,594 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 €3,791 thousand for legal advice and notaries' fees and €3,010 thousand relating to administrative consulting, including accounts auditing, and tax assistance. Moreover, €534 thousand referred to IT consulting.

During the Reporting Period, "Fees paid to members of corporate governance bodies" included €5,793 thousand for fixed and variable compensation, benefits and social contribution paid to Directors, as well as €195 thousand in fees paid to Statutory Auditors and €93 thousand for the Supervisory Body. In the fiscal year ended December 31, 2022 it included the Management Incentive Plan of Directors.

With regard to the Note "Fees paid to Directors, Statutory Auditors, members of the Supervisory Body and Independent Auditors", please 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.

(in thousands Euro)	**2023**	2022
Short-term rentals and leases	**2,930**	4,510
Rentals and leases for low-value assets	**2,269**	682
Royalties	**4,556**	3,739
Total rentals and leases	**9,755**	8,931

16. PERSONNEL COSTS

(in thousands Euro)	**2023**	2022
Wages and salaries	**93,983**	94,426
Social security contributions	**30,773**	28,692
Non-current employee benefits and other provisions	**5,971**	5,691
Total personnel costs	**130,727**	128,810

The five highest-paid employees during the year ended December 31, 2023 and 2022 include a director, whose details are given in Note 48, and four employees, who are not directors and whose personnel costs are as follows:

(in thousands Euro)	**2023**	2022
Wages and salaries	**6,583**	11,326
Social security contributions	**514**	375
Non-current employee benefits and other provisions	**70**	99
Total personnel costs	**7,167**	11,800

16. PERSONNEL COSTS (CONTINUED)

The number of highest-paid non-Director employees whose remuneration fell into the following ranges were as follows (for 2022 it was included in the special cash bonus paid under the Management Incentive Plan):

	2023	2022
HK$5,500,001–HK$15,500,000	**4**	4
Total number of employees	**4**	4

17. OTHER OPERATING EXPENSES

(in thousands Euro)	**2023**	2022
Cost under-accruals	**1,894**	1,619
Taxes and fees other than income taxes	**1,634**	1,426
Charity initiatives	**1,176**	358
Memberships in trade associations	**768**	702
Settlement agreements	**657**	793
Advertising and promotional material	**607**	585
Re-billable costs	**564**	1,293
Losses on asset sales	**39**	105
Losses on receivables	**0**	3
Reward vouchers and other benefits for employees	**50**	1,164
Sundry operating costs	**571**	1,005
Total other operating expenses	**7,961**	9,052

The item "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, 2022 for supplies pertaining to the previous years.

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

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

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

The item "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 for the year ended December 31, 2023 and 2022.

(in thousands Euro)	**2023**	2022
Allocations to the provision for product warranties	**25,071**	26,097
Provision for miscellaneous risks, net	**4,478**	6,493
Allocations to the provision for doubtful accounts	**1,198**	525
Total provisions and impairment	**30,747**	33,115

19. DEPRECIATION AND AMORTIZATION

(in thousands Euro)	**2023**	2022
Depreciation of property, plant and machinery	**48,099**	40,396
Depreciation of rights-of-use assets	**8,749**	7,706
Amortization of intangible assets	**6,319**	4,986
Total depreciation and amortization	**63,167**	53,089

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" was nil for the year ended December 31, 2023 due to the dissolution of the company at the beginning of January 2023.

21. FINANCIAL INCOME

(in thousands Euro)	**2023**	2022
Interest income from banks	**6,924**	636
Interest and other financial income	**1,728**	1,692
Total financial income	**8,652**	2,328

The interest income from banks refers to the time deposits accounts agreements with five primary banks, in order to benefit of increasing interest rates.

22. FINANCIAL EXPENSES

(in thousands Euro)	**2023**	2022
Interests on banks and other loans	**1,403**	3,037
Interest on lease liabilities	**375**	153
Interest on provision for severance benefits and pensions	**102**	41
Other financial expenses	**2,259**	1,221
Total financial expenses	**4,139**	4,452

23. FOREIGN EXCHANGE GAINS/(LOSSES)

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

24. INCOME TAX

As shown in the table that follows, the "income tax" amount for the year ended December 31, 2023 was tax expenses of €20,519 thousand, as detailed below:

	2023	2022
Corporate income tax (IRES)	**(5,407)**	(837)
Regional tax (IRAP)	**(5,412)**	(2,891)
Federal taxes and other foreign taxes	**(1,488)**	(2,516)
Total current taxes	**(12,307)**	(6,244)
R&D Tax credit	**1,033**	1,161
Prior-year taxes	**291**	135
Deferred taxes	**(9,536)**	(3,891)
Total income tax	**(20,519)**	(8,839)

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.

24. INCOME TAX (CONTINUED)

The following table provides a reconciliation between the nominal and effective tax rate of the Group for year ended December 31, 2023 and 2022:

(in thousands Euro)	**2023**	2022
Theoretical taxable base*	**104,022**	69,385
IRES 24%	**(24,965)**	(16,650)
IRAP 3.90%	**(4,057)**	(2,706)
Total theoretical tax	**(29,022)**	(19,356)
Credit used for ACE (Allowance for Corporate Equity) of the year	**2,720**	2,570
Recognition of R&D receivable	**1,033**	1,161
Recognition of previously unrecognized tax losses	**10,868**	11,225
Undeductible costs	**(3,707)**	(1,621)
Other differences	**(2,410)**	(2,816)
Effective tax recognized in the income statement	**(20,519)**	(8,839)

(*) Figure referred to the profit before tax.

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

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

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

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

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

NOTES TO THE MAIN ASSET ITEMS

The following Notes provide a breakdown of the individual components of the consolidated statement of financial position as at December 31, 2023 compared with December 31, 2022.

CURRENT ASSETS

25. CASH AND CASH EQUIVALENTS

(in thousands Euro)	**31/12/2023**	31/12/2022
Bank and postal accounts	**171,627**	129,615
Time deposit	**142,464**	188,127
Cash and securities on hand	**18**	17
Total cash and cash equivalents	**314,109**	317,759

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

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

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

(in thousands Euro)	**31/12/2023**	31/12/2022
Trade receivables	**22,427**	17,011
Other receivables	**47,843**	42,421
Total trade and other receivables	**70,271**	59,432

Trade receivables

(in thousands Euro)	**31/12/2023**	31/12/2022
Accounts receivable from customers	**25,923**	20,227
(Less) Provision for doubtful accounts	**(3,496)**	(3,216)
Total trade receivables	**22,427**	17,011

"Accounts receivable from customers" as at December 31, 2023 relate primarily to sales and services other than boat sales, for which the balance is generally received before delivery based on the contractual terms and conditions in force. Therefore, they refer to paid after-sales services, sales of material and spare parts, merchandising 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:

(in thousands Euro)	**31/12/2023**	31/12/2022
At beginning of year	**3,216**	5,745
Impairment losses, net	**881**	558
Amount written off as uncollectible	**(602)**	(3,089)
At end of period	**3,496**	3,216

An impairment analysis is performed at the end of each of the reporting dates to measure expected credit losses. The provision rates are based on the 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

(in thousands Euro)	**31/12/2023**	31/12/2022
Other tax receivables	**16,760**	27,206
Accruals, deferrals and other receivables	**31,083**	15,215
Total other receivables	**47,843**	42,421

Other tax receivables mainly refer to VAT.

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

(in thousands Euro)	**31/12/2023**	31/12/2022
Receivables owed by social security institutions	**376**	223
Commissions advances	**5.177**	4.890
Advances, prepayments and sundry receivables from suppliers	**20,741**	3,876
Others	**8**	305
Accruals and deferrals	**4,782**	5,922
Total accruals, deferrals and other receivables	**31,083**	15,215

"Receivables owed by social security institutions" at December 31, 2023 refer mainly to receivables from the Italian workman's compensation agency (INAIL) of €160 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" as at December 31, 2023 mainly refers for €14.25 million to the advance payment for the acquisition of an additional 30,000 square meters adjacent to the San Vitale Shipyard, bringing the entire new production area in Ravenna to approximately 100,000 square meters to produce the Made-to-measure, Composite and sail segments of the Ferretti Yachts and Wally brands. This latest acquisition is equivalent a further increases the Group's production capacity by 10%. In the second half of January, Ferretti SpA executed the sale agreement. The balance also includes about €1,073 thousand of advances already paid for the main industry trade shows to be held in the first months of 2023, such as those in Dusseldorf and Miami and several insurance indemnities requested during the current year, which will be paid in the following months, in addition to advances paid to suppliers for services that have not yet been completed or work progress payments for goods not yet delivered.

As at December 31, 2023, the loss allowance of other receivables was assessed to be minimal.

26. TRADE AND OTHER RECEIVABLES (CONTINUED)

Income tax recoverable

As at December 31, 2023 Income tax recoverable includes mainly tax credits recognized under Italian incentive laws ("**Industria 4.0**" and "**Credito d'imposta Ricerca e Sviluppo e Design e Ideazione estetica 2022**") for €2,628 thousand and advances for IRES and IRAP for €451 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" as at December 31, 2023, compared to those as at December 31, 2022.

(in thousands Euro)	**31/12/2023**	31/12/2022
Gross value of contract assets	**636,577**	544,483
Advances collected	**(469,731)**	(429,111)
Total contract assets	**166,846**	115,372

28. INVENTORIES

	31/12/2023			31/12/2022		
(in thousands Euro)	**Gross value**	**Allowance for write-downs**	**Net amount**	Gross value	Allowance for write-downs	Net amount
Raw materials and components inventory	**74,216**	**(8,740)**	**65,475**	64,896	(8,354)	56,541
Work in progress and semi-finished goods	**113,162**	**113,162**	**92,783**	0	92,783	
New boats	**121,877**	**0**	**121,877**	32,263	(230)	32,032
Used boats	**49,339**	**(12,121)**	**37,219**	19,856	(3,093)	16,763
Total inventories	**358,593**	**(20,861)**	**337,732**	209,797	(11,678)	198,120

The "Raw materials and components inventory" is adjusted by an allowance for write-downs of €8,740 thousand at December 31, 2022 (€8,354 thousand at December 31, 2022) that reflects an estimate of slow-moving and/or potentially obsolete inventory items.

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

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

The carrying amount of the used boats was adjusted by means of an allowance for write-downs of €12,121 thousand, in order to bring the purchase cost down to its estimated realizable value.

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

(in thousands Euro)	**31/12/2023**	31/12/2022
Within one year	**315,785**	193,002
Beyond one year	**21,947**	5,118
Total inventories	**337,732**	198,120

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" totaled €820 thousand as at December 31, 2023 detailed as follow:

(in thousands Euro)	**31/12/2023**	31/12/2022
Escrow accounts	**433**	1,346
Time deposit accounts and other financial investments	**0**	83,267
Incidental borrowing costs	**385**	641
Other	**3**	1,478
Total other current assets	**820**	86,732

The escrow accounts for €433 thousand as at December 31, 2023 refers to the deposits received by the subsidiary Allied Marine Inc. for its brokerage service (€1,346 thousand at December 31, 2022). These funds, which are provided by customers upon the signing of an order, are held in escrow until the boat is delivered to the corresponding customer.

The deposits in place as at December 31, 2023 included on other current assets are equal to zero.

At the end of the financial year 2022, the Company subscribed some time deposit accounts agreements with four primary banks for a total of €40 million, in order to benefit of increasing interest rates, with maturity of more than three months to six months.

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

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

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

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

NON-CURRENT ASSETS

30. PROPERTY, PLANT AND EQUIPMENT

Movements in this item in the year 2023 were as follows:

(in thousands Euro)	Land and buildings	Plant, machinery and equipment	Other property, plant and equipment	Models and moulds	Total
At January 1, 2023					
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**
At January 1, 2023, net of accumulated depreciation	**183,098**	**18,714**	**22,315**	**79,268**	**303,394**
Additions — owned assets	**80,661**	**12,196**	**6,344**	**28,383**	**127,584**
Additions — right-of-use assets	**7,000**	**340**	**980**	**0**	**8,320**
Disposals	**(21)**	**(741)**	**(48)**	**(623)**	**(1,434)**
Disposals — right-of-use assets	**0**	**0**	**0**	**0**	**0**
Depreciation — owned assets	**(10,770)**	**(4,205)**	**(3,969)**	**(29,155)**	**(48,099)**
Depreciation — right-of-use assets	**(7,360)**	**(266)**	**(1.123)**	**0**	**(8,749)**
Reclassification	**456**	**(1,186)**	**1,484**	**(241)**	**513**
Exchange realignment	**(386)**	**382**	**821**	**0**	**817**
At December 31, 2023, net of accumulated depreciation	**252,678**	**25,233**	**26,805**	**77,631**	**382,347**
At December 31, 2023					
Cost	**350,538**	**78,251**	**60,284**	**330,443**	**819,516**
Accumulated depreciation	**(97,861)**	**(53,017)**	**(33,749)**	**(252,812)**	**(437,170)**
Net carrying amount	**252,678**	**25,233**	**26,805**	**77,631**	**382,347**

As at December 31, 2023, the net carrying amounts of land and buildings, plant, machinery and equipment, and other equipment and vehicles included right-of-use assets amounting to €15,834 thousand, €156 thousand and €1,622 thousand, respectively.

30. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Movements in this item in 2022 were as follows:

(in thousands Euro)	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.

31. INTANGIBLE ASSETS

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

(in thousands Euro)	Goodwill	Indefinitive life Trademarks	Other intangible assets	Total
At January 1, 2023				
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
At January 1, 2023, net of accumulated amortization	8,914	244,448	10,709	264,070
Additions	—	180	19,305	19,485
Disposals				
Amortization	—	—	(6,057)	(6,057)
Impairment			(262)	(262)
Reclassification	—	—	(554)	(554)
Exchange realignment	—	(29)		(29)
At December 31, 2023, net of accumulated amortization	8,914	244,599	23,140	276,652
Cost	8,914	244,599	75,321	328,834
Accumulated amortization	—	—	(52,182)	(52,182)
Net carrying amount	8,914	244,599	23,140	276,652

31. INTANGIBLE ASSETS (CONTINUED)

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

(in thousands Euro)	Goodwill	Indefinitive life 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

Goodwill

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

(in thousands Euro)	**31/12/2023**	31/12/2022
Zago S.p.A.	**332**	332
Ferretti Group (Monaco) S.a.M.	**1,299**	1,299
Fratelli Canalicchio S.p.A.	**2,699**	2,699
Il Massello S.r.l.	**4,584**	4,584
Total goodwill	**8,914**	8,914

31. INTANGIBLE ASSETS (CONTINUED)

Trademarks

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

(in thousands Euro)	**31/12/2023**	31/12/2022
Ferretti Yachts	**95,318**	95,318
Crn	**46,528**	46,528
Custom Line	**36,718**	36,718
Riva	**30,848**	30,848
Wally	**25,434**	25,434
Pershing	**8,609**	8,609
Easy Boat	**9**	9
Costs for trademark registration	**1,134**	983
Total trademarks	**244,599**	244,448

Impairment test on indefinite useful life intangible assets

On December 31, 2023, 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:

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

d. the 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 2023 and 2022.

Other Intangible Assets

(in thousands Euro)	**31/12/2023**	31/12/2022
Concessions	**11,420**	1,519
Intellectual property rights	**11,164**	8,151
Software	**555**	1,038
Total other intangible assets	**23,140**	10,709

31. INTANGIBLE ASSETS (CONTINUED)

Other Intangible Assets (Continued)

This item includes:

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

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

— the residual value of the item "Other intangible assets" (€555 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:

(in thousands Euro)	**31/12/2023**	31/12/2022
Equity investments designated at fair value through income statement	**5**	120
Investment in a joint venture	**0**	12
Deposits	**1,620**	1,655
Commissions advances	**2,703**	1,102
Other assets	**1,748**	1,766
Incidental borrowing costs	**0**	378
Total other non-current assets	**6,077**	5,031

32. OTHER NON-CURRENT ASSETS (CONTINUED)

a) Equity investments

The balances mainly include equity investment in industry consortia. During the financial year ended at December 31, 2023 the equity investment in Nouveau Port Golf Juan which owns certain commercial premises currently occupied by a restaurant was written down as the state concession will expire at the end of June 2024.

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

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

(in thousands Euro)	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, 2022 and January 1, 2023	**13,773**	**2,653**	**633**	**10,484**	**1,114**	**57,683**	**904**	**87,243**
Credited/(charged) to:								
profit or loss	**4,831**	**1,656**	**(19)**	**655**	**(208)**	**10.868**	**(51)**	**17,835**
other reserves	**—**	**—**	**—**	**—**	**—**	**(27,173)**	**—**	**(27,173)**
At December 31, 2023	**18,604**	**4,309**	**614**	**11,139**	**906**	**41,378**	**955**	**77,905**

33. DEFERRED TAX ASSETS (CONTINUED)

(in thousands Euro)	Depreciation of land and other assets valued at less than 516/k	Trademarks	Leases	Other	Total
At December 31, 2022 and January 1, 2023	**1,315**	**60,659**	**5,420**	**3,450**	**70,850**
Charged/(credited) to:					
profit or loss	**—**	**—**	**(129)**	**327**	**198**
other comprehensive income	**—**	**—**	**—**	**39**	**39**
Exchange differences	**—**	**—**	**—**	**(100)**	**(100)**
At December 31, 2023	**1,315**	**60,659**	**5,292**	**3,715**	**70,981**

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

(in thousands Euro)	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)

(in thousands Euro)	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

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:

(in thousands Euro)	**31/12/2023**	31/12/2022
Deferred tax assets	**6,926**	16,397
Deferred tax liabilities	**—**	—
Total deferred tax assets	**6,926**	16,397

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

(in thousands Euro)	**31/12/2023**	31/12/2022
Tax losses and interest expense	**—**	9,632

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

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

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

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

NOTES TO THE MAIN LIABILITIES AND EQUITY ITEMS

CURRENT LIABILITIES

34. MINORITY SHAREHOLDERS' LOAN AND BANK AND OTHER BORROWINGS

	31/12/2023			31/12/2022		
	Effective interest rate	**Maturity**	**Amount *(in thousands Euro)***	Effective interest rate	Maturity	Amount *(in thousands Euro)*
Due to banks — secured	**Euribor* +1.6**	**2024**	**155**	Euribor* +1.6	2023	150
Due to banks — unsecured	**1.0–3.5**	**2024**	**2,425**	1.0–3.5	2023	3,878
Incidental borrowing costs			**—**			—
Due to banks net of incidental borrowing costs			**2,580**			4,025
Lease liabilities	**1.7–6.6**	**2055**	**8,674**	1.7–4.7	2023	8,799
Minority Shareholders' Loan			**1,000**			1,000
Others			**—**			1,676
Total short-term financial payables			**12,253**			15,500

	31/12/2023			31/12/2022		
	Effective interest rate	**Maturity**	**Amount *(in thousands Euro)***	Effective interest rate	Maturity	Amount *(in thousands Euro)*
Due to banks — secured	**Eurobir* +1.6**	**2024**	**1,466**	Eurobir* +1.6	2024	1,606
Due to banks — unsecured	**1.0–3.5**	**2024**	**687**	1.0–3.5	2024	1,181
Incidental borrowing costs			**—**			—
Due to banks net of incidental borrowing costs			**2,153**			2,786
Lease liabilities	**1.7–6.6**	**2055**	**17,370**	1.7–4.7	2031	19,359
Liabilities arising on Business Combinations			**2,093**			1,912
Total medium-/long-term financial payables			**21,616**			24,056
Total bank and other borrowings			**33,870**			39,556

(*) 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, as provided by the share purchase agreement.

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.

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

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

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

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

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

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

The item "Liabilities arising on Business Combinations" of Bank and other borrowings refers for € 2,093 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:

(in thousands Euro)	**31/12/2023**	31/12/2022
Trade payables	**393,915**	289,653
Other payables	**50,606**	48,717
Total trade and other payables	**444,521**	338,370

	31/12/2023	31/12/2022
Trade and other payables — current	**443,585**	337,364
Trade and other payables — non-current	**936**	1,006
Total trade and other payables	**444,521**	338,370

35. TRADE AND OTHER PAYABLES (CONTINUED)

a. Trade payables

A breakdown of this item is as follows:

(in thousands Euro)	**31/12/2023**	31/12/2022
Accounts payable to suppliers	**393,915**	289,653
Total trade payables	**393,915**	289,653

"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

(in thousands Euro)	**31/12/2023**	31/12/2022
Payables due to pension and social security institutions	**13,188**	12,504
Amounts payable to employees	**21,425**	23,411
Amounts payable to directors	**3,164**	2,849
Other tax payable	**3,857**	3,344
Miscellaneous payables	**4,542**	3,464
Accrued expenses	**1,362**	1,426
Deferred income	**2,131**	714
Government authorization fees	**163**	229
Deferred income — non current	**773**	776
Total other payables	**50,606**	48,717

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

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

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

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 2024.

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

The item “Government authorization fees non-current”, totalling €163 thousand at December 31, 2022, relates mainly to prepayments of public grants received by the Group of €133 thousand authorized in favor of the former Riva S.p.A., now merged in the Company and €30 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” as at December 31, 2023 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" for the year ended December 31, 2023 and the year ended December 31, 2022:

(in thousands Euro)	**Provision for product warranties**	**Provisions for miscellaneous risks**	**Total provisions**
Balance at January 1, 2023	**26,300**	**29,693**	**55,995**
Additions	**25,071**	**26,043**	**51,114**
Utilisations during the period	**(17,440)**	**(14,324)**	**(31,764)**
Total at December 31, 2023	**33,931**	**41,412**	**75,344**

(in thousands Euro)	**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

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.

(in thousands Euro)	**31/12/2023**	31/12/2022
Current portion	**21,396**	13,251
Non-current portion	**12,535**	13,049
Total provision for product warranties	**33,931**	26,300

b. Provisions for miscellaneous risks

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

(in thousands Euro)	**31/12/2023**	31/12/2022
Legal proceedings and tax and employment law litigation	**6,410**	9,171
Dealer incentives	**13,069**	10,007
Provisions for completion of boats	**4,362**	2,813
Provisions for other risks	**17,572**	7,702
Total provisions for miscellaneous risks	**41,413**	29,693

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

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

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

As at December 31, 2023, the Group accrued a provision of Euro 6,000 thousand to support the Group's supply chain.

40. NON-CURRENT EMPLOYEE BENEFITS

The breakdown of this item as at December 31, 2023 and December 31, 2022 are as follows:

(in thousands Euro)	**31/12/2023**	31/12/2022
Provision for employee benefits	**6,579**	6,783
Provision for leaving indemnity	**865**	863
Total non-current employee benefits	**7,444**	7,646

a. Employee benefits

Under IAS 19, modified by IFRS 2, 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.

40. NON-CURRENT EMPLOYEE BENEFITS (CONTINUED)

a. Employee benefits (Continued)

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, 2022, involved the following steps:

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

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

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

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

(in thousands Euro)	**31/12/2023**	31/12/2022
Present value of the initial obligation	**6,783**	6,609
Acquisition of subsidiaries	**0**	725
Interest cost	**99**	40
Service cost	**230**	21
Actuarial gains	**(159)**	(215)
Use for indemnities paid and advances	**(376)**	(397)
Present value of the final obligation	**6,579**	6,783

40. NON-CURRENT EMPLOYEE BENEFITS (CONTINUED)

a. Employee benefits (Continued)

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

Demographic Assumptions

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

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

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

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

Financial Assumptions

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

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

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

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

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

40. NON-CURRENT EMPLOYEE BENEFITS (CONTINUED)

a. Employee benefits (Continued)

Financial Assumptions (Continued)

In 2023, an actuarial loss amounting to €159 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)	**31/12/2023**
Interest cost	**102**
Service cost	**231**
Total	**333**

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.

40. NON-CURRENT EMPLOYEE BENEFITS (CONTINUED)

b. Provision for leaving indemnity (Continued)

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

Demographic Assumptions

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

— probability of termination of employment for various reasons (resignation, dismissal), equal to 3% annually for all employees aged 65 or younger;

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

Financial Assumptions

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

— technical discounting rate for the valuation of financial charges for the period January 1, 2023;

— December 31, 2023, equal to the discounting rates for valuations of the defined-benefit obligations at December 31, 2022 (interest cost): 3.3%;

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

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

The provision for indemnities payable upon termination of employment, which had a balance of €460 thousand at December 31, 2023, is attributable to Zago S.p.A.

40. NON-CURRENT EMPLOYEE BENEFITS (CONTINUED)

b. Provision for leaving indemnity (Continued)

Financial Assumptions (Continued)

The table below provides an analysis of the sensitivity of the parameters applied in the actuarial valuation to an increase or decrease in the technical discounting rate for measuring 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, 2023	**0.25**	**134**
	(0.25)	**(139)**

	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)

SHARE CAPITAL AND RESERVES

As at December 31, 2023 the share capital and reserves were unchanged in respect to the amount as at December 31, 2022, except for the profit for the year ended December 31, 2023.

Equity amounted to €839,680 thousand as at December 31, 2023 (€778,391 as at December 31, 2022), as detailed below together with the main components of "Share capital and reserves

41. SHARE CAPITAL

(in thousands Euro)	**31/12/2023**	31/12/2022
Issued and fully paid	**338,483**	338,483

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

42. RESERVES

The share premium reserve amounted to €425,041 thousand as at June 30, 2023.

The legal reserve, set up pursuant to applicable laws, amounts to €10,907 thousand

The translation Reserves, amounting to €5,533 thousand at December 31, 2023, reflects the foreign exchange differences that arise from the conversion of the equity opening balances and income statement of the US and UK subsidiaries of the Company, which are translated into Euro at the U.S. dollar and Great Britain Pound exchange rate in force at December 31, 2023 and at the average exchange rate for the period, respectively. During the year, the reserve changed negatively by €2,437 thousand, as reported in the consolidated comprehensive income statement.

The item "Other reserves", at €58,876 thousand at December 31, 2023, mainly includes:

— the overall effect of the income/(loss) on defined-benefit plans: the reserve amounting to €702 thousand at December 31, 2023 was set up in accordance with IAS 19 — Employee Benefits; during the period the amount of the reserve changed by €125 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

(in thousands Euro)	**31/12/2023**	31/12/2022
Dividends	**19,903**	6,707

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

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

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

43. 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.

	31/12/2023	31/12/2022
Profit attributable to shareholders of the company (in thousands Euro)	**83,048**	60,274
Weighted average number of shares during the year	**338,482,654**	316,778,344
Earnings per share attributable to shareholders of the company: basic and diluted (in Euro)	**0.25**	0.19

45. BUSINESS COMBINATIONS

2023

No business combination was made in the fiscal year ended December 31, 2023.

2022

On July 29, 2022, the Group acquired a 100% interest in MA.RI.NA. s.r.l. through a cash payment of €468 thousand.

MA.RI.NA. s.r.l. is a company specialized in the sale of spare parts for Riva boats.

(in thousands Euro)	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 allocation made as at December 31, 2022 is considered as definitive as at December 31, 2023.

45. BUSINESS COMBINATIONS (CONTINUED)

2022 (Continued)

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.

(in thousands Euro)	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 allocation made as at December 2022 is considered as definitive as at December 31, 2023.

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.

45. BUSINESS COMBINATIONS (CONTINUED)

2022 (Continued)

(in thousands Euro)	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

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 allocation made as at December 2022 is considered as definitive as at December 31, 2023.

46. CASH FLOWS

Group's main non-monetary transactions

For the years ended December 31, 2023 and 2022, the Group had non-cash additions to rights-of-use assets and lease liabilities of €8,320 thousand and €6,355 thousand, respectively.

Changes in liabilities arising from financing activities

Bank and other borrowings
(excluding lease liabilities)

(in thousands Euro)	**2023**	2022
At the beginning of the year	**11,400**	57,682
Changes in financing activities:		
Acquisition of a subsidiary	**0**	7,926
New borrowings	**1,000**	2,723
Repayment	**(6,029)**	(61,355)
Other	**1,454**	4,421
Total at the end of the year	**7,825**	11,400

Lease liabilities

(in thousands Euro)	**2023**	2022
At the beginning of the year	**28,158**	30,801
Changes in financing activities:		
New lease	**8,320**	6,355
Interest expenses	**375**	153
Lease payment	**(10,809)**	(9,151)
Total at the end of the year	**26,044**	28,158

Total cash outflows for leasing

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

(in thousands Euro)	**31/12/2023**	31/12/2022
Operating activities	**5,199**	5,192
Financing activities	**10,809**	9,151

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, 2023 and December 31, 2022 is set out below:

(in thousands Euro)	**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**		
FIH	**0**		
Other related companies:			
HPE S.r.l.	**—**		**(100)**
WM S.A.M. (former Wally S.A.M.)	**467**		
Ferrari S.p.A.			**(37)**
Studio Fontana & Zanardi			**(17)**
Still S.p.A.			**(113)**
Other related parties	**28**	**1,000**	**(170)**
Total related parties at December 31, 2023	**4,130**	**1,000**	**(1,082)**

47. RELATED PARTY TRANSACTIONS (CONTINUED)

(in thousands Euro)	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		
FIH	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)

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

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

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

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

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

47. RELATED PARTY TRANSACTIONS (CONTINUED)

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

(in thousands Euro)	**Net revenue**	**Other revenue**	**Costs for the use of raw materials, services, rentals and leases**
Fellow subsidiaries:			
Hydraulics Drive Technology		**—**	**(54)**
FIH		**2,880**	
HPE S.r.l.			**(200)**
WM S.A.M. (ex Wally S.A.M.)			**(450)**
Ferrari S.p.A.			**(1,030)**
Studio Zanardi & Fontana			**(17)**
Still S.p.A.			**(145)**
Other related parties	**43**	**10**	**(1,187)**
Total related parties at December 31, 2023	**43**	**2,890**	**(3,083)**

(in thousands Euro)	Net revenue	Other revenue	Costs for the use of raw materials, services, rentals and leases
Hydraulics Drive Technology			(23)
FIH		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)

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

47. RELATED PARTY TRANSACTIONS (CONTINUED)

The revenue with regard to FIH amounting to €2,880 thousand as at December 31, 2023 entirely refers to certain costs and expenses incurred by Ferretti S.p.A. for services carried out by several providers that shall be reimbursed by FIH.

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

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

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

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

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

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

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

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):

(in thousands Euro)	**31/12/2023**	31/12/2022
Fees	**4,823**	7,658
Social security contributions	**35**	35
Total fees and compensation	**4,858**	7,693

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

2023

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

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

2022

(in thousands Euro)

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

* 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, 2023 are shown in the table below (in thousand Euro):

(in thousands Euro)

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

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 for the year ended December 31, 2022 are shown in the table below (in thousand Euro):

(in thousands 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, 2023 and 2022 are shown below (in thousands Euro):

2023

(in thousands Euro) **Name**	**Nature of the fees and compensation**	**Fees and compensation**
EY S.p.A.	Fees for the auditing of accounts	**465**
EY S.p.A.	Fees for other services	**642**
EY Advisory S.p.A.	Fees for other services	**312**
Studio Legale Tributario	Fees for other services	**46**
Total		**1,465**

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

2022

(in thousands Euro)

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

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, 2023 and 2022, the Group's secured bank loans were secured by mortgages on properties with carrying amount of €111,7 million and €98,1 million, respectively.

51. COMMITMENTS

As at December 31, 2023 no commitment was reported (December 31, 2022: 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 as at December 31, 2023.

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

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

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

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

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

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

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

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

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

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

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

Ferretti S.p.A.: (Continued)

— 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;

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

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

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

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

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

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

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

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

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

Zago S.p.A.:

— sureties of €3,740 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 €81 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 €45 thousand received from Liberty Specialty Markets Assicurazioni for the benefit of the Bergamo Customs Agency for the temporary import of boats.

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

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

— 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 THE REPORTING PERIOD

In late January 2024, the Company signed an agreement for the acquisition of an additional 30,000 square meters adjacent to the San Vitale Shipyard, increasing the entire new production area in Ravenna to approximately 100,000 square meters to produce the made-to-measure, composite and sailboat segments of the Ferretti Yachts and Wally brands. This latest acquisition is equivalent to an investment of approximately €14 million already settled in 2023, and further increases the Group's production capacity by 10%.

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

On March 1, 2024, the Company announced its withdrawal from the reclamation and industrial conversion of the site of the former Belleli Yard in Taranto's port area. The Group remains committed to the strategy of verticalization of key production processes such as the internalization of part of the production of fiberglass hulls and superstructures, to which the Taranto area had been designated, thanks to other opportunities such as the recently purchased area in Ravenna to expand the shipyard and other areas near the Group's shipyards.

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 14, 2024.

"Annual General Meeting" or "AGM"	the annual general meeting of the Company to be held on Monday, April 22, 2024 and any adjournment thereof
"AMAS"	North America, Central America and South America
"APAC"	Asia-Pacific
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee" or "Controls, Risks and Related Parties Committee"	audit committee of the Company, which is also referred to as Controls, Risks, and Related Parties Committee pursuant to Italian law
"Board" or "Board of Directors"	the board of Directors
"Board of Statutory Auditors"	the board of statutory auditors of the Company
"Borsa Italiana"	Borsa Italiana S.p.A., a joint stock company (società per azioni) incorporated under the laws of Italy, with registered office at Piazza degli Affari 6, Milan, Italy, which is, inter alia, the market operator of Euronext Milan
"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 C1 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 annual report 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
"Civil Code"	the Royal Decree No. 262 of 16 March 1942, as amended from time to time
"CLFI" or "Consolidated Law of Financial Intermediation"	Legislative Decree No. 58 of 24 February 1998, as amended from time to time
"Code of Ethics"	the set of defined, recognised and agreed values that are established by the code of ethics of the Company to govern the conduct of directors, employees and all those who work with the business of the Company
"Companies Ordinance"	Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

Definitions

"Company", "our Company", "the Company", "Ferretti" or "Issuer"	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 dually listed on the Main Board of the Hong Kong Stock Exchange (Stock code: 9638) and the Euronext Milan (EXM: YACHT.MI)
"CONSOB"	Italian authority for the supervision of financial markets (Commissione Nazionale per le Società e la Borsa), with its registered office in Rome, at Via Giovanni Battista Martini 3, Italy
"Consolidated Financial Statements"	the financial statements of the Group audited by the auditor for the financial year ended December 31, 2023
"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
"Corporate Governance Committee"	the corporate governance committee for listed companies, promoted by Borsa Italiana, ABI, ANIA, Assogestioni, Assonime, and Confindustria
"Corporate Governance Report"	the report on corporate governance and structures, as required to be prepared and published pursuant to article 123-*bis*, CLFI
"Director(s)"	the director(s) of the Company
"Dual Listing"	the listing of the Shares on the Hong Kong Stock Exchange and Euronext Milan
"EBITDA"	earnings before interest, taxes, depreciation and amortization
"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
"Euronext Milan"	the Euronext Milan, organized and managed by Borsa Italiana
"First Trading Day"	June 27, 2023, the date on which trading in Shares began on Euronext Milan.
"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

"Group", "Ferretti Group", "we" or "us"	the Company and its subsidiaries
"HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Listing"	the public offering of the Shares on the Main Board of the Hong Kong Stock Exchange as defined and described in the Hong Kong Prospectus
"Hong Kong Prospectus"	the prospectus of the Company dated March 22, 2022 in relation to the Hong Kong Listing
"Hong Kong Stock Exchange" or "HKEX"	The Hong Kong Stock Exchange Limited
"IARMS"	the internal controls and risk management system of the Company
"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
"Italian Corporate Governance Code" or "Corporate Governance Code"	Italian corporate governance code enacted by the Corporate Governance Committee (Comitato di Corporate Governance) on January 2020
"Italian Listing"	the listing of the Shares on the Euronext Milan managed and organized by Borsa Italiana
"Italian Prospectus"	the prospectus of the Company approved by CONSOB on June 21, 2023 in relation to the Italian Listing
"Issuer's Regulations"	the implementing regulations of the CLFI regarding the duties and obligations of issuers that were adopted by CONSOB under its Resolution No. 11971 of 14 May 1999, as amended from time to time
"Listing Date"	March 31, 2022, the date on which the Shares were listed on the Hong Kong Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time

"Management Incentive Plan"	a management incentive plan approved on December 21, 2021, setting out incentives for the Group's senior management and other employees
"MAR" or "Market Abuse Regulation"	Regulation (EU) No 596/2014, as amended from time to time
"MEA"	Middle East and Africa
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules
"Nomination Committee"	nomination committee of the Company
"Remuneration Committee"	remuneration committee of the Company
"Remuneration Policy"	Section I of the Remuneration Report, which sets forth clearly and in a comprehensible manner (a) the Company's and the Group's policy on the remuneration of members of the Board, the ESRs, and, subject always to the terms of article 2402 of the Civil Code, the members of the Board of Statutory Auditors; and (b) the bodies involved, and the procedures used, in preparing, approving and revising that policy, and its term
"Remuneration Report"	the report on remuneration policy, and compensation paid, prepared pursuant to article 123-*ter*, CLFI, article 84-*quater* of the Issuers' Regulations, in accordance with Schedule 7-*bis* to those regulations, which is available, as the law requires, from the Company's registered office and its website at *www.ferrettigroup.com*, in the section *Corporate Governance*
"Reporting Period"	the year ended December 31, 2023
"RPT Procedure"	the procedure that governs transactions with related parties that are effected by the Company, or through subsidiaries, in accordance with the terms of the CONSOB Related Parties Rules, as approved on a preliminary basis by a meeting of the Board in 18 May 2023 and subsequently approved on 19 February 2024, following favourable review by the independent Directors
"RPT Rules"	the regulations on transactions with related parties 17221 of 12 March 2010, as amended from time to time
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shandong SASAC"	Stated-owned Assets Supervision and Administration Commission of Shandong Province
"Share(s)"	ordinary share(s) with no nominal value in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)

"Shareholders' Meeting"	the Shareholders' meeting of the Company
"Shareholder Engagement Policy"	the policy for managing engagement with Shareholders and other material stakeholders, as approved by the Board on 18 May 2023
"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
"SMEs"	small and medium-sized enterprises whose shares are listed, pursuant to article 1(1)(w-*quater*)(1) of the CLFI, and article 2-*ter* of the Issuers' Regulations
"Strategic Committee"	strategic committee of the Company
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules, unless the context otherwise requires
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Supervisory Board"	the supervisory board established by the Company pursuant to Legislative Decree 231/2001
"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
"2024 Remuneration Policy"	the Remuneration Policy for the 2024 financial year, as approved by a meeting of the Board on14 March 2024, at the proposal of the Remuneration Committee, and subject to approval from the Shareholders' Meeting called to resolve upon the financial statements of the Company as at and for the year ended 31 December 2023

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.*

CONTENTS

WELCOME MESSAGE FROM OUR CEO

2023 was an important year for the Ferretti Group. In June, Ferretti S.p.A. concluded the process for the dual listing becoming the first ever Company to be dual listed on the Hong Kong Stock Exchange and Euronext Milan. Our commitment to sustainability in front of a new and wider shareholder base allows us to further promote innovations centered on a more sustainable product portfolio to meet our current clients and future clients' desires and be responsible towards all the people with whom we interact, especially our people, that has always been the secret of our success.

Our people are the backbone of our Company. We are leader in the luxury yachting sector thanks to the daily work of our artisans; with this in mind, after the successful first edition of "Scuola dei Mestieri" in Forlì and later at the Mondolfo and Sarnico sites, we kicked off the second edition of the "Scuola dei Mestieri" in November 2023 in Forlì. The course combines theory and experience in the yard — in a program ranging from sessions in the classroom and workshop to on-the-job training in production departments — with the aim of creating real career opportunities in boatbuilding and keeping the immense value of craftsmanship in our family. As a reference we hired ca. 40 students in the Group.

We have been continuously investing in R&D to be at the forefront of industry innovation, to expand and renew our portfolio ahead of market trends, and to position ourselves as an "E-Luxury" yachting manufacturer with environmentally friendly and sustainable solutions. In addition to our increasing presence in the sailing segment with Wally, we made the most out of our know-how and experience launching "green" models across all our portfolio brands, such as the FSD N800 (the first hybrid model ever launched by the Group), the full electric Riva El-Iseo, available for sale in January 2024, wallytender43X and wallytender48X (featuring solar panels on the fly top to recharge batteries) and the Ferretti Yachts INFYNITO range (featuring solar panels on the fly top to recharge batteries and F.S.E.A. — Ferretti Sustainable Enhanced Architecture — a package of environment-friendly cruising solutions). We have also been working on forefront technologies through strategic partnerships with leading third-party manufacturers such as Rolls Royce, extending the agreement for the development of hybrid propulsion systems until the end of 2027. Moreover, our engineers put a great deal of efforts to develop two sustainable technical architectures with the most efficient implementation of Fuel Cell technology aboard CRN superyachts obtaining a special recognition by RINA (RINA is a multinational group specialized in ship classification, test, inspection, certification and engineering solutions in a wide range of sectors). RINA confirmed that the Sustainable Powered Yacht Project (SUP-Y) is sized appropriately for proper functioning and easy management and meets the regulatory requirements for safe implementation.

We have also been seeking innovative solutions involving the use of alternative eco-friendly materials to create lighter yachts without compromising on quality and durability. This innovation will allow us to optimize fuel consumption which will reduce pollutant emissions. These new materials also include antifouling paints, water-based coatings and certain types of fibers that have significant environmental benefits. All our shipyards are adjusted to the ISO 14001:2015 environmental certification, introducing innovative solutions and increasingly proficient solar panels that help us to reduce both energy consumption and emissions.

Our path towards becoming a sustainable leader in the luxury yachting sector would not be possible without our corporate governance structures and, in particular, the ESG Committee. The ESG Committee is responsible for supporting the Board on all matters regarding the ESG policies and strategies and for reviewing and assessing our sustainability performance, allowing us to create value for all our stakeholders.

It is, therefore, a source of pride for us to share with our stakeholders our accomplishments in Sustainability thanks to our passion, creativity and state-of-the-art-capabilities. Our direction is clear, and we will continue to pave the way while delivering value to all our stakeholders.

Alberto Galassi
CEO of the Ferretti Group

1. FERRETTI GROUP: LEADING LUXURY YACHTING WORLDWIDE

1.1 Our history: from 1968 to today

Riva	CRN	Ferretti Yachts	Itama	Pershing	Wally	Custom Line
1842	1963	1968	1969	1985	1994	1996
The most iconic brand in the history of yachting	World-leading expertise in the design and construction of fully-custom and bespoke superyachts and megayachts in metal up to 90 metres	The brand that built the Group, one yacht at a time	Sporty open yachts with unique elegance	The pioneer in high-performance luxury yachts	The brand that inspired the modern yachting philosophy and which introduced carbon fibre to the luxury yacht	Timeless high-end superyachts with custom interiors, cutting-edge technology, ingenious functional solutions and unmistakable design

Ferretti Group is a world leader in the design, construction and sale of luxury yachts and pleasure vessels and has been synonymous with luxury, innovation, passion and excellence for over fifty years.

The Group possesses a unique portfolio of prestigious, exclusive brands, such as Ferretti Yachts, Pershing, Itama, CRN, Custom Line, Wally and Riva, famous for its Italian craftsmanship and design for more than 180 years.

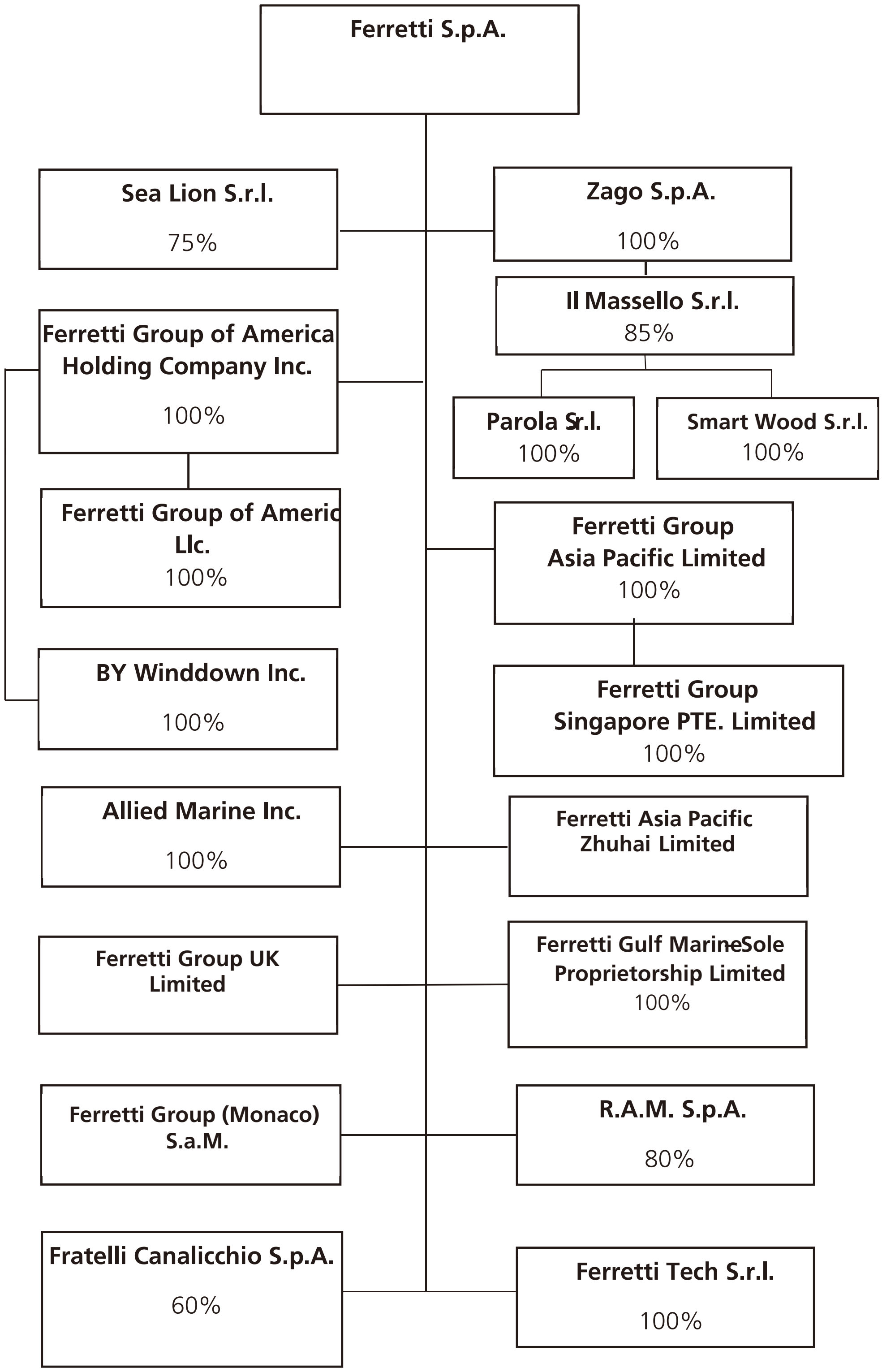
Today, Ferretti Group still maintains strong ties to Italy's centuries-old yachting tradition and is well-known for its distinctive Italian style, along with production facilities that are on the industrial cutting edge and a wide range of motor and sail yachts considered as the finest expression of Italian-made elegance and creative genius.

Ferretti Group serves clients in more than 70 countries worldwide through a direct presence in Europe, Asia and the USA and a strong network of meticulously selected dealers. The Group's fleet has long stood out for its exceptional quality and exclusive design, its futuristic technology and uncompromising safety, its timeless allure and supreme performance on the water.

1.2 Ferretti Group Profile

Italy is world famous for its excellence in the yachting and luxury sectors, and the Ferretti Group is considered a truly iconic brand. The secret to the Group's success lies in its concrete foundations, in addition to a few key characteristics that have contributed to its identity over the decades.

GROUP STRUCTURE



- An experienced and passionate *management team* with an impressive track record
- Ambitious *shareholders* who support the Group's long-term growth
- Various *market segments* that mitigate the cyclical and seasonal nature of the Group's core business
- A *multi-brand structure* that allows the unique features of each brand to stand out
- A *production management approach* that optimises the impact on working capital
- A *sales strategy* that emphasises direct relationships with customers, using dealers and brokers as intermediaries while launching a large number of new products on the market each year
- A close relationship with *Made in Italy excellence and Italy's maritime district*

PRODUCTS AND SERVICES

The Ferretti Group specialises in the design and construction of yachts measuring from 8 to 95 metres in length. The product portfolio satisfies a broad customer base, featuring brands and models that vary in type, length, performance, design, materials, and level of customisation.

The Group's seven boat brands can be divided into three categories according to their key features:

— **Composite Yachts:** This category includes vessels up to a maximum of 30 metres (100 feet) in length. Yachts in this category have composite hulls made from fibreglass or carbon fibre, and feature a standard set of accessories, materials, and decorative elements that owners can configure according to their preferences; given their intrinsic characteristics, yachts in this category follow a "one-piece flow" production process and have the fastest delivery times of the three categories.

— **Made-To-Measure Yachts:** This category includes vessels that are almost entirely made-to-measure and range from 30 to 43 metres (100–140 feet) in length. Yachts in this category have composite hulls made from fibreglass or carbon fibre, but unlike our Composite Yachts, they offer many more options for customisation: the interior layout, furnishings, and accessories can be almost completely tailored to customer needs, while the hulls are predefined depending on the model, thus benefiting from the production advantages of our Composite Yachts.

— **Super Yachts:** Our Super Yacht range includes vessels with alloy hulls that measure up to 95 metres in length (311 feet). This category is further subdivided into two model types: fully custom yachts, which are unique and designed to meet customer needs both inside and out, and branded super yachts flagship models with fully customizable interiors but reflecting the distinctive exterior design of the respective Riva, Pershing and Custom Line brands as well as sailing super yachts under Wally brand. Given their distinctive nature, the production process takes longer and strictly depends on the design complexity. All three yacht categories have differing construction and delivery times. In fact, our bigger boats offer more scope for customisation and as such often require longer build times. Our yacht selling methods also vary according to size.

	COMPOSITE YACHTS 8–30m	MADE-TO-MEASURE YACHTS 30–43m	SUPER YACHTS Up to 95m
Level of personalisation	List of predefined options to choose from (e.g., colours, fabrics, etc.)	Layout and interior details	Hull and exterior and interior design
Build time	2–8 months	7–15 months	28–48 months
Sales Channel	Dealer	Dealer & Broker	Broker
Fibreglass hull			Metal hull

In addition to constructing and selling yachts — the Group's core business — Ferretti Group is also engaged in:

— Conception, design, and manufacture of wooden interior furnishings and kinetics systems

— The design and construction of boats for supervising and patrolling international, regional and coastal waters through the FSD Division (Ferretti Security Division)

— Aftersales and refitting services

— Brand extension activities aimed at engaging more customers

— Brokerage, chartering and management services

The growth in revenues deriving from these activities — which help support the Group's key business — is an important strategic strength as it mitigates the cyclical and seasonal nature of the Group's core business.

- >70 countries
- 7 Production sites (shipyards)
- 3 Production facilities (Zago S.p.A., Il Massello S.r.l. and Fratelli Canalicchio S.p.A.)
- 1 Restoration facility (R.A.M. S.p.A.)
- 1 Naval refitting site (Fort Lauderdale)
- 7 offices
- 1,971 employees globally

PRODUCTION SITES	TOTAL SURFACE AREA[1]	COVERED SURFACE AREA[1]	CERTIFICATIONS[2]	PRODUCTS MADE
FORLÌ	51,524m^2	24,163m^2	ISO 9001:2015 ISO 14001:2015	Ferretti Yachts (from 50 to 72 feet) Itama (62 feet) Sailing Yachts, wallytender43 and 43X, wallytender48 and 48X, wallypower50 and 50X, 58 and 58X and wallywhy100
CATTOLICA	12,212m^2	6,757m^2	ISO 9001:2015 ISO 14001:2015	Ferretti Yachts (from 75 to 100 feet)
MONDOLFO	83,377m^2	25,788m^2	ISO 9001:2015 ISO 14001:2015	Pershing (from 50 to 116 feet) Itama (45 and 75 feet) wallywhy150 and 200
ANCONA	76,945m^2	32,704m^2	ISO 9001:2015 (excluding SYD) ISO 14001:2015	CRN and Riva SuperYachts Division (from 164 feet) Custom Line (from 164 feet), Pershing (from 140 feet)
SARNICO	43,378m^2	16,986m^2	ISO 9001:2015 ISO 14001:2015	Riva from 27 to 68 feet
LA SPEZIA	39,025m^2	20,459m^2	ISO 9001:2015 ISO 14001:2015	Riva from 75 to 130 feet

OTHER FACILITIES	TOTAL SURFACE AREA	COVERED SURFACE AREA	CERTIFICATIONS	PRODUCTS MADE
SCORZÈ (VE), ZAGO SPA	17,600m^2	11,000m^2	ISO 9001:2015	Interiors and furnishings
SARNICO (BG), R.A.M. SPA	8,800m^2	3,800m^2	ISO 9001:2015	Boat restoration
PIAN DI ROSE (PU), IL MASSELLO SRL	9,130m^2	5,530m^2	/	Interiors and furnishings
NARNI (TR), F.LLI CANALICCHIO SPA	22,700m^2	8,900m^2	ISO 9001:2015	Interiors and furnishings
FORT LAUDERDALE (FL, US)	5,809m^2	4,708m^2	/	Naval Refitting

1 Surface as of 31/12/2023

2 An ISO 9001:2015 certification attest compliance with the best standards for business processes that impact product and service quality and, ultimately, customer satisfaction. ISO 14001:2015 is an international standard specifying requirements for an effective environmental management system. For more information on quality and environmental management system certifications, please refer to chapters 4 and 5.

1.3 Our journey and our values

Imagine for a moment that the Ferretti Group is a robust, well-built yacht that has been sailing around the world for over 180 years, led by a crew of 1,971 people. Passion and people are our engine, innovation is our fuel, and excellence, authenticity and luxury are all key destinations along our route.

The passion for creating and appreciating greatness is what drives both us and our customers. It's a passion that begins at sea and is expressed in a range of different components. And it's a key element around which navigation, design, luxury and technology revolve. Our employees feel this same passion and it manifests itself as a sense of pride in our unique yachts that will sail the seas for decades to come. This passion, in all its forms, is the driving force behind the innovative, safe and high-performance yachts we have been building for over 180 years.

Innovation continues to fuel our dream of building magnificent yachts that leave onlookers speechless and boat enthusiasts eager to know more. Our innovation is contagious, permeating through our employees, products, processes, designs and the most advanced technology on the market. For Ferretti Group, innovation means creating a stream of new models that are faithful to the history and heritage of each brand but have their sights on the future. We owe our success to substantial investments and the right infrastructure and facilities, and in fact our broad portfolio only exists because of the teamwork, cutting-edge design, innovative materials, modern machinery and scrupulous craftsmanship at the heart of Made in Italy excellence.

Quality, uniqueness and exclusivity are our core values and they have always charted the course ahead for us, one that takes Ferretti Group in a clear direction, setting us apart from the crowd and forging our unique identity over the years. For us, quality rhymes with responsibility. Managing and growing some of the world's most exclusive and prestigious yacht brands is a source of immense pride for us, but it also fills us with a sense of responsibility and makes sure we are never tempted to compromise. Ferretti Group is a true leader in its field and well known for combining craftsmanship with expertise and innovation, and we owe it all to our culture of excellence. Uniqueness is also about letting our brands push the boundaries and shape the future of our market, without ever losing sight of our roots. Exclusivity in luxury is the ability to evolve the heritage of our industry, our country and our business culture while preserving its authenticity. The Group brings all these elements together to pursue continuous growth driven by an integrated business model and strong central coordination, while always remembering that sustainability is key to that growth.

Vision

Our vision is to set the trends of tomorrow in the luxury yachting world, to be a beacon for the entire industry, to inspire excitement, dreams and desire, in a relentless pursuit of quality, innovation and distinction. Ferretti Group aspires to be the world's most influential luxury yachting group through our technology, sustainability and economic achievements.

Mission

Our mission is to deliver exceptional yachting experiences to customers worldwide. We set the standard for quality, sophistication and client care, backed by a drive for exclusive design, impeccable performance and cutting-edge technology. Ferretti Group is the ideal choice for those wishing to experience excellence at sea in supreme comfort and total safety.

1.4 Group governance

Shareholders and Governance bodies

On March 31st 2022 Ferretti S.p.A. listed on the Hong Kong Stock Exchange.

On June 27th 2023 Ferretti S.p.A. listed on Euronext Milan thereby becoming the first company to be dual listed on the Hong Kong Stock Exchange and Euronext Milan.

Ferretti S.p.A., is a joint stock company, registered with the Companies Register of Romagna (Forlì Cesena and Rimini).

Ferretti S.p.A. has its registered office in via Irma Bandiera 62, Cattolica (RN), while its administrative office is located in Via Giovanni Ansaldo 7, Forlì.

The governance is structured according to the traditional administration and control model and consists of the following corporate bodies:

- the **Shareholders' Meeting**
- the **Board of Directors**, within which a Chairman, a Chief Executive Officer and a Honorary Chairman are appointed.
- the **Board of Statutory Auditor**s, within which a Chairman, two effective auditors and two alternate auditors are nominated.

On December 31, 2023, the Board of Directors comprised the following nine members:

ROLE	NAME	DATE OF APPOINTMENT
Chairman and Non-Executive Director	Xuguang Tan	July 3, 2012
Chief Executive Officer and Executive Director	Alberto Galassi	October 23, 2013
Honorary Chairman and Non-Executive Director	Piero Ferrari	June 16, 2016
Executive Director	Xinyu Xu	July 6, 2012
Non-Executive Director	Xinghao Li	March 6, 2020
Non-Executive Independent Director	Fengmao Hua	December 21, 2021
Non-Executive Independent Director	Stefano Domenicali	December 21, 2021
Non-Executive Independent Director	Patrick Sun	December 21, 2021
Non-Executive Director	Jiang Lan	May 18, 2023

The breakdown of members by gender and age is as follows:

GENDER AGE GROUP	30–50	50–60	Over 60	TOTAL
Male	1	4	3	8
Female	0	1	0	1
Total	1	5	3	9

The **Board of Statutory Auditors** provides oversight on compliance with law and the company By-Laws, on compliance with the principles of correct administration and in particular on the adequacy of the company's organisational, administrative and accounting structure.

- Chairman: Luigi Capitani
- Effective Auditor: Luca Nicodemi
- Effective Auditor: Giuseppina Manzo
- Alternate Auditor: Tiziana Vallone
- Alternate Auditor: Federica Marone

The Company also established the Supervisory Body, appointed by the Board of Directors on July 31, 2019, and in office from September 1, 2019, which, as at the reporting date, is composed as follows:

- Chairman: Paolo Beatrizzotti
- Member: Monica Alberti
- Member: Luigi Bergamini

Within the Board of Directors, the Company established four committees:

- Audit Committee
- Remuneration Committee
- Nomination Committee
- ESG Committee

The **Audit Committee** comprises four Directors: Patrick Sun (Chairman), Stefano Domenicali, Hua Fengmao, and Li Xinghao. This committee is responsible for reviewing and overseeing the Group's financial reporting process and internal control system and supports the Board of Directors' assessments and decisions relating to the internal control and risk management system and the approval of periodic financial reports.

The **Remuneration Committee** comprises five Directors: Stefano Domenicali (Chairman), Patrick Sun, Hua Fengmao, Piero Ferrari, and Xu Xinyu. The Remuneration Committee is responsible for evaluating the remuneration polices for directors and senior management of the Company and making recommendations thereon to the Board of Directors. The establishment of the Remuneration Committee ensures extensive information and transparency on the remunerations due to the directors and senior management of the Company, as well as on the way such remunerations are determined.

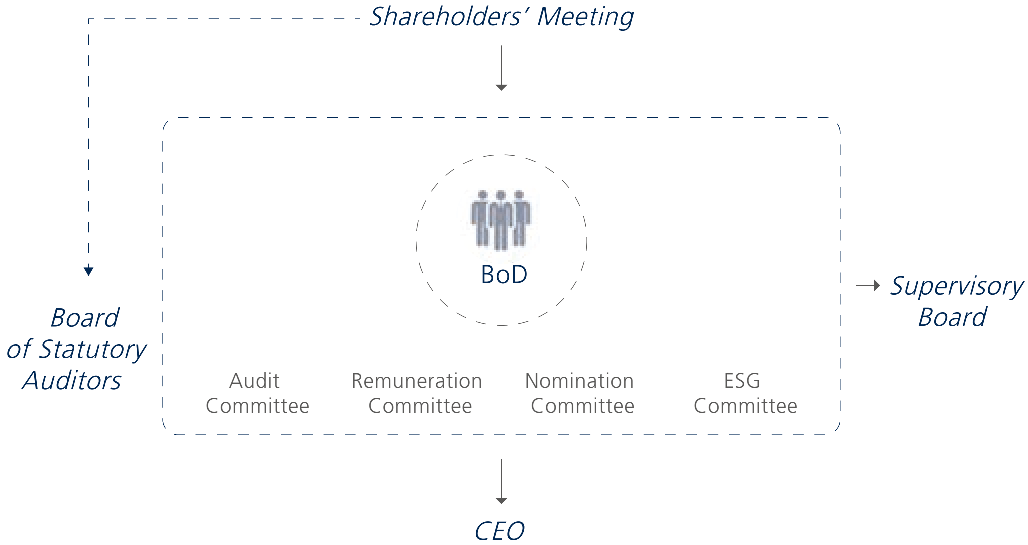
The Remuneration Committee is in charge of, and supports the Board of Directors in:

- the development of the remuneration policy;
- submitting proposals or delivering opinions on the remuneration of executive directors and other directors holding special offices, as well the setting of performance objectives related to the variable component of such remuneration;
- submitting proposals for the establishment of a transparent procedure for the development of the remuneration policy and monitoring the implementation of the policy;
- verifying the consistency of the remuneration paid with the principles and criteria defined in the policy;
- monitoring on an annual basis, or with the different frequency established by the Board of Directors, the actual application of the policy, in accordance with the modalities set forth in the procedure, verifying, in particular, the actual achievement of the performance objectives related to the variable component of the remuneration of executive directors or other directors who hold special offices;
- evaluating periodically the adequacy and overall consistency of the policy of directors and top management.

The **Nomination Committee** comprises five Directors: Tan Xuguang (Chairman), Patrick Sun, Stefano Domenicali, Hua Fengmao, and Alberto Galassi. The Nomination Committee is responsible for identifying, screening and recommending qualified candidates to serve as Directors on the Board.

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, 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. In identifying and selecting suitable candidates for directorships, the Nomination Committee considers the relevant criteria of director nomination as formulated by the Company that are necessary to complement the corporate strategy and achieve board diversity, where appropriate, before making recommendation to the Board.

The **ESG Committee** comprises five Directors: Tan Xuguang (Chairman), Piero Ferrari, Xu Xinyu, Alberto Galassi, and Hua Fengmao. The ESG Committee is mainly responsible for supporting the Board in formulating ESG policies and strategies, monitoring ESG issues, reviewing and evaluating sustainability performance, setting metrics and targets, making recommendations to the Board, and overseeing the ESG reporting process through the review and approval of the Sustainability Report.



Remuneration of the Board of Directors

The Remuneration Committee is the only responsible for the determination, review and approval of the Directors' remuneration, following the principles of meritocracy and equity.

The remuneration of the members of the Board of Directors is formulated in such a way as to attract and motivate the best professionalism and skills for the better exercise of their respective offices and the achievement of the purposes of the Remuneration Policy.

All directors will be paid at a fixed rate to ensure adequate remuneration for the activities and commitment of the directors in favour of the Company. There is no further compensation for participation in the internal board committees.

Non-executive directors

Non-executive directors, whether or not they are independent directors, are entitled to a fixed remuneration determined by the Shareholders' Meeting pursuant to Article 2389 of the Italian Civil Code, as well as reimbursement of expenses incurred for official reasons.

Executive Directors

The remuneration of the Executive Directors is appropriately balanced in order to effectively contribute to the corporate strategy, the pursuit of long-term interests and the sustainability of the Company.

In particular, the remuneration structure of the Chief Executive Officer consists of:

- a fixed component: this component is determined taking into account the size and strategic nature of the role held, the distinctive subjective characteristics and strategic skills possessed by the Chief Executive Officer. For the sake of completeness, it should be noted that a portion of the fixed component is represented by the consideration paid by the Company for the non-compete obligation assumed pursuant to the directorship agreement signed between the Company and Mr. Alberto Galassi on 8 March 2023;

- a short-term variable component: this component pursues the objective of incentivizing the Chief Executive Officer to work towards the achievement of annual objectives in order to maximize the value of the Group, in line with the interests of shareholders and other stakeholders.

- a medium-long term variable component: this component pursues the objective of encouraging the Executive Directors to operate with a view to maximizing the value of the Group and to align the interests of these directors with those of shareholders and other stakeholders, according to a medium-long term logic and sustainable development.

- Fringe benefits: these consist of the provision of goods and/or services assigned in accordance with market practice and in compliance with current legislation.

As of 2023, there are neither MBOs nor other incentives related to the socio-environmental performance of the Board of Directors or other employees.

In line with the GRI standards, during 2023, the ratio of the annual total compensation for the highest-paid individual to the median annual total compensation for all employees is 130.40. The ratio of the percentage increase in annual total compensation for the highest-paid individual to the median percentage increase in annual total compensation for all employees is 0.85. For the purposes of this calculation, the following items were considered: fixed and variable pay, performance-based retribution, and bonuses.

ANNUAL TOTAL COMPENSATION RATIO[3]

Year	Annual compensation Ratio	Change in the Annual Total Compensation Ratio
2021	94.21	13.44
2022	129.26	7.43
2023	130.40	0.85

ORGANISATION MODEL AND CODE OF ETHICS PURSUANT TO LEGISLATIVE DECREE No. 231/2001

The Code of Ethics is a key document that defines the Company's approach to business ethics and the principles that guide its culture and identity.

The document, published on the Group's website, contains both our moral vision as a Group — which focuses on maintaining and developing stakeholder trust — and a list of core values that guide the Ferretti Group, such as honesty, fairness, transparency, equity and reciprocity. The Code of Ethics features specific sections on topics that are particularly important to the Group, such as workplace safety and customer privacy. The Code of Ethics therefore applies to the entire Group, it is shared with its clients and suppliers and informally extended to all stakeholders, in the hope that the Group's moral and ethical values can be expanded well beyond its physical limits.

When drafting the Code of Ethics, the Group took into consideration also all of the activities that help prevent the crimes (i.e. reati presupposto) that all Italian companies are obliged to prevent pursuant to Legislative Decree No. 231 of June 8, 2001. As such, the Code of Ethics constitutes a fundamental element of the Organisation, Management and Control Model adopted by the Ferretti Group. Defining the 231 Model involved carrying out an initial assessment of the Group's pre-existing organisational model in order to identify areas and activities that could pose a risk of crime, as envisaged by the Decree. We then defined control protocols for any important activities we had previously identified, in order to align our control principles with the Legislative Decree in question.

The Ferretti Group approved the 231 Model in 2019, bringing it into force and publishing it on the Group's website from that date onwards. The latest updated version of the Model was approved on December 6, 2022. Ferretti Group also established a Supervisory Board, which was assigned certain tasks included in the model. The company also undertakes to constantly update the Model, adding new crimes to the Special Section. To this aim, the Company adopted a Custom Compliance Program and Internal Compliance Program related to export control crimes and activities, in order to avoid commercial relationship with listed subjects and/or listed territories.

[3] In relation to 2021 and 2022 data, the remuneration ratios reported in the table do not include figures for R.A.M. S.p.A., Il Massello S.r.l. and F.lli Canalicchio S.p.A.

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 231 Model, which has been finalized and approved in the last quarter of 2022. In 2023 the Supervisory Board during its audit activities provided a training session, also including all the provisions regarding anti-corruption and anti-bribery. In 2023 two training sessions were provided, for a total amount of 2h in Ancona, Forlì and Cattolica sites. The Company is evaluating the adoption of a specific online course addressed to all the Company's employees.

As a Group, we have been actively engaged in preventing the risk of bribery and corruption and money laundering, and above all, we strive to promote integrity and precision at all levels of the organisation and in every country in which we operate. In addition to affecting trust and respectful competition between market operators, behaviour that goes against the principles of fairness and integrity risks undermining the very foundations of the Ferretti Group, which has championed morality and excellence for more than fifty years. 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 Ferretti Security Division, 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 Code of Ethics and the Organisational and Management Model for the prevention of crimes pursuant to Legislative Decree No. 231/2001. The Group also 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.

Finally, we can confirm that there were no episodes of bribery, corruption or other critical concerns involving the companies of the Group in the period from 2021 to 2023.

Ferretti 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, as stated in its Code of Ethics, Ferretti Group 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. No issues or concerns regarding child labour and compulsory labour from suppliers have been identified by the Group along the 2021–2023 reporting period.

According to the Code of Ethics, every act or behaviour that could lead, even potentially, to conflicts of interests with the Group's business or to make biased and impartial decisions, should be avoided. In such situations, actual or potential, all employees are asked to notify the risk of conflicts of interest to the Supervisory Board. Similarly, 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. To this end, specific clauses are set up in the individual contracts with suppliers.

Violations of the general principles of the Code of Ethics involve sanctioning mechanisms based on the type of violation committed, aimed at reaffirming the significance of adhering to the principles within the Group.

These mechanisms of sanctions are designed to address different types of violations and serve as a means of accountability. By implementing appropriate consequences, the Group emphasizes the importance of upholding the ethical principles that guide its actions. Ferretti Group has also adopted a dedicated policy to manage Whistleblowing Reports, in compliance with the Legislative Decree 24/2023. Furthermore, 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 Board has the task of managing the Reports and treats the reports as confidential and adopts appropriate verification procedures to protect both the Whistle-blower's privacy and the reported persons' identity and integrity.

The group has not yet implemented specific policy commitments outside certification requirements; however, it is actively engaged in enhancing its corporate governance framework to establish efficient and tailored mechanisms that align with its organizational structure. The organization recognizes the importance of robust governance practices and is diligently working towards implementing effective tools and frameworks to ensure responsible decision-making and operational excellence. By proactively addressing governance matters, the group aims to establish a solid foundation for sustainable growth and stakeholder trust.

2. OUR BUSINESS MODEL: FROM MADE IN ITALY EXCELLENCE TO EVOLUTION IN THE NAME OF INNOVATION

2.1 The Ferretti Group model: when industrial innovation meets true craftsmanship

Being a cutting-edge entity and leader in the luxury yachting market is all about embracing the two distinct qualities that allow us to manufacture yachts that fulfil our customers' wishes: industrial innovation and craftsmanship. In fact, industrial innovation is all about improving the efficiency of our serial production process year upon year, while craftsmanship allows us to offer excellent scope for personalisation and to produce some truly unique products. In many cases, the yachts we manufacture are one-of a-kind prototypes, boasting exclusive features developed in collaboration with our customers.

In keeping with our dual spirit, the Ferretti Group model sees our yachts pass through a production line in which all components are assembled, starting from the hull, through to the engines, machineries, electrical and hydraulic systems and finally, the furnishings and fittings, depending on the type of yacht we are producing and the customer's personal preferences. The Group coordinates the entire process, managing the project as a whole and directly overseeing the design, selection and procurement of raw materials and components, ready for production. The industrial aspect is evident in the planning, programming and control of the progress of each activity, while the artisan soul is left to the execution of the activity.

The Ferretti Group model helps us guide customers, studying ad hoc feasibility for them, through decision-making processes while gifting us with a strong understanding of market demand. This allows us to anticipate new trends while maintaining a strong bond with our suppliers, with whom we continuously explore cutting edge solutions.

The new product development process

Over the years, we have developed and perfected our New Product Development Process, which allows us to alter and restyle existing products, as well as to carry out in-house modifications on products with pre-set specifications.

By defining and applying this process, we are able to guarantee consistency with the Ferretti Group's strategy and values when developing new products. The process also allows us to pursue specific objectives with regard to time-to-market, quality, costs, profitability and the maximum exploitation of brand partnerships.

The Process cuts across various company departments to ensure that each step — from pre-development to prototype creation — is fully developed and implemented using the appropriate skills.

The process begins with the completion of market analysis by the product marketing department to establish the macro-requirements for the new yacht model to be developed. This step is followed by a preliminary feasibility study on the amount of investment required, which determines whether development of the new model will continue. The technical features and architecture of the new model are then developed by the Operative Product Committee (OPC), which is assisted by external naval architects and designers, and our technical team. Subsequently, the members of the SPC (Strategic Product Committee) proceed with the final approval of the concept, conducting an economic assessment of the investment required to develop the model.

Strategic Product Committee

SPC

The **Strategic Product Committee** supervises meetings to define product ranges, overseeing requirements and time-to-market, and reviews each product before it is formally approved.

Operational Product Committee

OPC

The **Operational Product Committee**, on the other hand, reviews projects from a technical and architectural perspective, in order to guarantee their optimisation in terms of human resources and implementation times.

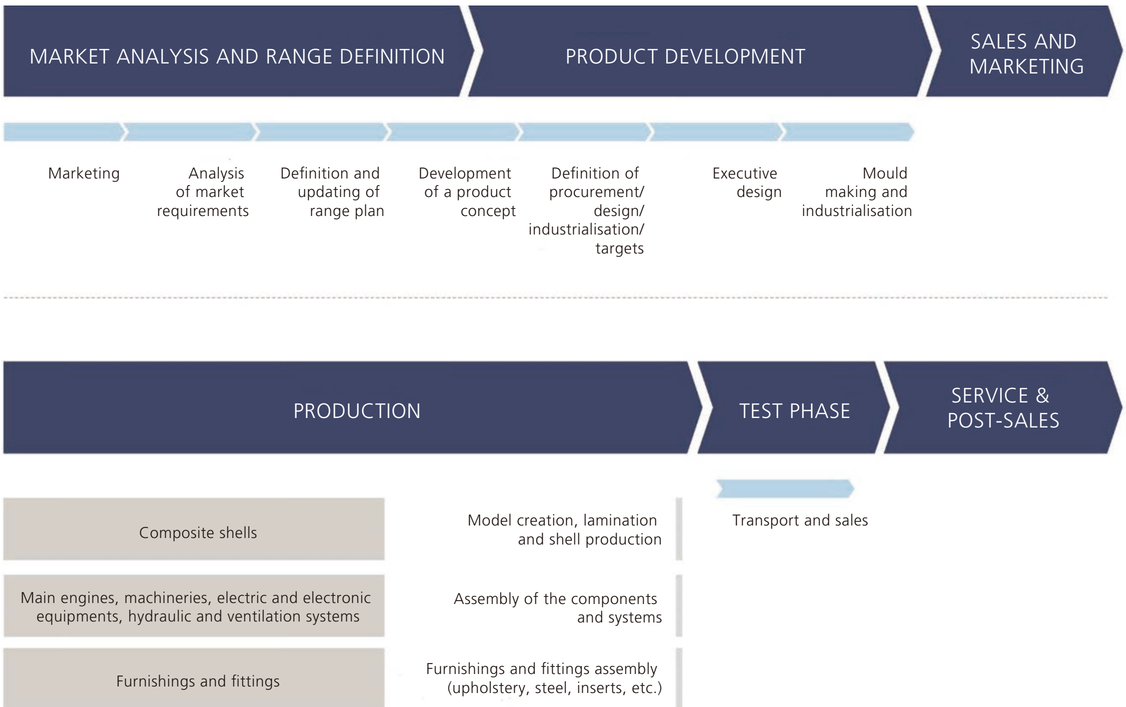
Both **Committees** work according to a process with several phases; the decision-making process is only undertaken when work at every stage of the project has been addressed and implemented correctly. This ensures that every new model is in line with the Group's strategy and targets.

The Committee monitors the development of the prototype and the final design, keeping track of the costs and time taken to complete the process. Once the first product has been built and tested, and the industrialisation costs have been defined, a final meeting is convened to determine the adherence to the approved values and any actions.

The Ferretti Group is equipped with a team of internal and external professionals who work together to define the layout for new models. As previously mentioned, our in-house design team collaborates with external naval architects and designers to research styles and define new product lines. Our engineering department (in cooperation with project managers and project architects) is responsible for defining the technical layout of new models. Along with the technical departments and project management department, they are tasked with performing operational analysis, monitoring product development, and conducting ongoing checks to satisfy the finance department, which evaluates and ensures that all new products meet financial margins and targets, as an independent collaborator in the process.

Below is a diagram that demonstrates how the Group's product development and production model works:

Product development process



2.2 Seven souls, one heart: our brands

The Ferretti Group seeks to enhance the value of its brands in order to preserve their unique identities and distinctive features while also making use of the Group's central structure.

The histories of our brands have crossed paths several times over the past few decades and continue to do so, through partnerships, the sharing of ideas, projects and new horizons. As such, we are proud to tell seven different stories with one shared dream: to package together the best yachts in the world.

CENTRALIZED FUNCTIONS
at Group level to leverage industrial efficiencies

HIGH-VALUE ADDED FUNCTIONS

R&D | PROCUREMENT | MANUFACTURING

CORPORATE FUNCTIONS

HR | INVESTOR RELATIONS | FINANCE | LEGAL | IT

DECENTRALIZED ACTIVITIES
at Brand level to nurture each Brand's DNA and target all customer segments

WALLY | FERRETTI YACHTS | PERSHING | itama | Riva | CRN | CUSTOM LINE

MARKETING | DESIGN | SALES

BUSINESS MODEL DESIGNED TO
promote Brand distinctiveness while capturing synergies

2.3 Customer relations

The Ferretti Group has always been fully committed to transferring its product excellence to the services it offers, ensuring that it does so in ever more structured, systematic ways, and providing continuity in its customer relations. In fact, a wide range of after-sales services are available to owners, designed exclusively for customers and customised for the various yachts.

The Group has consistently invested significant resources in building the loyalty of existing customers and in attracting new customers, leveraging the original features and appeal of its brands, business growth, diversification in terms of product models, the organisation of events and participation at international trade fairs. Over the years, this has not only increased the number of new customers, but also the percentage of loyal customers. These results have also been possible thanks to the robust relationships the Group has built and reinforced over time, and to the exclusive events and unique luxury environment that Ferretti Group creates for its customers, all while respecting the basic requirements of confidentiality and privacy.

The Ferretti Group traditionally operates in a market featuring an extremely select customer base of high-net-worth individuals who are particularly sensitive to issues surrounding confidentiality. The Group therefore pays close attention to the issue of privacy, not simply to remain compliant with the European Personal Data Protection Regulation (GDPR[4]), but also to protect its clients and guarantee maximum confidentiality and security in the processing of their data. In doing so, it confirms the solid reputation that the Group has created over the years. In 2023, there were no reports of customer privacy violations. The Group's privacy policy is available at https://www.ferrettigroup.com/en-us/Legal-notice

Customer Care & Satisfaction

The commercial strategy optimises the use of dealers, brokers and the direct customer relationship so as to receive the direct input of the market, tap into trends and developments and boost existing customer loyalty.

For large yachts (over 30 metres), over the years the Group has expanded its global broker network to ensure a stronger foothold on particularly key markets. The Ferretti Group has also improved its internal sales structure by supporting the network with direct sales outlets (Milan, Monaco, Majorca, Fort Lauderdale, Palm Beach, Shanghai and Hong Kong).

Commercial strategies according to yacht size

<30 meters	>30 meters
Sales through dealers (55 dealers active in 71 countries around the world)	Sales through brokers (over 279 worldwide) and other Group direct sellers

4 Regulation (EU) 2016/679 on the protection of individuals with regard to the processing of personal data and on the free movement of such data.

In addition, every customer enjoys an exclusive relationship with the shipyard and the international service network, navigating safely with a team of experts ready to support them at all times and wherever they are. The range of services includes a hotline to address technical issues in real time, a network of spare parts warehouses (After Sales Ferretti Group) and training initiatives for service network professionals (Service University) and commanders (Convergence).

Leveraging the synergy of the entire Group and its international network can therefore guarantee customers the best possible navigation experience.

Excellent customer service has always been a Ferretti Group priority and has a single focus: to guarantee the owner, at all times, the pleasure of experiencing the sea in absolute peace of mind and safety. The owner's initial technical training is carried out dockside and includes an accompanying service for the yacht's maiden voyage. After delivery of the yacht, the Dealer and Service Point play key roles. The Service University — the refresher and professional training school for after-sales staff — emerged from this vision. It provides a wide range of training, updated annually and improved with new content to support a broad spectrum of skills: from managerial to customer satisfaction and to technical, commercial and operational expertise.

Thanks to the ever-growing ability to respond to the development demands of the various entities involved, as evident in the increasing number of participants, the Service University is today a central hub and an unmissable opportunity for all Ferretti Group Dealers and Service Points.

The Group also benefits from state-of-the-art CRM (customer relationship management) teams and processes, able to collect, aggregate and process data and information on current and potential customers. Throughout every phase of the customer journey, specific CRM activities are planned and developed — particularly to identify potential new customers and expand the customer base.

In this sense, customer surveys conducted over recent years have revealed an ever-increasing focus on performance and consumption, combined with comfort and ergonomics.

Finally, the Group promotes mutual growth and training through Convergence, an event that brings together captains from all over the world with the goal of strengthening the link between the Group and the sailing community. The event was launched for the first time in 2003, with attendance in recent years reaching in excess of 100 people. Captains discuss at the event technical and non-technical aspects related to the complex daily management of motor yachts. Convergence is a training opportunity, but also an opportunity for both the Group and attendees to build solid relationships — based on trust and mutual cooperation — to ensure the profitable professional growth of the entire sector.

A high-level commitment to the resale of superior quality yachts

The Ferretti Group also offers its customers the opportunity to buy and sell pre-owned yachts, carefully selecting these yachts and guaranteeing potential new owners of pre-owned yachts an easy, safe purchasing experience. The pre-owned segment also operates through a dedicated online platform.

2.4 Value creation: figures and achievements

In 2023, the Ferretti Group generated more than Euro 1 billion in total economic value. The Group's net revenue increased by approximately 10.1% from approximately €1,030.1 million for the year ended December 31, 2022 to approximately €1,134.5 million for the Reporting Period. Of the economic value generated, the economic value distributed to the various stakeholders, including suppliers (operating costs), employees, capital providers, the Public Sector, shareholders and the local community, represents approximately 88% of the total, as shown below:

(in Euro thousands)[5]	%	**2023**	%	2022	%	2021
Economic value generated	100%	**1,316,894**	100.0%	1,115,592	100.0%	908,092
Economic value distributed	88.3%	**1,162,792**	87.8%	1,030,099	89.4%	811,875
Operating costs	74.55%	**981,708**	82.3%	834,017	75.1%	681,972
Value distributed to employees	9.9%	**130,727**	12.7%	128,810	12.4%	112,417
Value distributed to providers of capital	0.3%	**4,139**	0.4%	4,452	0.7%	5,940
Value distributed to shareholders	2.5%	**32,833**	2.0%	19,903	0.7%	6,707
Other	1%	**13,385**	2.6%	7,120	0.5%	4,839
Economic value retained	11.7%	**154,140**	12.2%	140,186	10.6%	96,217

5 The correlation between the items in the table (per GRI 201-1) and the items reported in the Group's income statement (in brackets) is shown below.

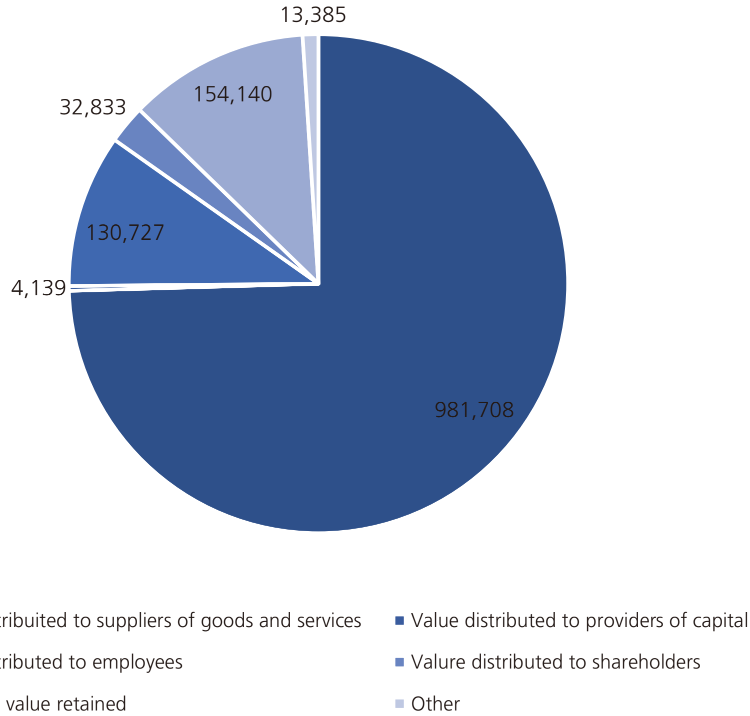
"**Economic value generated**" comprises "Value of production" ("**Revenues from contracts with customers**"), "Other financial income" ("**Other revenues and income**", "**Financial income**", and "**Change in inventories**") and "Increase in internal work capitalised" ("**Increase in internal work capitalised**").

"**Economic value distributed**" comprises:

- Operating costs: "Raw material costs' ("**Raw materials and consumables**"), "Service costs" ("**Outsourcing costs**", "**Trade fair, events and communication costs**", and "**Other service costs**"), "Rent, lease and similar costs" ("**Rent, lease and similar costs**"), and "Miscellaneous operating expenses net of taxes" ("**Other operating costs**", from which "Non-income related taxes" and "Membership subscriptions" are subtracted);
- Value distributed to employees ("**Personnel costs**");
- Value distributed to providers of capital ("**Financial charges**");
- Value distributed to shareholders ("**Dividends paid**");
- "Other", which comprises:
  - Value distributed to the community: donations, sponsorships, and membership fees ("**Membership subscriptions**").
  - Value distributed to the government: "Current and prepaid income taxes" (difference between "Income taxes" and "Deferred taxes") and "Other operating expenses" ("**Non-income related taxes**");

Finally, "economic value retained" comprises "Profit for the year net of dividends" ("**Foreign exchange gains (losses)**" and "**Profit for the period from continuing operations**"), "Depreciation and amortisation" ("**Provisions and impairments**" and "**Depreciation, amortisation, and impairment of fixed assets**"), and "Deferred taxes"

Breakdown of Economic Value created by the Group in 2023 (thousands Euro)[6]



More than 74% of the total economic value generated has been distributed along the Group's supply chain; this has led to the creation of a real and ever-expanding ecosystem, predominantly made up of small and medium-sized Italian companies, with whom the Ferretti Group has a long history of productive collaboration. The SMEs working with the Group are emblematic of the flexibility, excellence and sustainability of local production systems, and often boast decades of collaboration with Ferretti Group brands and a relationship that is more than simply professional.

Some have been acquired by the Group over the years as they constitute fundamental partners in the sale of the world's leading yachts. Such is the case of Zago S.p.A., a subsidiary of the Group that creates wooden interiors, Il Massello S.r.l., providing end-to-end on-board assembly service, as well as F.lli Canalicchio S.p.A., which has a deep expertise in yacht static exteriors and automatic kinetics systems.

While it is true that the Group's complex supply chain allows the Ferretti Group to lead the world by exporting its yachts to every corner of the planet, it is also thanks to the Ferretti Group that those small and medium Italian companies that contribute to the production of the Group's products have the opportunity to deal indirectly with the global market.

6 The breakdown in the graphic does not include value distributed to the Public Administration or membership fees (see the account "Other" in the table to the left).

In selecting its suppliers, the Ferretti Group maintains the highest quality standards and takes into account the individual characteristics of each brand. This approach begins as early as the design phase, which often involves co-design activity between the Group and specific suppliers. The Group does, however, tend towards the internal production of its most crucial components, those which are fundamental to the development and retention of its expertise.

Selection of suppliers is managed by the Group's Procurement Department which, in close collaboration with the project's managers and engineers, identifies the specific requirements that suppliers must satisfy. These include technical capacity, structural elements (company size, geographic presence, logistics), production capacity, credentials, Key Performance Indicators, financial solidity, and before-and after-sales assistance. Today, the Group also assesses sustainability aspects during the supplier selection process, aware of the growing importance that these aspects will assume in the near future. In this regard, it should be noted that all new suppliers who qualified in 2023 were assessed also according to environmental and social criteria; environmental criteria cover certification requirements for waste management and disposal and the climate (FGas declaration) and include ISO 9001 for quality. Social requirements, on the other hand, mainly include criteria for managing occupational 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 performed 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.

It should also be highlighted that the vast majority (89%) of Ferretti Group's Suppliers are located within the national territory, and that the non-Italian exceptions are well-structured, reliable multinationals, such as suppliers of engine parts or electronic components.

INTERIORS AND FURNISHINGS

All furniture components, including floors, kitchens, marble, interior and exterior upholstery, mattresses, lighting, sanitary and other accessories.

COMPOSITE

Hulls, frames and superstructures in fibreglass and steel, as well as all rigid and structural components such as rigid canopies and hatches.

PROPULSION & SYSTEMS

Engines, gearboxes, propellers, rudders, generators, fins, manoeuvring propellers and all other aspects of yacht mechanics.

ELECTRONIC EQUIPMENTS

Audio/video equipment, navigation and communication instruments, batteries, lights, radar and any other electronic components.

KINEMATICS & STEEL

Hold doors, walkways, pulpit handrails, ladders, anchors and all components that allow movement around the boat.

CONTRACTORS

This category includes both the manpower and the materials involved in the creation of hydraulic, electrical and insulation systems, and also all the processes of painting, resin coating, fitting out and covering.

GENERAL, ADMINISTRATIVE AND SALES COSTS (SG&A)

General, administrative and sales expenses, investments and purchases, maintenance services, waste disposal, exceptional transport, consultancy, communication, trade fairs and events

Highlights

Total value of orders (2023)	Percentage of orders to Italian companies	Total number of suppliers of Ferretti Group	Italian suppliers of Ferretti Group
Euro 927 million	89% (Euro 826 million)	3,587	2,901

	Number of suppliers			Purchase volume[7]		
Year	2021	2022	**2023**	2021	2022	**2023**
Italy	1,911	2,111	**2,901**	527,221,243 €	664,548,046 €	**825,889,658 €**
Europe	73	115	**130**	40,437,136 €	46,802,919 €	**58,250,667 €**
Extra Europe	139	576	**556**	24,378,235€	41,543,334 €	**42,377,583 €**
Total	2,123	2,802	**3,587**	592,036,614 €	752,894,298 €	**926,517,909 €**

7 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 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 v) currency exchange rates for USD expenditures.

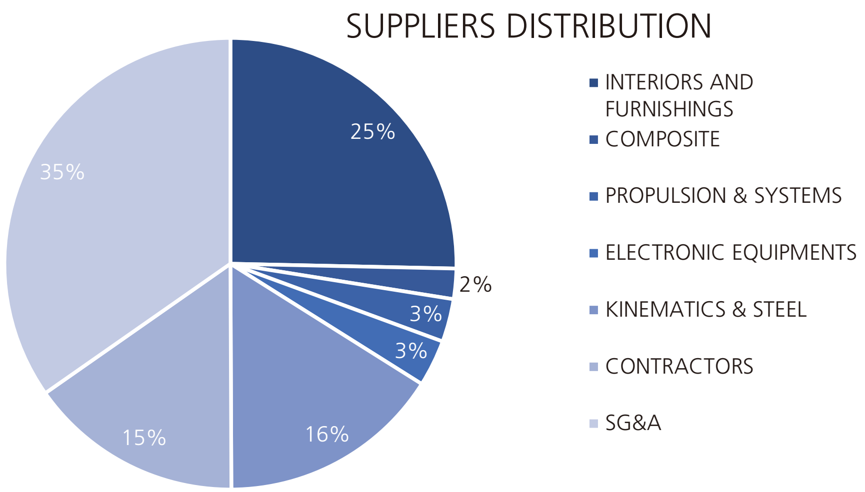
In 2023, total spending amounts to more than Euro 927 million, +23% versus 2022. Please be advised that the recorded surge in our numerical data is largely a consequence of the execution of an enlarged production plan.

Focus on Ferretti S.p.A. (excluding AMAS)

2023

Product category	Number of suppliers	Value of purchases
INTERIOR	781	213,951,438 €
COMPOSITE	67	117,293,940 €
PROPULSION & SYSTEMS	95	147,159,717 €
ELECTRONIC EQUIPMENTS	103	38,138,707 €
KINEMATICS & STEEL	493	101,981,264 €
CONTRACTORS	473	191,639,322 €
SG&A	1,070	95,887,323 €
TOTAL	3,082	906,051,710 €

Breakdown of the geographical distribution of Ferretti Group (excluding AMAS) total purchase value by product category (2023)



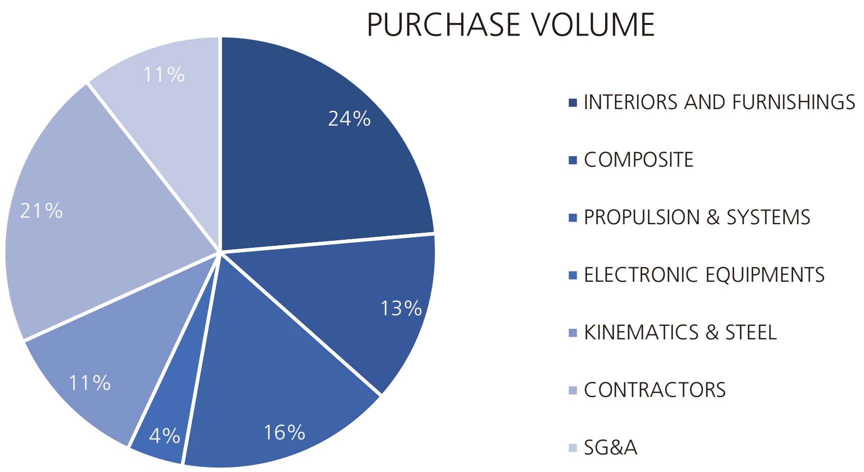
These percentages represent the composition of suppliers across different product categories within the business.

The largest category is SG&A (Selling, General & Administrative expenses), accounting for 35% of the suppliers. This could include a wide range of services and products that fall under operational overheads, such as office supplies, marketing services, and administrative support.

Interiors and Furnishings come next with 25% of the suppliers. This suggests a significant portion of suppliers are devoted to the provision of interior and furnishing items.

The Kinematics & Steel and Contractors categories follow closely at 16% and 15% respectively. These categories could involve suppliers providing materials, parts, and services related to the movement mechanics and steel components, as well as contracted service.

Electronic Equipment, Propulsion & Systems and Composite are more specialized areas with relatively fewer suppliers.



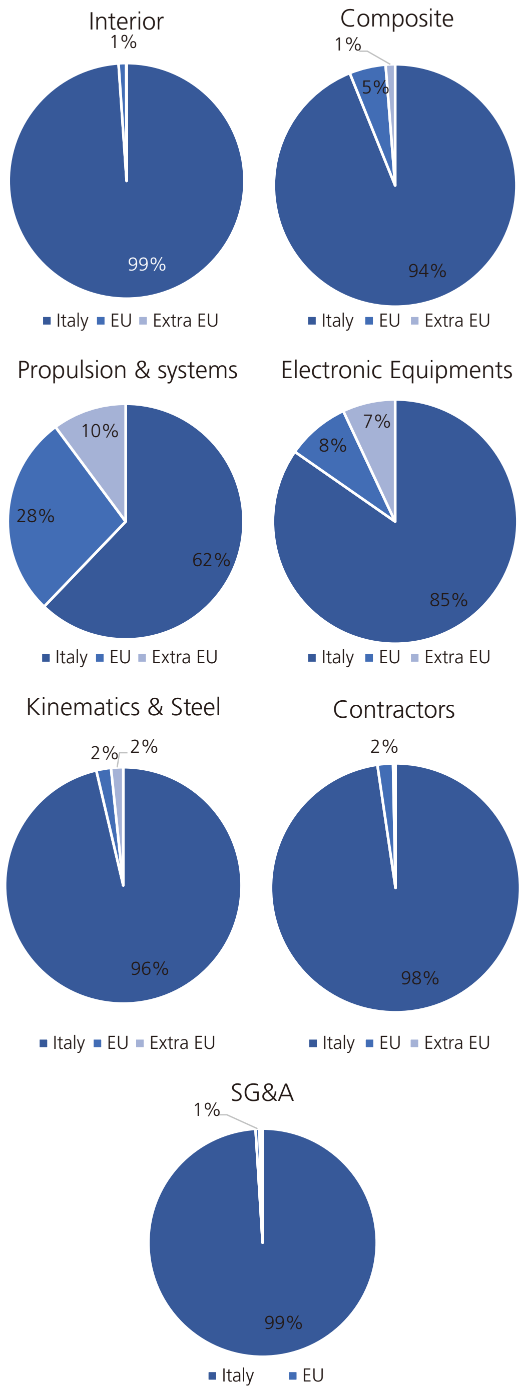
The overview of the product category data provides valuable insights into the business' s supplier distribution and procurement strategy and mostly reflect the proportion of purchases made by the business across different product categories.

However, the Composite category, while constituting a smaller segment of suppliers (2%), accounts for a larger percentage of the total purchases (13%). This due to the nature of the products purchased (Fiberglass hulls, decks and superstructures; Hard Tops, hatches, boots, minor fiberglass components; Raw material for fiberglass; Carbon components).

The same in the Propulsion & Systems category, where a smaller percentage of suppliers (3%) is associated with a noticeable portion of purchases (16%) indicating a highly specialised and high value per supplier scenario in this sector.

Conversely, while SG&A emerges as the largest category in terms of supplier distribution (35%), it represents a comparatively smaller portion (11%) of the total purchases.

Breakdown of the geographical distribution of Ferretti Group (excluding AMAS) total purchase value by product category (2023)



Geographical analysis of the number of suppliers by product category reveals a trend in line with the strong craftsmanship that typifies the Made in Italy movement described above. Categories related to manual labour, such as interiors, relate almost entirely to Italian workmanship; mechanical and electronic components, on the other hand, are produced more internationally, as evidenced by the higher percentage of purchases made from abroad.

3. THE GROUP'S RESPONSIBILITIES: OUR JOURNEY TOWARDS SUSTAINABILITY

In recent years, issues related to sustainability, the reduction of negative impacts, and the maximisation of positive ones on the environment and people have sat alongside and intertwined with the business activities of companies across the world; no industry, including the luxury and yachting sectors, is exempt from this structural change. Today, business models in numerous industries are being restructured to include and integrate sustainability issues, especially when pushed to do so by consumers, investors and other important stakeholders who demand a more conscientious approach to the world beyond business.

Other sectors, such as the one in which the Ferretti Group operates, have recently begun to enter the world of sustainability by attempting to anticipate the growing environmental focus of their stakeholders. In the yachting world this means vessels with hybrid engines, equipped with water treatment and recovery systems, furnished using eco-compatible materials, or even built relying on a network of tracked and responsible suppliers. This drive towards sustainability is dictated both by choices made by the future owners of the Group's products and by increasingly stringent regulations that require every company in the sector to make forward-looking choices and undertake strategic planning that includes sustainability as an integral corporate value.

The Ferretti Group began its journey towards sustainability in 2020 with the publication of the Group's first Sustainability Report for 2019. This began by mapping the main impacts deriving directly or indirectly from its activities with the objective of increasing internal sustainability awareness. In 2023, a further step has been taken, with the publication of the first Non-Financial Statement, following the requirements of the Italian Legislative Decree 254/2016.

To date, the Board of Directors has the central role of defining and updating the corporate strategy and the moral principles that guide the Code of Ethics, and in the approval of policies, objectives and targets, including those related to sustainable development. In particular, the Board is involved annually in identifying the impacts on the environment, people and the economy, and is responsible for and officially approves the information shared in the Non-Financial Statement, including the Material Topics, by assessing the impact of the company on society, environment and stakeholders.

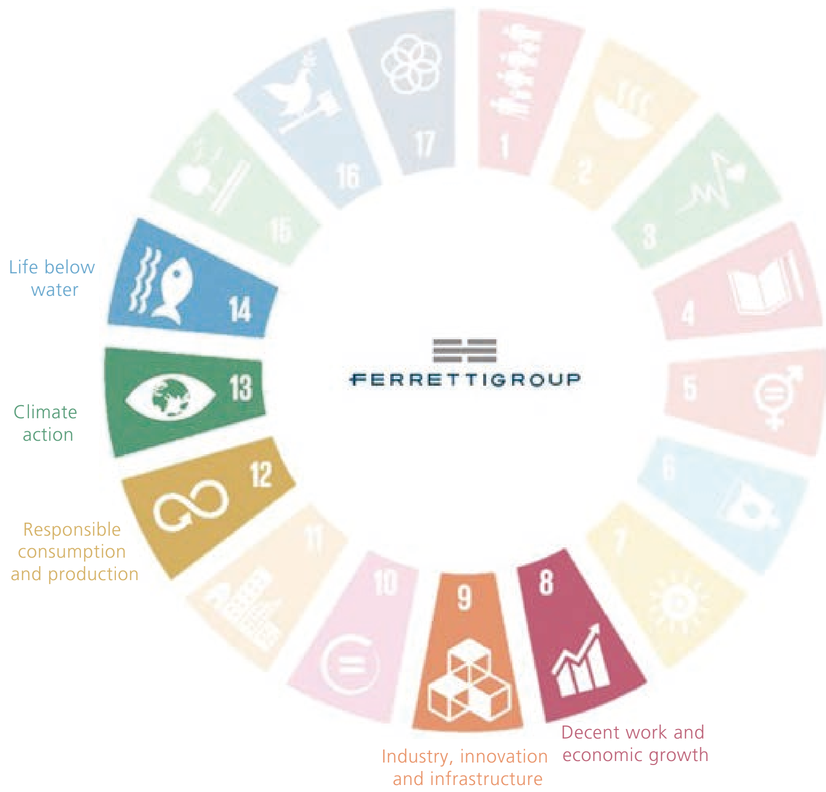
This document constitutes the Group's fifth step towards the adoption, in the coming years, of an increasingly more strategic vision of these topics, which is designed to use its pioneering ideas to protect the Group's rich heritage for future generations. As in previous years, 2023 saw discussion of and updates to one of the most important instruments in the preparation of a Non-Financial Statement: the materiality analysis designed to identify the most relevant sustainability issues in terms of impacts generated and stakeholder focus.

It is on the areas identified as material that the Group will focus its current attention and future efforts, with a view to reducing its environmental impact and creating value for the community and the local area. In its efforts, Ferretti Group is supported by a number of stakeholders and, in particular, by foundations and associations to which it is member, namely Fondazione Altagamma, Italy China Council Foundation (ICCF), SYBAss, Confindustria Nautica, Confindustria La Spezia e Confindustria di Ancona. Together with these entities, not only does Ferretti Group communicate regularly, but it also exchanges projects and ideas to develop the nautical sector in terms of socio-environmental impact.

SUSTAINABLE DEVELOPMENT GOALS — SDGs

The Sustainable Development Goals (SDGs) are 17 goals approved in September 2015 by the governments of the 193 member countries of the United Nations General Assembly. They recognise the close relationship between human well-being and the health of natural systems, highlighting the common challenges that every country faces in creating a sustainable future. The objectives are part of the ambitious action programme for peace and prosperity for people and the planet, known as the 2030 Agenda for Sustainable Development. The SDGs are universal, targeting both developing and advanced countries, and are based on integration between the three dimensions of sustainable development: environmental, social and economic aspects. The 17 objectives therefore cover a number of development areas, from the fight against hunger to the elimination of inequality, from the protection of natural resources to urban development, from agriculture to consumption patterns.

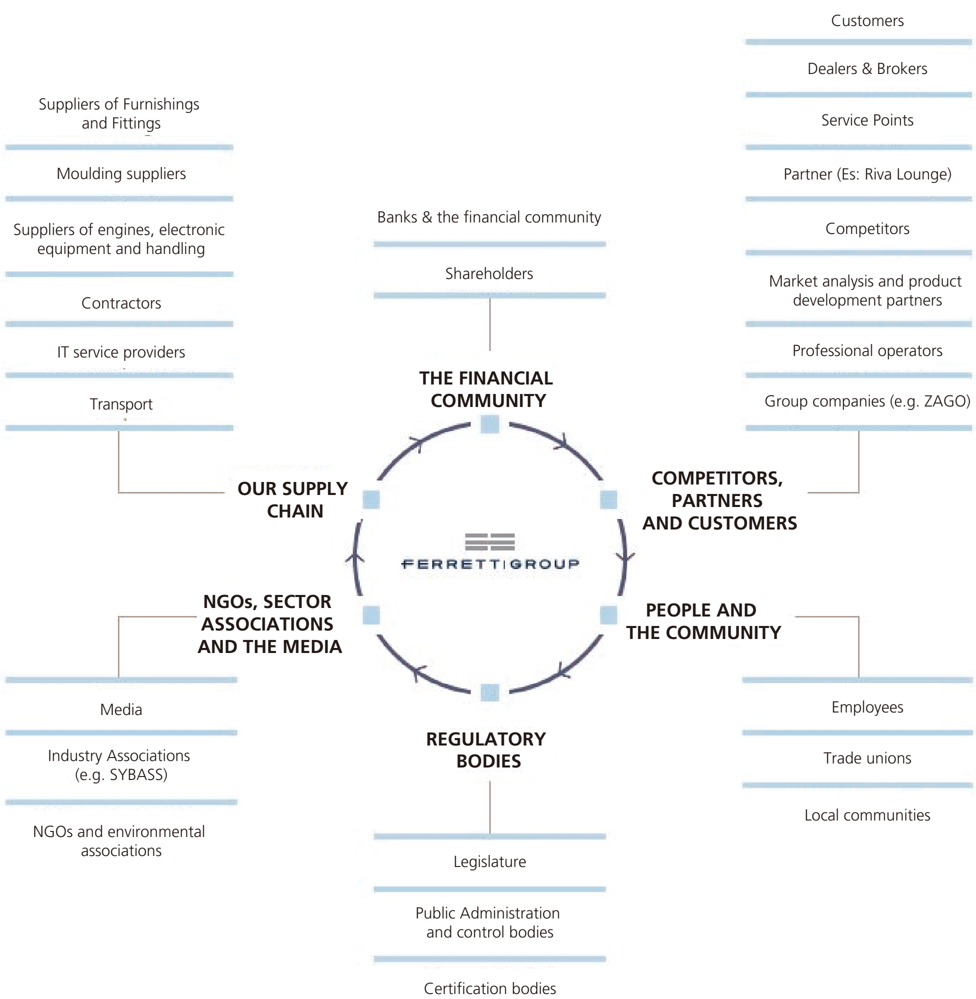
The Ferretti Group supports and promotes the 2030 Agenda for sustainable development and, specifically, has identified five objectives linked to its values and commitments and that it believes it can significantly influence through its activity:



The choice of these five SDGs reflects the topics identified as material and relates both to the production process and to the products themselves. It also further evaluates the impacts along the supply chain and on the local communities affected by the Group's business.

3.1 The Ferretti Group's stakeholders

For the Ferretti Group, dialogue with and the direct involvement of its stakeholders are of prime importance in understanding their various expectations and requirements. Over the years this collaboration has allowed the Group to develop the robust personal and professional relationships that guarantee the Ferretti Group the leading role it currently plays in the luxury yachting sector.



Stakeholders were identified by involving the entire front line of the company and considering the players with whom the Group interacts and those groups who influence/are influenced by the Ferretti Group's activities along the entire value chain. The discussion carried out by the Company's senior management confirmed the stakeholders also for 2023, and no changes were made to the list presented above.

3.2 The materiality analysis

The Group drafted this Non Financial Statement according to the GRI (Global Reporting Initiative) Sustainability Reporting Standards, that have been updated in 2021. Moreover, in continuity with the last Reporting Period, 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).

In 2023 the company confirmed material topic selection by performing an update of the materiality process.

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, 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)

Material Topic	Description of related impacts
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 labour and child labour. (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)

Material Topic	Description of related impacts
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 favouring 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)

3.3 ESG Risk Management

In accordance with the Hong Kong Stock Exchange ESG Reporting Guide, the 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 problems; 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 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 in 2023, 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 Code of Ethics, 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 all Ferretti S.p.A. 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
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., fibreglass 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 all Ferretti S.p.A. 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

Category	Material Topic	Risk identification	Description	Risk type	Response
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 performed an analysis to identify any additional risks related to significant climate-related issues which have impacted or may impact the Company during the Reporting Period.	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 all Ferretti S.p.A. sites. — The Group's management has expressed the clear intention to provide for the predisposition of a formal process, defining methodologies, roles and responsibilities for the identification and assessment of risks and opportunities related to climate change
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

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 on all Ferretti S.p.A. sites. — 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 site director compensation plans — 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 Strategic committee and product operations committee in place for a number of years

Category	Material Topic	Risk identification	Description	Risk type	Response
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	— Code of Ethics 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).

4. LUXURY AND INNOVATION: THE QUALITY AND EXCLUSIVITY OF OUR PRODUCTS

4.1 Research, innovation and sustainability

The luxury maritime sector features a high level of innovation and attention to detail which ensure excellence in final products and bring the best out of their construction.

In order to be at the forefront of industry innovation, expand and renew its portfolio ahead of market trends, and position itself as an "E-Luxury" yachting manufacturer with environmentally friendly and sustainable solutions, the Group has been continuously investing in R&D. In this regard, once the new management team had been appointed in 2014, the Ferretti Group began to invest heavily in R&D activities to upgrade and modernise its product lines. As a consequence, the Group incurred total expenditure of around Euro 170 million between 2019 and 2023 alone.

Group R&D figures:

At the Forefront of Innovation

— Approximately Euro 170 million invested in R&D from 2019 to 2023

Proactively Chasing Market Trends

— 36 models (including 4 Flagship Superyachts) launched between 2020 and 2023 (approximately 50% of the Group product portfolio is less than 3 years old)

Cutting-Edge Model Portfolio

— 3.8 average age (in years) of models in the portfolio in 2023 (due to recent upgrades to the product portfolio)

Sustainability at the Core

— Joint development of Hybrid propulsion systems through a strategic partnership with Rolls Royce

— Joint development of Fuel-cell power system with Ballard Power Systems (through a Joint Venture established with Weichai Group, one of the Group Controlling Shareholders)

In addition to its presence in the sailing market with Wally sailing yachts (wallywind models), the Ferretti Group is committed to further developing environmentally friendly technologies to be the industry pioneer and to mitigate its environmental impact. The Group intends to continue developing such initiatives by:

— Developing alternative hybrid and electric propulsion systems for its yachts;

— Investing in research and development to identify innovative, light, and environmentally friendly materials and increase recyclable inputs;

— Reducing the carbon footprint across its shipyards.

To this end, the Group will capitalize on the know-how and experience behind the launch of "green" models across all its portfolio brands, such as the FSD N800 (the first hybrid model ever launched by the Group), the full electric Riva El-Iseo, available for sale in January 2024, wallytender43X and wallytender48X (featuring solar panels on the fly top to recharge batteries) and the INFYNITO range (featuring solar panels on the fly top to recharge batteries and F.S.E.A. — Ferretti Sustainable Enhanced Architecture — a package of environment-friendly cruising solutions).

In addition, the Group will continue to work on forefront technologies such as the selective catalytic reduction technology (SCR), which uses urea solutions as nitrogen oxide (NOx) reduction agents. The SCR technology can be installed on the vast majority of our products and all new yacht projects.

E-Luxury Segment — Riva El-Iseo

The Riva El-Iseo is the brand's first full-electric powerboat that launches the new E-Luxury segment under the banner of sustainability.

After the presentation of the prototype in September 2022 at the Cannes Boat, followed by successful completion of a cycle of complex technical and reliability tests, the official version of this model is ready for sale in January 2024.

An elegant 27-foot runabout, Riva El-Iseo inherits the sleek lines of the Iseo and combines them with a modern, full-electric core.

It has a Parker GVM310 full-electric engine from Parker Hannifin, offering unprecedented performance in terms of speed and acceleration. With a power output of 250 kW, peaking at 300 kW, the Parker GVM310 delivers a cruising speed of 25 knots and a self-limited top speed of 40 knots, with an acceleration curve significantly steeper than that of a similarly sized boat powered by an internal combustion engine.

El-Iseo is fitted with and a high-energy-density lithium battery pack supplied by Podium Advanced Technologies, which is more efficient, extremely light and up to 10 times longer-lasting than lead-acid technology. Its 150 kWh, 800 V batteries have two charging modes, normal and fast, for charging from 20% to 80% in 75 minutes and a "Redundant Design Configuration", with two independent blocks is installed to ensure that the failure of one of the two blocks doesn't put the operation of the entire pack at risk.

During development, there was a razor-sharp focus on on-board safety and numerous measures were adopted. First and foremost, batteries are sealed and liquid-cooled, the most efficient system for rapid heat transfer and they have extra thermal insulation in the form of technologically advanced cladding inside the GRP panel that provides access to the compartment. This material with excellent fire resistance performance compared to its extremely light weight is commonly used in the aerospace industry and consists of fiberglass panels that create an effective thermal shield against flames. A gas sensor is also installed to detect leaks.

El-Iseo has three cruising modes with names that pay tribute to tradition and take their inspiration from classical music: Adagio, Andante and Allegro.

Adagio is the ECO mode, designed to optimize cruising performance focusing on sailing distance: maximum speed is 5 knots and acceleration is limited, reducing energy consumption and maximising range to up to 10 hours of cruising. In Andante mode, cruising speed and acceleration are comparable to a typical yacht of similar length with an internal combustion engine, reaching a maximum planing speed of 25 knots. Allegro is the sport mode, in which the engine is unlimited and El-Iseo can reach a top speed of 40 knots with electrifying acceleration.

To maintain battery life, when the residual charge drops to 20% (a range of about 10 nautical miles), the boat automatically switches to Adagio regardless of the cruising mode selected, allowing the owner to conserve power and safely reach a mooring point or charging station.

The new El-Iseo perfectly fits the Ferretti Group's sustainability path which is not defined only by the type of propulsion, but also by the materials used and the production processes. This new technology will allow vessels to make typical journeys (lake boats or ship's tenders) using only electricity.

INFYNITO Range — INFYNITO 90

The new Ferretti Yachts INFYNITO 90 is the first model in the INFYNITO range which is designed to offer the experience of life at sea in a sustainable way and personalisation at every level.

The new Ferretti Yachts model brings to market the Group's F.S.E.A. technology (Ferretti Sustainable Enhanced Architecture), a package of environmentally friendly cruising solutions.

Thanks to this technology — a system combining photovoltaic panels mounted on the yacht's superstructure (producing up to 7.3 kW) with an Energy Bank consisting of a 120 kWh lithium battery pack — life on board can be enjoyed in "hotel mode" for up to 8 hours at anchor, with zero emissions and zero noise and without using the generator. In terms of energy efficiency, this means an 80% saving on fuel and a corresponding reduction in CO_2 emissions during typical average use of the yacht from May to September.

There was also a special focus on the use of green materials, such as natural and bamboo fabrics, regenerated leather and recyclable materials, ecological water-based paints and lamellar teak with FSC 5 certification used throughout the exteriors.

In addition, thanks to the unique design of the hull, the yacht has a range of up to 1,400 nautical miles at an economy cruising speed of 10 knots for maximum efficiency.

New International Certification For CRN

CRN, the Group's historic brand specializing in the design, engineering and construction of superyachts up to 90 metres obtained a special recognition for the Sustainable Powered Yacht Project (SUP-Y) by RINA.

The certification followed the effort for development of two sustainable technical architectures with the most efficient implementation of Fuel Cell technology aboard CRN superyachts.

Both the architectures are equipped with Fuel Cells as an alternative power source, fed by hydrogen reformed from green methanol and optimized to ensure several days in full hotel mode without diesel generators running and the capability to sail in zero emission mode for several hours. This approach significantly reduces total noxious emissions and ensures compliance with the strictest environmental standards.

RINA confirmed that the project is sized appropriately for proper functioning and easy management and meets the regulatory requirements for safe implementation.

The new technology at the heart of SuP-Y is a major step forward towards the future of yachting, with an easy-to-use solution that meets all the regulatory requirements for safety at sea.

The PTO/PTI Hybrid Propulsion System

This new PTO/PTI Hybrid Propulsion System is currently under installation on vessels under construction at the Ancona shipyard aiming at the efficiency of main engines' functioning. An electrical power take off and power take in system is connected to the main propulsion gearboxes:

- In PTO mode the generators can deliver up to 300kW (2 x 150 kW) electrical power exploiting and optimizing the extra load from the main engines.

- In PTI mode the generators can be used as electric motors with a power output of 2 x 100 kW for electric propulsion at slow speed.

The 400kWh battery pack is an integrant part of the functioning of the system, being the energy storage for stay at anchor without generators in running or cruise in zero emissions mode for some hours.

Heat Recovery System

To avoid the wasting of the thermal energy content from the generator's cooling water, a Heat Recovery System was installed on vessels under construction at the Ancona shipyard. The recovered power is used to heat pools, hot waters boilers and deck washing system. Energy recovery solutions together with a proper sizing of the ship's equipment represent the first step for a conscious and sustainable design.

Alternative Materials

The Ferretti Group is constantly seeking innovative solutions which involve the choice and the use of alternative materials. The substitution where possible of traditional solvent-based internal paint products with solvent-free epoxy resins, for vessels under construction in 2023 at the Ancona shipyard, goes towards that.

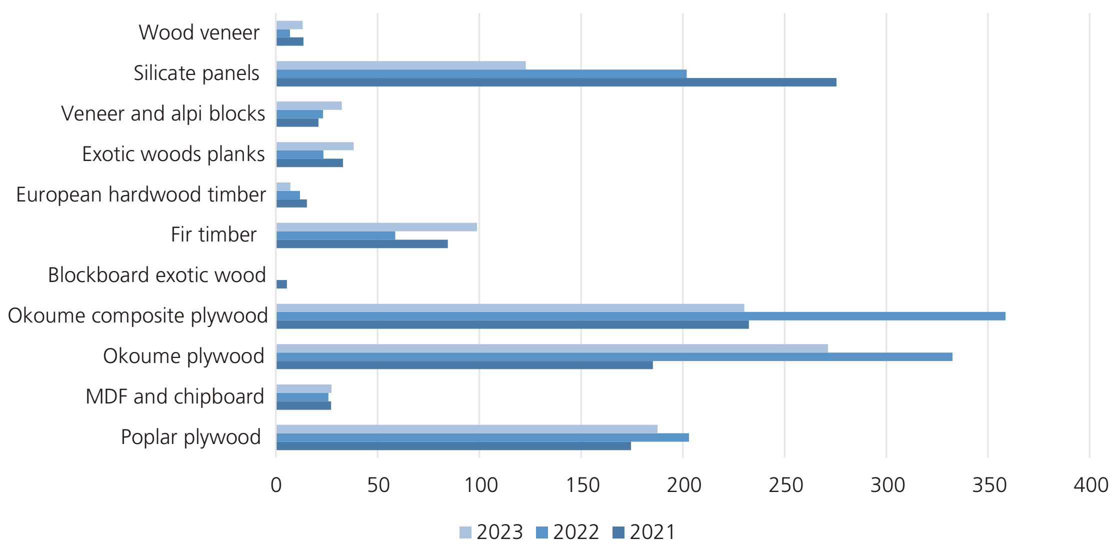
They can be used in poorly ventilated environments without concerns of access to the areas after painting while improving the quality of the outcomes. In fact, they result in excellent adhesion, high yields and low thickness, high corrosion resistance and no metal surface preparation required (avoiding aluminium powder).

Furnishings and fittings meet sustainability and innovation: the craftsmanship of Zago

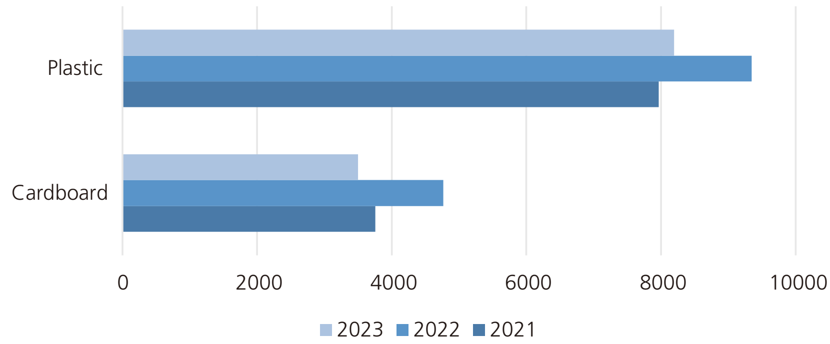
The company pays particular attention to the responsible procurement of wood and its derivatives.

The company's main supplier of this composite wood is Alpi S.p.A., which guarantees that the raw material comes from forests that are managed in compliance with national regulations stipulating prudent forest management which guarantee that forest areas designated for felling are naturally or artificially renewed, while all operations and documentary processes are overseen by the relevant authorities. In addition to paying close attention to the responsible supply of wood, Zago S.p.A. constantly undertakes to use low formaldehyde products in its production cycle, and periodically carries out indoor tests to assess how healthy each workspace is. In 2023, Zago S.p.A. used a total of 1,033 m^3 of high-quality wood in its activities; on top of that, packaging of plastic and carton was consumed, for a total of 11,692 kg.

Types of wood used by Zago S.p.A. (cubic meters)



Types of packaging materials used by Zago S.p.A. (kg)



4.2 Quality system

One of the milestones on the path to excellence is the achievement of ISO 9001:2015[8] certification, which attests to compliance with the best standards of all business processes that impact the Quality of Products and Services and, ultimately, Customer satisfaction. Unique in the world of yacht-builders, Ferretti S.p.A. underwent the certification process 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 Group's headquarters and all of the Group's other shipyards: in 2023 the Group successfully obtained the certification for the Ancona shipyard. ISO 14001:2015 Certification, an internationally recognised reference, contributes to the environmental pillar of sustainability, with a view to preserving the environment. As a naval shipyard, one of Ferretti S.p.A.'s main objectives are the production of boats designed to meet the needs of the market both from the point of view of performance and aesthetics, and environmental sustainability from a product lifecycle perspective.

8 Since 2018 the Group's quality certification has incorporated ISO 9001:2015 requirements. The certification authority is Rina. To date, as for the Ancona shipyard, following the merger between C.R.N S.p.A. and Ferretti S.p.A. at the beginning of 2022, the ISO 9001:2015 certification covers the Custom Line Yard but does not currently cover the Super Yachts yard in the Ancona shipyard. Also in December 2023 RAM S.p.A. obtained for the first time the ISO 9001:2015 certification.

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.

In summary, in order to ensure that products delivered to customers are of the highest possible quality, six main steps are followed, as illustrated in the graph below.

SUPPLIER APPROVAL	PRODUCT APPROVAL	PRODUCTION CHECK
Assessment prior to award of new supply contract	Approval of products in composite materials, furnishings, semi-finished products, glass, and catalogue parts to check that the input material matches specifications	Pre-installation check of materials. Plans applied to main construction processes and specific analysis and verification carried out for special components
OPERATION AND CORRECT ASSEMBLY CHECKS	**COMMISSIONING AND DOCK TRIALS**	**SEA TRIALS**
Post-production and at shipyards, quality control of installed furnishings, operation of mechanical systems etc.	Commissioning and operational tests using shipyard checklists	Sea trial before final delivery

Finally, product quality is certified by appropriate marking and certifications. The **CE mark**[9] is valid in the European Economic Area for the sale of newly built boats up to 24 metres long. It is a requirement in guaranteeing the health and safety of passengers, product quality, environmental impact and consumer protection. Through the CE marking process, the Group guarantees owners 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" and yachts for commercial use. Certificates are issued which certify that the product meets the requirements of the relevant approval standards, including tests for the various components.

In 2023 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 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.

[9] Directive 2013/53/EU.

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.

5. EXCELLENCE AND DEVELOPMENT: PRODUCTION SITES AND ENVIRONMENTAL IMPACT

5.1 Our shipyards: When industrial innovation meets true craftsmanship

The quality, innovation and reliability of our yachts is guaranteed by the Group's cutting-edge production centres, which combine state-of-the-art production efficiency and the inimitable attention to detail ensured by the craftsmanship that accompanies every stage of the process.

Equipped with high-tech equipment and the most modern production processes, the Italian shipyards are located in Italy's celebrated maritime district, and specifically in Forlì, Cattolica, Ancona, Mondolfo, Sarnico, La Spezia, Ravenna and the US site is in Fort Lauderdale (Florida). With the exception of the latter (which is dedicated to refitting), these are mainly assembly sites, where the finishing, testing and delivery processes take place, as does a significant portion of the tooling process, i.e., the production of all the composite material components that make up the boat. In addition to the eight naval aforementioned shipyards (seven of which carry out assembly and the other refitting), there are two production plants for interior fittings and customized furnishings (Zago S.p.A and Il Massello S.r.l) and one production plant for kinetic equipment (Fratelli Canalicchio S.p.A.), all located at the heart of the world famous Italian nautical district.

FORLÌ

The site and the shipyard

The Forlì shipyard is the site of production facilities for Ferretti Yachts, Itama and Wally yachts, houses the Group's head offices, and is also where models, moulds and fibreglass hulls for a number of Group lines are made.

The current site occupies a total surface area of 51,524m^2 (of which 24,163 m^2 is covered). This includes the extension carried out following the 2019 acquisition of a facility next to the original industrial complex. This is a significant investment designed to create new Wally production areas — including a new testing tank — and administrative and representative offices.

Works were scheduled to be completed in two phases. The first of these, which centred around the development of the production site for the wallytender line, concluded in 2020. The second one including the completion of all the building and structural works, was concluded in 2022. Since the end of 2021, in addition to the shipyard, some offices, showroom and the equipment storage area are operational. In 2020 the shipyards also took on management of the docks, which are therefore the responsibility of the site administration. This is a change that affects not only the shipyard at Forlì but the Ferretti Group as a whole.

CATTOLICA

The Ferretti Tradition

The Cattolica production centre opened its doors in 2001, and is the production site for Ferretti Yachts, motor yachts between 24 and 30 metres in length.

The shipyard stretches over a total surface are of 12,212 m^2, of which around 6,757 m^2 is covered, and is equipped with 16 assembly stations. The facility meets the most modern efficiency criteria. The layout of the Cattolica production line uses an "island" construction system, in which every workstation is entirely autonomous. Its proximity to the sea also makes it easy to conduct water testing and checks. In 2022, the makeover of the office building was completed, by re-inventing and refitting the exteriors, ground-floor reception area, new commercial showroom and full restyling of the customer route to the production area.

THE SHIPYARD OF THE DOMINANT SPECIES

The Mondolfo shipyard

The Mondolfo plant is much more than just a production center. It is a futuristic space extending around 83,377 m^2, with 25,788 m^2 covered surface, continuously projecting onto expansion plans. It is the meeting point of form and function, dreams and technology, tradition and forward thinking that enables Ferretti Group to constantly develop its production and yachts offering.

This shipyard is home to the Pershing and Itama yacht brands, the Ferretti Security Division (FSD) line of patrol vessels and in recent years has hosted the production of the latest Wally models. Mondolfo shipyard sees an ongoing design evolution that has led to the development of the Pershing Generation X yachts and the introduction of the brand-new GTX Series, with its flagship GTX116.

The production site features two large and innovative painting booths, one of 500 m^2 and the other of 300 m^2, where boats are dry painted. Five hydraulic stacking trucks (40 t., 120 t. e 160 t.) enable yacht handling activities in the test basin (33 m long, 7.5 m wide and 2.3 m deep), used for all technical tests (engines, exhaust systems, bilge systems and gen sets) and for waterproofing and preliminary tests in general. Two travel lifts, having a carrying capacity of 130 tons and of 210 tons, and the two hydraulic trolley jacks allow completion of haulage and launching activities in the test basin.

A further expansion is forecasted in 2024 to make space for a second pool of 40 m length for the testing of superyachts.

MULTI-BRAND HUB AND CENTRE OF EXCELLENCE

Ancona Superyacht Yard

The Ferretti Group Superyacht Yard is the multi brand shipyard, an hub of excellence dedicated to the superyachts and megayachts. Founded in 1963 in Ancona, on the Adriatic Coast — a strategic maritime destination on the Mediterranean — as CRN shipbuilder. Today CRN is one of the most important international players in the segment of bespoke vessels and the shipyard has specialized in designing, engineering and constructing full-custom yachts in steel and aluminium and all aluminium of up to 95 metres.

In 2019 the Ancona shipyard became the Group's Superyacht Yard, one of the most significant and advanced production centres in the European yachting sector. The construction hub designs and builds CRN, Custom Line 50, Riva Superyachts Division and Pershing 140 pleasure vessels and the entire Custom Line range in composite materials.

Spanning almost 80,000 m^2 (around 33,000 of which indoors), the Ancona construction hub builds pleasure vessels of up to 95 metres in length. This multi-brand facility produces the entire CRN and Custom Line fleets plus the new aluminium Pershing as well as hosting the new Riva Superyacht Division. The stretch of water that opens out in front is a unique space and a precious resource — a gateway to the Adriatic, a private tourist marina to full effect. Extending 250 metres along the coast, it provides large berths for fitting out and finishing up to 15 superyachts at once.

The yard vaunts a 670-ton travel lift for launching metal and composite ships of up to 50 metres, which is also used to haul out vessels for testing. The facilities include 9 modern high-tech sheds, all fully heated, air-conditioned and comprehensively equipped. They feature state-of the-art air-extraction, compressed-air and centralised technical-gas systems, heating and power-generation systems, and 2 overhead cranes for handling and installing materials on board. The sheds can accommodate up to 24 superyachts under construction at the same time. The shipyard employs over 1,000 day workers, 360 of whom are highly skilled workers, technicians, engineers, architects and office staff. Attention to the customer and his/her project team is ensured by the numerous customer care services provided throughout the entire design and construction processes. It continues with after-sales care which guarantees constant availability, assistance and support even after the yacht has been delivered.

Refitting work is carried out by a dedicated team. Thanks to their technical expertise, experience and design skills, the professionals that work at the Superyacht Yard are able to offer a complete range of personalised services that will satisfy the most demanding of customers. These include technical inspections, damage assessments, conversion and on-board system modification projects and optimisation of interior design.

THE RIVA SHIPYARD AT SARNICO

The timeless workshop

The Sarnico shipyard, created in 1842 on Lake Iseo, in the heart of Franciacorta, has given life to the whole history of Riva, from the construction of the legendary wooden hulls to the current yachts, from 8 to 21 metres.

The heart of the shipyard is the office of Engineer Carlo Riva, called "la Plancia", who planned it considering not only its design, but above all its functionality. The studio is located in the centre of the depot's large vault, with an arch 40 metres wide supported by two other lateral pillars, which also support two overhead cranes, each of which is capable of lifting yachts weighing over 20 tonnes. The daring and futuristic architecture of this office, protected along with the entire shipyard by the Environmental Heritage Department, does not go unnoticed and still represents an example of great architectural modernity.

The shipyard extends over a total surface area of 43,378 m², of which 16,986 m² is covered, and offers 10 available berths, 2 jib cranes, 4 painting booths and a 50-tonne trailer used for the transportation of finished vessels to the quayside and for the internal handling of hulls or bulky elements.

THE RIVA SHIPYARD AT LA SPEZIA

A leap into the future

The La Spezia production hub is of strategic importance from an industrial, social and environmental point of view. Operational since 2004, today it forms the centre of the Ferretti Group's technical, logistic and commercial operations in the Ligurian and Tyrrhenian Sea basin.

Designed according to the most advanced production techniques, the shipyard covers a total area of 39,025 m², of which 20,459 m² is covered. This modern facility houses production of the largest models in the range and is also the main centre for the testing, launching and delivery of the Group's yachts. Support and port services for the customers of all brands are also provided at the shipyard.

In 2018, the authorisation process for an expansion and restructuring project, dictated by increased production capacity requirements, was launched. The project is still ongoing and foresees demolition and reconstruction that will conclude in summer 2024. The new covered docks improve working conditions at the workstations in question, protecting them from sun and rain and therefore allowing work to continue regardless of weather conditions. In 2021, on the other hand, construction of the first new buildings for administrative staff was completed. In addition, the plants using solvents are all protected by double, paintstop filters and batteries with active carbon filters, to minimise the impact of emissions into the atmosphere and are synchronised with a usage schedule that also maximises use by reducing the amount of special waste to be disposed of.

The facility is located within a Site of Regional Interest, where reclamation projects were planned both on land and in the marine area. While the first of these has already been carried out, following changes to the project plans no work is planned at sea, and as such the entire reclamation plan will be remodelled by the technical work group that is currently underway.

RAVENNA

In March 2023, Ferretti Group acquired a production site of over 70,000 m^2 in San Vitale (province of Ravenna). The new facility will include new production areas and an R&D centre. The production will be dedicated to Wally brand including Wally sailing yachts and our other brands, starting with the Ferretti Yachts INFYNITO range, the new sustainable range.

The operation forms part of Ferretti Group's growth strategy which over the last five years resulted in the expansion and improvement of all production facilities, and the La Spezia yard and the Ancona Superyacht Yard in particular.

The new site, when fully operational, will increase production capacity by about 20%.

Moreover, it is strategically located, close to the company's Forlì headquarters and its Cattolica shipyard.

OUR PRESENCE IN THE UNITED STATES

Investing in ancillary services in the temple of recreational yachting

Over the years the Ferretti Group has expanded globally and currently operates through a network of offices, dealers and brokers located across Europe, Asia and America. This guarantees a presence in the key maritime markets and means that its products reach customers in more than 70 countries.

The Group operates in the United States of America through the subsidiary Ferretti Group of America LLC, with headquarters and offices in Fort Lauderdale (Florida) itself and also Palm Beach, through which it manages a network of stores and services, in order to offer its customers an all-round experience, from the marketing of the Group's brands throughout the North American market to the provision of ancillary services. In addition to the offices of the American headquarters, Ferretti Group has a large, important showroom. As regards services, Ferretti Group owns Allied Marine, a dealership company with a widespread presence on the east coast of the USA, which also offers brokerage and chartering services.

In addition, in 2019 the Group leased a shipyard in Fort Lauderdale, which became fully operational in 2020. This is dedicated to refitting, for both yachts belonging to the Group's brands and other brands. Activities include hull painting and antifouling operations and, more generally, repairs to damage of various sizes.

Results from the refitting activities in the first year of operation were very satisfactory and have grown thanks to intense promotional and public relations activities resulting in a continuous crescendo of commissioned works and incoming yachts. The fact that the Ford Lauderdale shipyard hosts yachts made by companies outside the Ferretti Group is, in fact, a source of great pride for the Group, as it confirms the high quality of the activities carried out at the US shipyard and the dependability of its staff.

ZAGO S.p.A.

One hundred years of service to the maritime industry

Among the hundreds of enterprises involved along the Ferretti Group's supply chain, one stands out, partly because it is an integral part of the Group, and partly because it symbolises more than any other company the crucial role that artisan work plays in the maritime sector.

The history of the Zago joinery begins early last century, when in 1908 Carlo Zago, a skilled craftsman and woodworker, opened a small workshop in Venice. Decades later, in 1945, the shop was left to his grandson, also called Carlo. By now, the workshop had become a true business, and was growing constantly. After the Second World War, production capacity expanded to include furnishings for hotels and large banks and from 1961 Zago moved into the maritime sector, marking the beginning of a long standing and significant collaboration with Fincantieri. Its first naval outfitting was the Appia ferry of the Adriatica di Navigazione. A production line dedicated to naval furnishings was created and in 1964 the facility was moved to its present location in Scorzè. In the following years Zago began to specialise in maritime furnishings, injecting innovation into the sector and establishing itself as a national leader. In 1987, it created the first Italian patent for the construction of prefabricated cabins, and in 1989 it participated in the construction of the passenger ship Crown Princess, commissioned by the historic shipping company P&O Princess Cruise Line, continuing today the historic collaboration with Fincantieri with the production of about 7,000 m^2 of cabins per year.

After 47 years of outstanding work, Carlo Zago passed away from natural causes in 1992. The business passed to his son Antonio, who represents the fourth generation of the family and who now leads the company as it continues to grow and expand. It was under his leadership that in 1994 Zago began to establish itself in the yacht furnishings sector; in 1998 collaboration began with Cantiere Navale Benetti, while in 2000 the company launched a close partnership with Italy's leading maritime organisation: the Ferretti Group. After constructing the lower deck of the first model of the Custom Line 112, the Group decides to entrust Zago with fitting-out the interiors of CRN and Riva yachts. In the space of ten years the company had developed a collaboration with the sector's leading shipyards and in 2004, to further support this growth, Zago joined the Ferretti Group. This allowed it to make an even more fundamental contribution to the growth of the yachting sector.

Today the Company employs 110 people in a production facility covering 17,600 m^2 divided into two plants. The semi-industrial approach it has adopted allows it to deal flexibly with technically complex projects of any size.

Zago S.p.A. has been ISO 9001-certified since 2004 (the longest lasting Group certification). In 2004 it was certified according to the ISO 9001:2000 standard, and then adapted to ISO 9001:2008; currently it is adapted to the requirements of ISO 9001:2015.

5.2 Environmental impacts

The protection of the environment, together with the health and safety of workers and technological and production development, are fundamental and enabling elements of the Group's growth process. Improving environmental performance is therefore an integral part of the shipbuilding development policies implemented within the individual production sites.

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 2023, 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 have in place specific monitoring and improvement plans that are validated by the Board of 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 validates the strategical direction and alignment with Company's values and goals. During the reporting period, the Board makes sure that the ESG review result is in line with the strategical direction and values and goals of the Company.

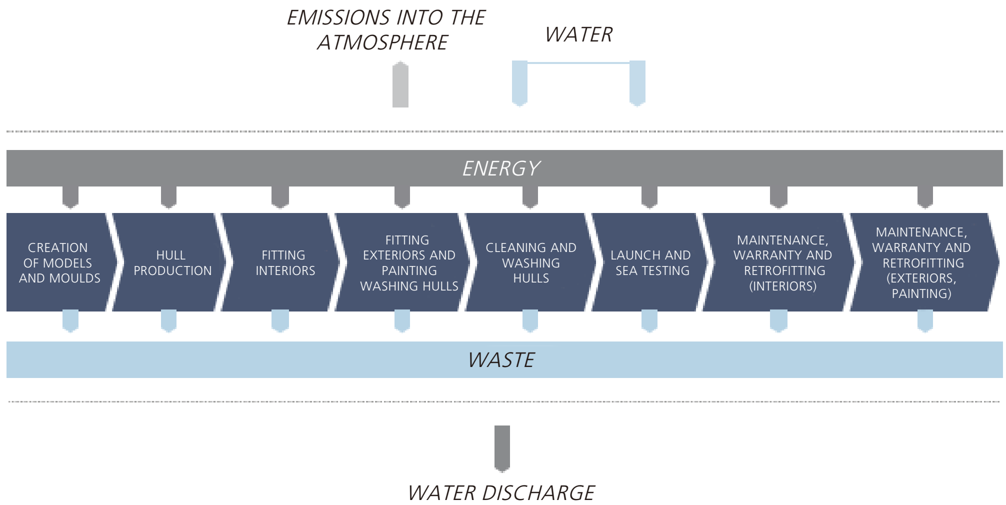
In 2020, the Group drafted its Policy for Quality and Environment, which defines the objectives and commitments of the firm to monitor and improve its management system, as well as to comply with legal and voluntary requirements underwritten by the company with its stakeholders. The final goal of such effort is to meet stakeholders' expectations and need, and to promote a sustainable development of the Group's management system itself.

This Policy is strictly connected to a procedure, drafted in 2020 and updated in 2021, describing the modalities and responsibilities related to the monitoring and control of its direct and indirect environmental impacts, valid for all sites covered by ISO 14001. Responsibilities are assigned to reference figures at shipyard level, supported by external consultants for specific issues and coordinated by a central group department.

This procedure also defines the criteria to identify, evaluate, update and mitigate such impacts, as well as the functions responsible for the related Environmental Analysis. Once assessed the most significant environmental impacts produced by the organization, the procedure displays a plan of continuous improvement with intermediate steps and targets. Moreover, the procedure contains instructions on the management of environmental emergency situations, so as to prevent and limit the environmental impact linked to potential emergencies.

Ferretti Group is committed to provide the needed investments and to broadly communicate its culture of quality and environmental conscience, given the importance of the personal and professional engagement of all those participating in the company's business. Depending on the specifics and characteristics of the sites, the type of activities carried out there and in line with the nature and size of the related environmental impacts, the sites pursue their own improvement objectives, in particular with regard to the reduction and management of process waste, energy efficiency, environmental protection and the health and safety of workers in the use of chemical substances and products and the control of indirect environmental aspects related to the work of contractors.

Process steps and related environmental impacts



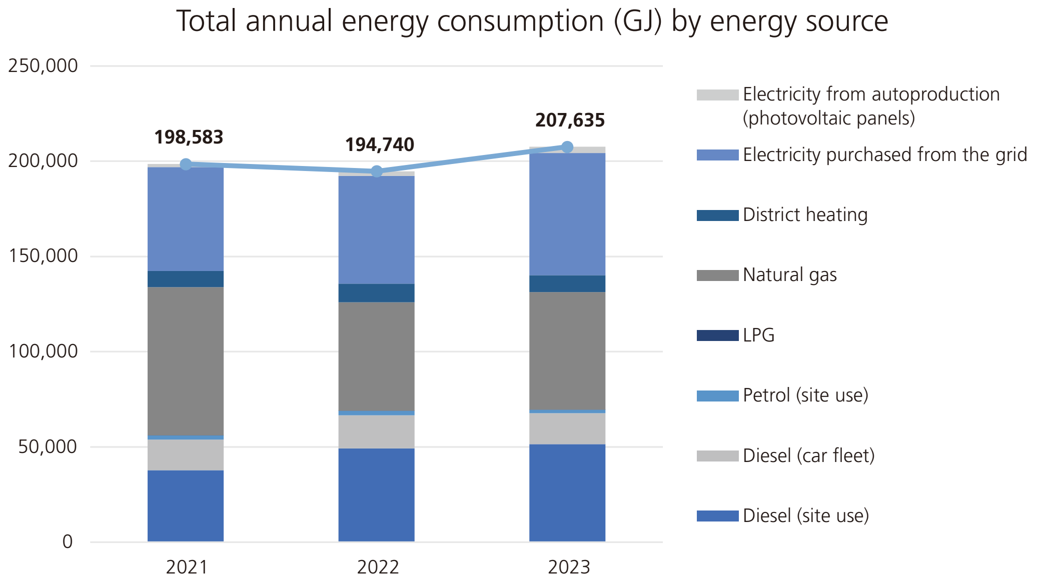
5.2.1 Energy and climate footprint

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 all Group sites in the future, even outside normative obligations, with the aim of continuously optimising energy consumption. Energy diagnostics allow improved understanding of how consumption is distributed and facilitate the evaluation of energy-saving solutions.

As in previous years, the Group's top source of energy consumption is natural gas, which is primarily used to heat indoor premises, to produce domestic hot water and, where present, to heat painting booths. The second-largest source of energy consumption is electricity, which is used at all Group shipyards and offices to power production departments (such as compressed air systems, dust extraction systems, air inlet and extraction systems in painting booths, refrigeration units and woodworking machines). The remaining part of electricity consumption regards lighting (particularly in the sheds) and air conditioning in the summer months. The Group also consumes diesel and petrol, mainly to test and launch boats, as well as to power internal handling activities at shipyards, to fuel the company vehicle fleet and, to a lesser extent, to heat the Zago site.

At Group level, consumption remained rather constant between 2022 and 2023 (approx. +6.6%), with 207,635 GJ.

In Forlì — where both the shipyard and headquarters are located — the Ferretti Group no longer directly uses fossil fuels to heat its indoor premises and has instead connected the entire site to the municipal district heating network.



The focus on energy efficiency and the results of the diagnostics carried out have led to improvements in measures to improve efficiency and the introduction of cutting-edge technology. To reduce its climate footprint, already in 2015, among the various initiatives to improve efficiency and therefore reduce energy consumption, Ferretti Group began to revamp the lighting systems in the production halls, switching to LED technology. LED technology has since been installed in all new buildings.

Moreover, 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; in 2020 other two photovoltaic panels were installed in Forlì and La Spezia, entering into operation since 2021.

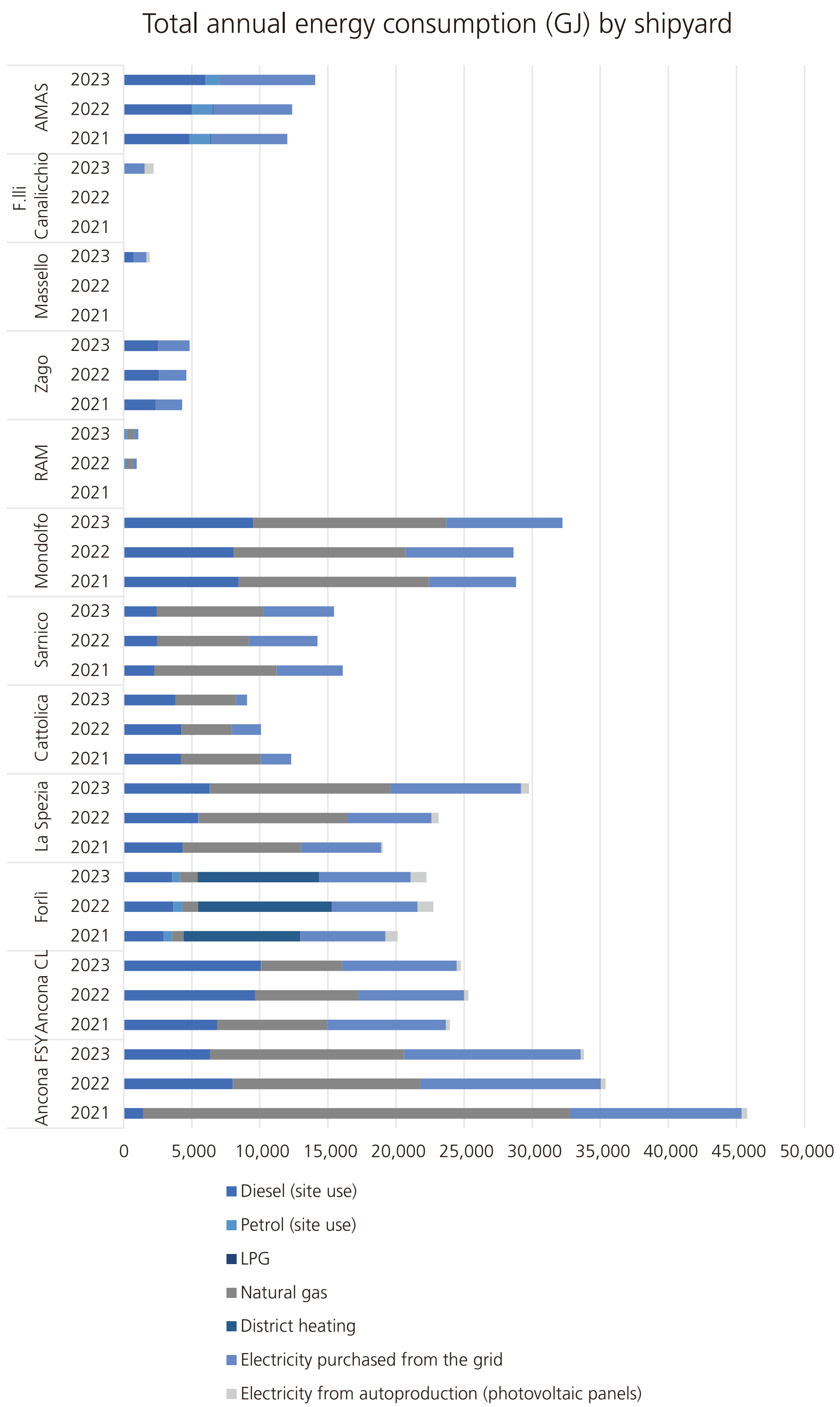
Outside the borders of Ferretti S.p.A., even Il Massello S.r.l. and F.lli Canalicchio S.p.A., two new entries of the Group, are equipped with a photovoltaic system. Finally, in line with new infrastructure investments, new energy-saving solutions are systematically assessed. These include, for example, the use of heat pumps instead of methane systems in new projects and the use of renewable resources, especially photovoltaic systems, according to the new volumes available. A project to install photovoltaic systems on the roofs of the Group's plants, whose tendering procedure started in 2022, will be developed in the following two years.

Autoproduced energy from photovoltaic systems [kWh/year]

Site	2021	2022	2023
Forlì	250,626	326,684	**328,558**
La Spezia	33,430	147,974	**160,748**
Ancona	195,551	182,296	**147,502**
Il Massello S.r.l.	—	—	**71,154**
F.lli Canalicchio S.p.A.	—	—	**190,400**
Total	479,607	656,954	**898,361**

In addition to photovoltaic panels, Ferretti Group also invested in a cogeneration plant in the Ancona SuperYacht site. The plant became fully operational in the second half of 2020 and, considering the partial use during the year, its contribution to the energy efficiency of the shipyard was appreciable from 2021. In 2023 this system produced 661,525 kWh, supporting the energetic needs of the shipyard.

Energy consumption by shipyard and source is broken down below.


Total annual energy consumption (GJ) by shipyard
AMAS
F.lli Canalicchio
Massello
Zago
RAM
Mondolfo
Sarnico
Cattolica
La Spezia
Forlì
Ancona CL
Ancona FSY
2023
2022
2021
0
5,000
10,000
15,000
20,000
25,000
30,000
35,000
40,000
45,000
50,000
Diesel (site use)
Petrol (site use)
LPG
Natural gas
District heating
Electricity purchased from the grid
Electricity from autoproduction (photovoltaic panels)

Greenhouse gas emissions

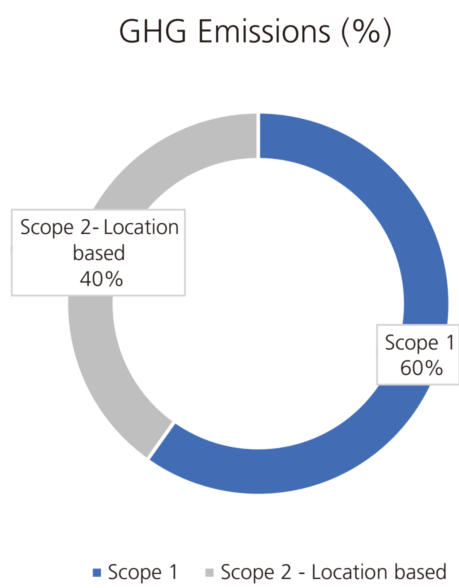
The commitment to increasing its awareness of the climate impacts of its activity and production processes and a commitment to reducing these impacts are part of the Ferretti Group's responsibility and demonstrate its focus on future generations. Greenhouse Gas (GHG) emissions are calculated using a standardised methodology[10] to quantify corporate greenhouse gas emissions. This methodology categorises the company's direct and indirect emissions into three scopes:

- Scope 1: direct emissions generated by the company, the source of which is owned or controlled by the company itself;

- Scope 2: indirect emissions generated by the production of energy purchased and consumed by the company;

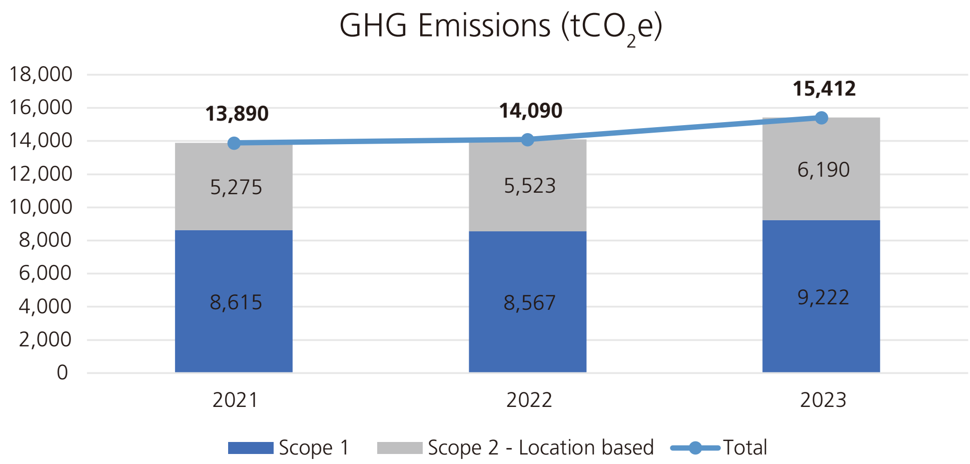
- Scope 3: includes all other indirect emissions that are generated by the company's value chain, for example related to business travel, raw material production, inbound and outbound logistics. These categories are not currently reported by the Ferretti Group as they are emissions over which the Group does not exercise direct control; in future it will be possible to carry out an in-depth analysis of its supply chain, both upstream and downstream of the production phase, to verify which categories are the most significant in terms of emissions and therefore carry out an in-depth analysis to estimate the main greenhouse gases produced.

GHG emissions (%)



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

GHG emissions (tonne CO_2e)



Ferretti Group constantly monitors its emissions to assess the impact and select potential improvement actions to reduce their effect on climate change. Reductions in energy consumption and self-production of electricity from photovoltaic renewable sources are therefore essential factors in reducing climate-altering gas emissions. Ongoing work in this area will therefore lead to a gradual reduction in emissions.

5.2.2 Polluting atmospheric emissions monitoring and reduction

In the furnishings and joinery departments, work is carried out that requires dust extraction points and related filtering systems for dust reduction. These include the sanding of wooden models and retouching plaster and polyurethane molds. Extraction of the relevant plaster and fiberglass dust is carried out using flexible hoses and intake terminals. These are the main atmospheric emissions which are subject to authorisation and self-control for compliance with emission limits for dust and volatile organic compounds. These abatement systems are subject to strict inspection procedures, as required by law. For facilities in which hull painting work is carried out, i.e., Sarnico, La Spezia and Mondolfo, modern suction systems and systems designed to reduce emissions of volatile organic compounds are installed in accordance with the specific authorisations.

An advanced fiberglass infusion printing system is used at Forlì. 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 fibers 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.

Focus: Painting Booth

According to European environmental regulations, air contaminated by any pollutant produced during processing must be treated before being released into the atmosphere. Pollutants can be divided into two categories: particulate matter (PM) and volatile organic solvents (VOCs).

Particulate matter is dust of various sizes that is released into the atmosphere during many types of work such as carpentry, sandblasting and others, while VOCs are small droplets of solvents or fumes that are released during processes such as painting, sanding, trimming and resin coating. In some cases, such as in painting, VOCs are released at the same time because the portion of paint that is released via the over-spray phenomena consists of both powders and solvents. Particulate materials and VOCs can be removed using various types of filters.

Painting booths are used in industrial sectors where products — in order to be considered finished — must undergo a coating process. This process leads to the aerial dispersal of particles that, if inhaled by workers, can cause serious damage to health, starting from the respiratory system and, in the most severe cases, travelling to the nervous system. These dusts pose an additional hazard in that they make the surrounding atmosphere potentially explosive.

Regulations for painting booths

The regulations that govern the manufacture of painting booths are part of a wide range of technical standards concerning safety in the design, construction and installation of machinery for the application of coating products. These are European standards implemented in Italy by UNI, the Italian Standards Agency.

Of particular note is the new standard UNI EN 16985:2019, which replaces the previous standards:

- **UNI EN 12215:2010** (Painting plants — Painting booths for the application of liquid coating products — Safety requirements);

- **UNI EN 12981:2009** (Painting plants — Painting booths for the application of powder coating products — Safety requirements);

- **UNI EN 13355:2009** (Painting plants — Painting booths — Safety requirements). The UNI EN 16985:2019 standard defines all of the most significant hazards (electrical, thermal or mechanical or caused by faults or malfunctions or even noise, harmful substances, explosion or fire) that may occur in relation to painting booths.

Many other certifications exist, of course, but among all of them we highlight what is conventionally known as the ATEX Standard. This is described in the European Directive 2014/34/EU on potentially explosive atmospheres and regulates equipment used in explosive areas, imposing the obligation to certify these products.

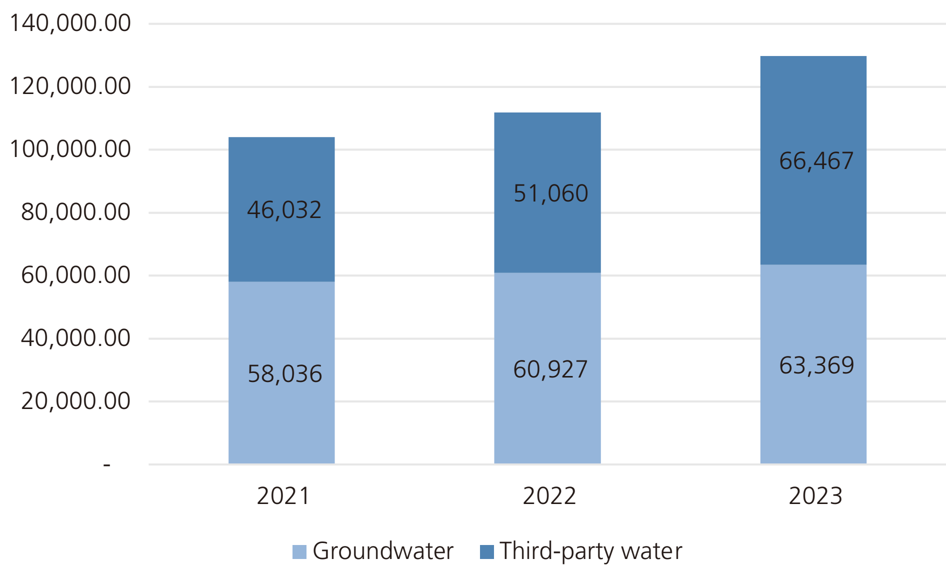
5.2.3 Water: a precious resource

In recent decades, safeguarding water resources has become a significant objective in both the civil and industrial sectors. Because of the type of work that it carries out, 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 are 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.

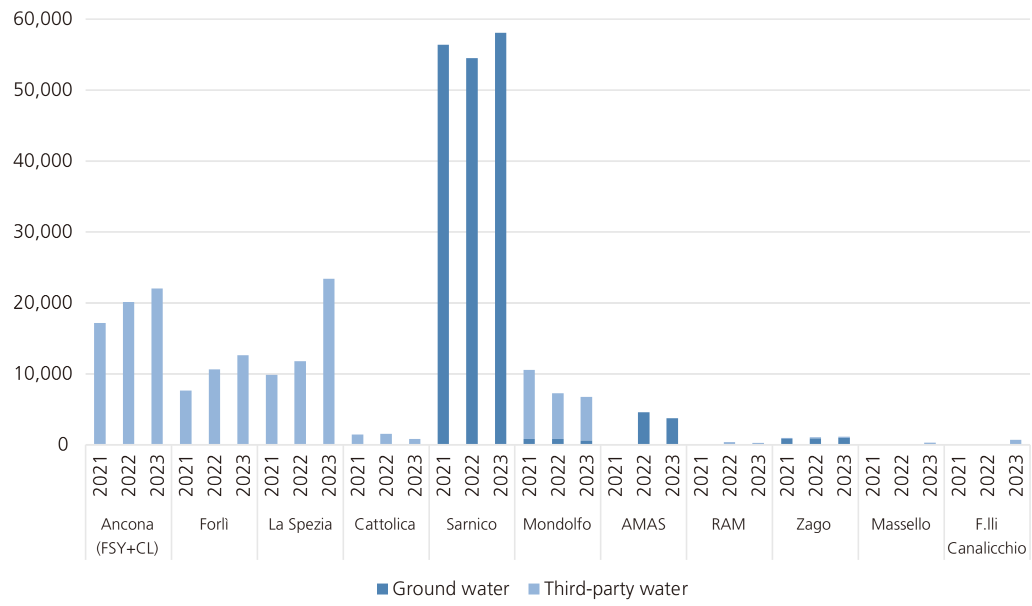
As shown in the chart below, in 2023 the Group withdrew a total of 129,836 m³ of water, 51% of which came from third parties (e.g., aqueducts) while the remainder was sourced from wells.

Water withdrawal by source (m³)



Water withdrawal for each of the Group's shipyards is reported below, specifying groundwater and third-party withdrawal, the significant groundwater withdrawal at the Sarnico shipyard is partly attributable to some recurrent leaks at the main plant.

Water withdrawal by shipyard (m³)



5.2.4Waste[11]

In 2023, Ferretti Group produced a grand total of 4,723,872 kg of waste, following a stable trend compared to the previous year (4,410,717 kg produced in 2022).

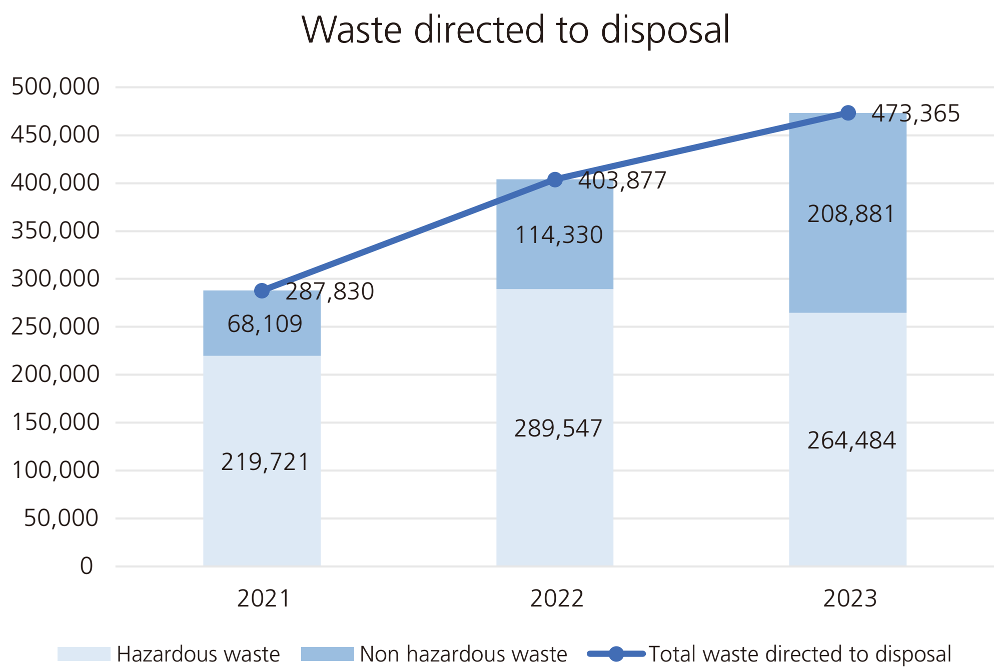
Non-hazardous waste from the production process (92.6% of the total) is generally waste from internal and external preparation and industrial cleaning processes and is duly sorted.

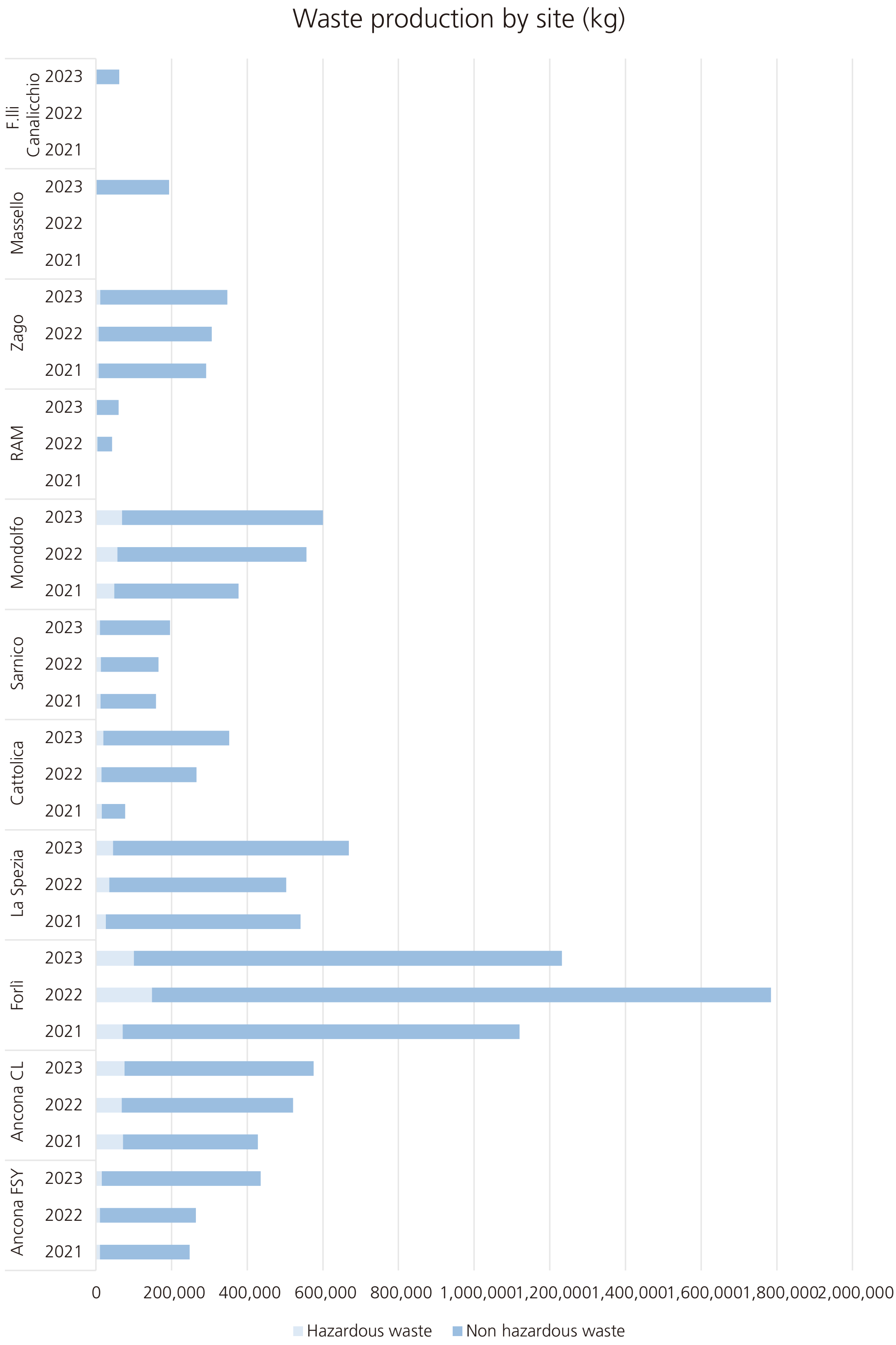
Waste defined as hazardous (7.4% of the total) chiefly comprises solvent mixtures, products used in painting booths, fiberglass scraps, or oils, waste emulsions and dirty packaging in general. All waste is managed by third parties and according to the local norms and regulations on the matter.

As far as the disposal method is concerned, the vast majority (90%) of waste is either recycled (99.9% of waste diverted from disposal) or reused (0.1% of waste diverted from disposal). The remaining part, accounting for 10% of total waste, is sent to landfilling (96% of waste directed to disposal) or incinerated (4% of waste directed to disposal).

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

A breakdown of waste produced by the Group is shown below:




Waste production by site (kg)
F.lli Canalicchio
Massello
Zago
RAM
Mondolfo
Sarnico
Cattolica
La Spezia
Forlì
Ancona CL
Ancona FSY
2023
2022
2021
0
200,000
400,000
600,000
800,000
1,000,000
1,200,000
1,400,000
1,600,000
1,800,000
2,000,000
Hazardous waste
Non hazardous waste

5.2.5Biodiversity

Besides climate change, biodiversity loss — that is the increasing loss of the biological diversity that characterizes our planet's living things, including plants, bacteria, animals, and humans — is becoming an increasingly more impactful issue. Plant and animal species are disappearing at an accelerating rate due to human activities, and the yachting industry can be not only a contributor to biodiversity loss but part of the solution, primarily through innovation and more responsible production, processing, and raw materials sourcing.

Tackling biodiversity loss will be fundamental in the future and, therefore, Ferretti Group is committed to protect the natural environment and the biodiversity of the territories in which it operates. Indeed, the Group is fully compliant with all relevant national legislations on the matter. In addition, some analyses to assess whether some of the Ferretti Group sites are located in, or adjacent to (in the proximity of 10 km from the Ferretti Group site) protected areas have been performed through the National Network of Biodiversity of the Italian Institute for Environmental Protection and Research (in Italian, ISPRA) and the World Database on Protected Areas (WDPA), which identify the Italian and international protected areas and habitats at risk[12].

The results of such analyses are summarized in the following table:

Site	Region	Size of operational site (km²)	Type of operation	Position in relation to the protected area	Protected area	Extension of the protected area	Type of biodiversity value	Biodiversity value characterized by listing of protected status
FORLÌ	Emilia Romagna	0.052	Shipyard	8.6km	Bosco di Scardavilla, Ravaldino	4.55 km²	Terrestrial and Inland Waters	ZSC IT4080004
				3.4km	Meandri del fiume Ronco	2.32 km²	Terrestrial and Inland Waters	ZSC IT4080006
				8.3km	Selva di Ladino, Fiume Montone, Terra del Sole	2.22 km²	Terrestrial and Inland Waters	ZSC IT4080009
CATTOLICA (RN)	Emilia Romagna	0.012	Shipyard	0.5km	Colle S. Bartolo	11.93 km²	Marine	ZSC IT5310006
				0.5km	Colle San Bartolo, litorale pesarese	40.31 km²	Terrestrial and Inland Waters	ZPS IT5310024
MONDOLFO (PU)	Marche	0.083	Shipyard	9.2km	Fiume Metauro da Piano di Zucca alla foce	7.71 km²	Terrestrial and Inland Waters	ZSC IT5310022
ANCONA	Marche	0.077	Shipyard	3.3km	Costa tra Ancona e Portonovo	4.66 km²	Marine	ZSC IT5320005
SARNICO (BG)	Lombardia	0.043	Shipyard	3km	Torbiere d'Iseo	3.25 km²	Terrestrial and Inland Waters	ZSC IT2070020
LA SPEZIA	Liguria	0.039	Shipyard	2.6km	Montemarcello	14.01 km²	Terrestrial and Inland Waters	ZSC IT1345109
				8.3km	Isole Tino — Tinetto	0.15 km²	Marine	ZSC IT1345103

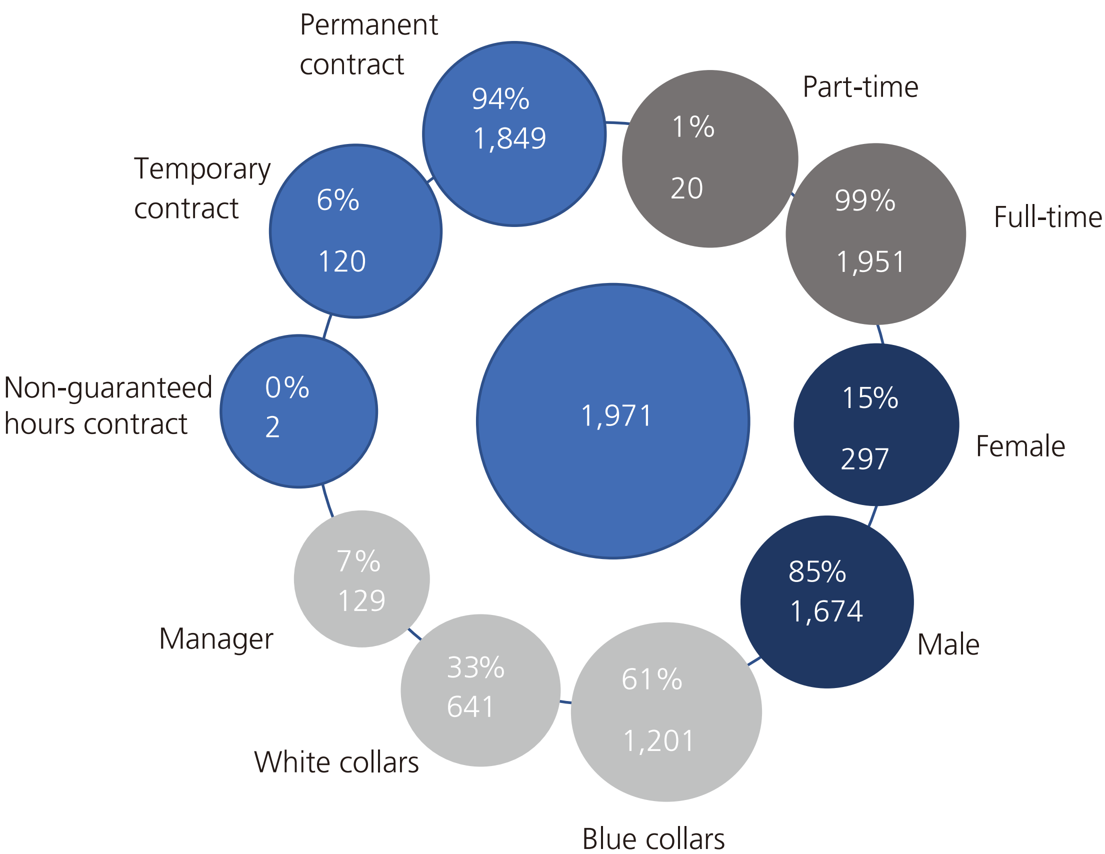
12 Complementary information on the involved protected areas has been found in the World Database on OECMs, Global Database on Protected Area Management Effectiveness (GD-PAME), accessible on the Protected Planet website.

Site	Region	Size of operational site (km^2)	Type of operation	Position in relation to the protected area	Protected area	Extension of the protected area	Type of biodiversity value	Biodiversity value characterized by listing of protected status
				6km	Isola di Palmaria	1.64 km^2	Terrestrial and Inland Waters	ZSC IT1345104
				5.5km	Portovenere — Riomaggiore — S. Benedetto	26.65 km^2	Terrestrial and Inland Waters	ZSC IT1345005
				9km	Parco nazionale delle Cinque Terre	38.6 km^2	Terrestrial and Inland Waters	ZSC IT1344323
FORT LAUDERDALE (FL, US)	Florida, USA	0.006	Shipyard	2.4km	Holland	6.45 km^2	Terrestrial and Inland Waters	WDPA ID: 555585146
				3km	Snyder	0.36 km^2	Terrestrial and Inland Waters	WDPA ID: 555585313
				3.5km	John U. Lloyd Beach State Park	1.26 km^2	Terrestrial and Inland Waters	WDPA ID: 555586032
				3.5km	John U. Lloyd	1.00 km^2	Marine	WDPA ID: 555749233
				4.7km	Hugh Taylor Birch	0.67 km^2	Terrestrial and Inland Waters	WDPA ID: 555751021
				5.2km	Secret Woods Nature Center	0.23 km^2	Terrestrial and Inland Waters	WDPA ID: 555584925
				6.5km	Mills Pond	0.22 km^2	Terrestrial and Inland Waters	WDPA ID: 555585225
				7km	Pond Apple Slough	0.86 km^2	Terrestrial and Inland Waters	WDPA ID: 555749266
SARNICO (BG), R.A.M. SPA	Lombardia	0.043	Restoration facility	3km	Torbiere d'Iseo	3.25 km^2	Terrestrial and Inland Waters	ZSC IT2070020
SCORZÈ (VE), ZAGO SPA	Veneto	0.018	Production facility	7.2km	Fiume Sile dalle sorgenti a Treviso Ovest	14.9 km^2	Terrestrial and Inland Waters	ZSC IT3240028
				2.2km	Cave di Noale	0.43 km^2	Terrestrial and Inland Waters	ZSC IT3250017
				4km	Ex Cave di Villetta di Salzano	0.64 km^2	Terrestrial and Inland Waters	ZSC IT3250008
				6km	Ex Cave di Martellago	0.5 km^2	Terrestrial and Inland Waters	ZSC IT3250021
PIAN DI ROSE (PU), IL MASSELLO SRL	Marche	0.009	Production facility	0,5km	Tavernelle sul Metauro	8.27 km^2	Terrestrial and Inland Waters	ZSC IT5310028
				8.2km	Mombaroccio	24.46 km^2	Terrestrial and Inland Waters	ZSC IT5310013
NARNI (TR), F.LLI CANALICCHIO SPA	Umbria	0.023	Production facility	1.5km	Lago l'Aia (Narni)	1.21 km^2	Terrestrial and Inland Waters	ZSC IT5220019
				3.7km	Gole di Narni — Stifone	2.27 km^2	Terrestrial and Inland Waters	ZSC IT5220020

6. OUR PEOPLE: PRIDE, PASSION AND BELONGING

6.1 Key figures

Building some of the world's most beautiful yachts requires a special crew, one that is able to bestow on our products the distinctiveness, innovation and quality that set the Ferretti Group apart. Our employees are the ultimate embodiment of these values and as such are the source of our success; our crew adds expertise, experience and a strong sense of belonging to the pride of building unique masterpieces.



At the Ferretti Group, every individual is at the centre of the Group's vision, whose main objective has always been to ensure that each employee is able to express himself or herself as a person even before expressing him/herself as a professional. This leads, on the one hand, to constant improvement in the quality of work, and on the other to a particular focus on human relationships, which are founded on trust, friendship, respect and cohesion. This is the only way to preserve the Group's cultural heritage, an authentic treasure trove of knowledge and experience which is unrivalled anywhere in the world.

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 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 2023, the Group employed a total of 1,971 employees, with a significant increase on previous years (+16.5% compared to 2022), due to the inclusion in the perimeter of two new sites, Il Massello S.r.l. and F.lli Canalicchio S.p.A.. The vast majority of Ferretti's personnel were hired on a full-time permanent contract. Geographically, they are mainly distributed in EMEA (1,902 people), specifically in Italy, while a minority is located in other regions (8 in APAC and 61 in AMAS).

The gender breakdown shows a preponderance of male workers, though there is a clear correlation between contract type and gender: women make up 35% of office workers, compared to a lower percentage of managers (17%) and especially of blue-collar workers (4%), in part due to the characteristics of the nautical construction sector. There are, however, encouraging signs of a growth in the total number of female employees over the last three years. While 248 women were employed by the Group in 2021, this number now stands at 297, an increase of nearly 20% in two years.

Moreover, the company population is evenly distributed across the main age groups, and shows a rejuvenation, especially in the under-30 age group, which has undergone an increase in absolute value compared to 2021 (from 117 to 258) and in percentage terms (from 7% to 13%).

This is certainly the result of a stimulating, ever-changing working environment, which has helped create a stable, long-lasting team; at the same time, however, it may represent a risk if new recruitment policies aimed at encouraging the entry of young people and the renewal of skills are not implemented. The Group is aware of this risk and has in recent years strengthened its relations with schools and universities in the areas where it operates, encouraging the addition of young people under the age of 30. The 2023 figure (123 new staff under 30) is the highest in recent years and bears witness to the commitment that the Group has made in this area.

A large number of these additions relate to the hiring of recent graduates through internships which in most cases lead to a fixed-term contract; at the end of this period, they are then given permanent contracts. Considering these hires, and despite the complex recent and ongoing complex social-health backdrop, there are no particular trends in staff terminations, which remain related chiefly to retirements and voluntary resignations.

In addition to its internal workforce, the Ferretti Group also makes use of an external workforce through subcontracting agreements with third parties. External workers are mainly engaged in the creation of on-board systems for yachts, and therefore deal with electrical and hydraulic systems, furniture installation, painting and air conditioning systems, as subcontractors in the shipyards.

WORKERS WHO ARE NOT EMPLOYEES[13]	2021	2022	**2023**
INTERNS (curricular and extra-curricular)	12	16	**18**
SELF-EMPLOYED PERSONS	0	0	**1**
AGENCY WORKERS	7	16	**37**
CONTRACTORS	1350	1624	**2150**
TOTAL	1369	1656	**2206**

6.2 Training and Development

Training and development play a key role in enhancing the Group's human capital. At the Ferretti Group, employees are guided and involved at every stage of their development, using specific tools in line with their experience and role within the company. This is training as a competitive advantage: developing staff to help them grow towards the key skills needed to maintain market leadership over time.

The 2023 training plan included courses on Health, Safety and Environment (HSE) topics, useful to understand how to evaluate and prevent injuries and other risks on the workplace, linked to the ISO 14001 certification. Indeed, safety consists of a considerable part of each employee's development in the Company. Moreover, with reference to Operations and Supply Chains topics, training sessions on quality control processes was organised, while on the Engineering side, software programming classes were held. As for boat licenses, international courses, such as the Global Maritime Distress Safety System (GMDSS) and Standards of Training, Certification and Watchkeeping for Seafarers (STCW), were provided. Finally, Ferretti Group considers as particularly relevant also additional training activities, like linguistic classes (e.g., English, Portuguese, etc.), sessions on Sustainable Mobility and Digital Transformation, which enrich the staff with new soft skills and personal growth, as well as other technical courses according to the expertise area.

In 2023, the total amount of training hours that employee were expected to conduct was equal to 16,183, with a 18% decrease with respect to the previous year. Going forward, the Group will also provide the actual number of training hours as compared to the those planned. In 2022, training planned activities saw a peak, in light of the restart after the pandemic period.

[13] The number of interns, self-employed persons and agency workers represents the heat count at the end of the reporting period. The number of contractors represents the average number of contractors across the reporting period.

Total annual training hours[14]

2021	2022	**2023**
15,901	19,635	**16,183**

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.

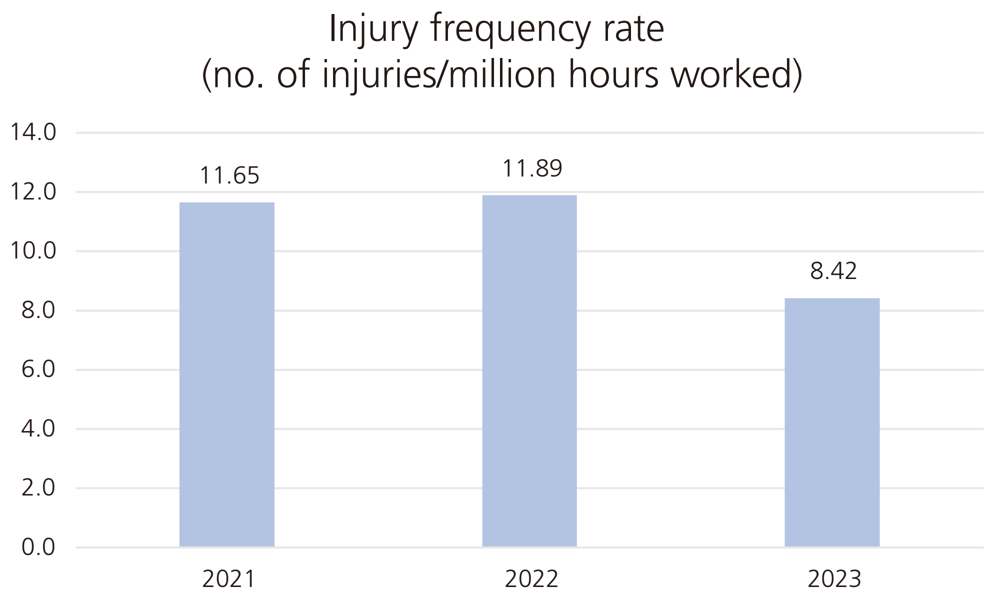
No reports on discrimination issues have been received in 2023.

6.3 Health and safety

The health and safety of workers has always been of fundamental importance to the Ferretti Group. Ensuring a safe and comfortable working environment is not only a priority for the Group but is also a strategic and development factor for the entire company.

14 Please note that the figures refer to theoretical and not effective training hours.

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

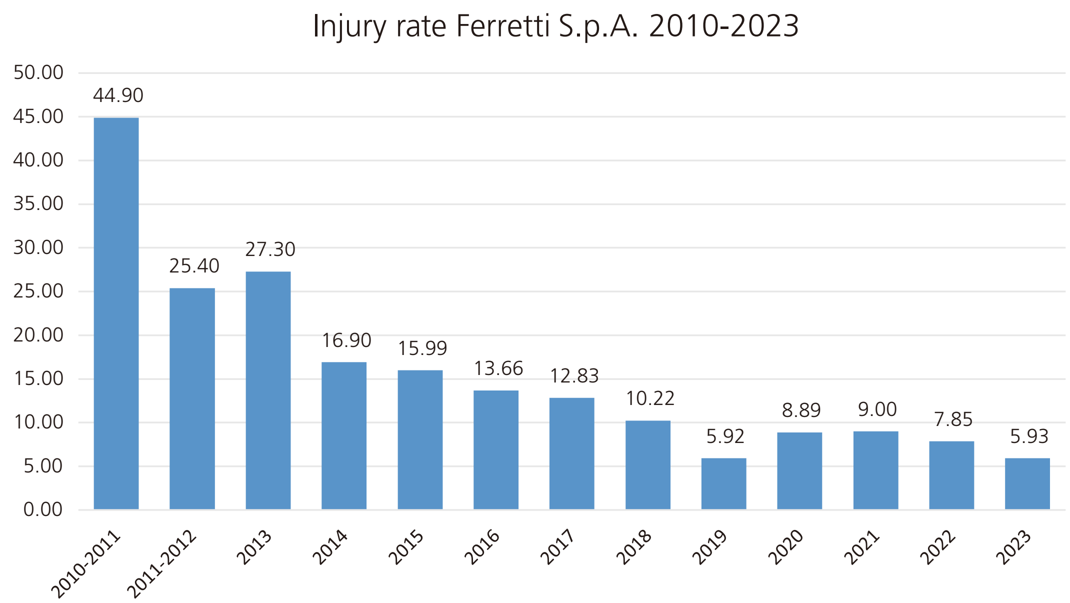


In 2023, no events of serious injuries (i.e., those entailing an absence of over six months) were reported by the companies of the Group, nevertheless the Group will continue to work towards a zero injuries workplace and to possibly keep reducing accident and injury rates. One of the tools used by the 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.).

Moreover, in the last 13 years, thanks to a series of measures and policies designed to lower the number of accidents involving its workers, Ferretti S.p.A. has reduced its injury rate (that is, the number of injuries per million hours worked) by 86,8% compared to 2010[15].

13 The increase in the injury rate in 2020 can be interpreted as an effect of the sudden imposition of pandemic containment measures. These shifted the attention of company workers to the newly adopted COVID-19 prevention measures and temporarily away from all other working risks, especially during the early months of the year.

Injury frequency rate (no. of injuries/million hours worked) over the last 13 years — Ferretti S.p.A.



This extraordinary result was only made possible by detailed, continuous assessment of the potential risks at each of the Group's shipyards and the consequent implementation of all the measures (whether organisational or systems-based) required to eliminate or, where this is not possible, reduce these risks to a minimum. Among the risks identified at the main stages of the production process are a not insignificant chemical risk, a carcinogenic risk, a risk deriving from working at height, a moderate biomechanical risk, a moderate noise risk, a very slight vibration risk and a mechanical risk.

Main investments for safety at shipyards 2019–2023

— Lifelines on all overhead cranes

— Machine qualification — wood with badge (still in the implementation phase)

— Regularisation of scaffolding at Cattolica

In order to prevent potential injuries, each employee receives detailed training on the risks to which he or she is exposed, including practical training. At the end of this process, the work of each employee is then checked, supervised, and coordinated by his or her Contact Person. Each Contact Person is selected from among experienced employees and formally appointed to the role, having received adequate training for the position. Every month the Contact Person attends an **occupational health and safety meeting** along with their colleagues, the Prevention & Protection Service Manager (PPSM) and the EHS Manager. 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, as detailed below.

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, a **report** is drawn up which includes a detailed description of the event. A specific section is also filled in relating to the corrective measures identified, indicating 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 Plant Directors 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.

Each production site is also associated with a **Company-Appointed Doctor** who is in charge of all the activities related to Occupational Medicine. The Company-Appointed Doctor works alongside the Employer, the EHS Manager and the PPSM to manage professional risks, and particularly focuses on assessing the compatibility between a worker's health and the role he/she performs. In addition to a regular health check, in the event that any worker believes there are specific situations that may cause injury or health problems, he or she may request an extraordinary medical examination to share his/her concerns with the Company-Appointed Doctor and to discuss potential regulations or limitations necessary to safeguard his/her health. In order to ensure maximum confidentiality, every worker's health and risk records are held and managed by each Company-Appointed Doctor in full compliance with privacy regulations.

Safety Meeting	OMT Meeting
Monthly meeting at every shipyard to discuss accidents and corrective measures	Monthly meeting between the employer and facility managers to discuss the measures adopted, practices to be followed and any critical issues

These measures for the prevention and management of injuries have led to positive results in recent years. The Group will continue to work to ensure this figure stays at zero and to reduce every accident and injury rate.

DIRECT EMPLOYEES	MEASUREMENT UNIT	2021	2022	2023
Employee work hours	No.	2,660,838	2,775,405	**3,205,134**
Total number of recordable work-related injuries, including deaths	No.	31	33	**27**
of which injuries during commute (only if transport was arranged by the organisation)	No.	0	1	**0**
of which work-related injuries with serious consequences (> 6 months absence), excluding deaths	No.	0	2	**0**
of which deaths	No.	0	0	**0**
Recordable work-related injury rate (calculated per 1,000,000 hours worked)	—	11.65	11.89	**8.42**
Serious work-related injury rate (calculated per 1,000,000 hours worked)	—	0.0	0.7	**0**
Death rate (calculated per 1,000,000 hours worked)	—	0	0.0	**0**
Lost workdays due to injuries	No.	N/A	757	**937**

In 2023, the Group reported five cases of work-related ill health to INAIL for Ferretti S.p.A.

6.4 Company welfare and industrial relations

Among the company benefits provided for full-time employees, a distinction should be made between those provided by national collective bargaining agreements and the further benefits offered by the Group.

Among the benefits provided by the national collective bargaining agreements, the following should be noted:

— **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, through the Fondo COMETA Fund in accordance with national bargaining CCNL Metalmeccanica Industria and through Previndai for Executives);

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

Among the further benefits offered by the Group, the following should be noted:

— **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.

As regards the company welfare plan, Group employees may allocate up to 50% of their results bonus to welfare goods and services, choosing from dozens of options available and enjoying significant tax benefits.

In terms of industrial relations, over the years the Group has built solid relationships which have contributed to the current relationship of trust and mutual respect. Temporary redundancy and shutdown periods were managed with the sector's main trade unions through meetings held in a productive atmosphere.

Specifically, we note that on February 2022 Ferretti S.p.A. and the national and European trade unions and shipyard Workers' Representative Bodies signed an agreement to renew the supplementary second level contract, valid until 31/12/2024.

6.5 Local 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.

Supporting children in El Salvador

Ferretti Group and 7: The David Beckham UNICEF Fund collaborated in 2023 to raise funds for the children of El Salvador with Ferretti Group donating a Riva Anniversario, a special limited-edition boat created by Riva to celebrate the shipyard's 180th anniversary as well as 60 years of the iconic Aquarama of which only 18 units were made, to be sold to the highest bidder at auction.

All the proceeds of the charity auction were donated to the fund to protect children in El Salvador, the funds raised will help UNICEF's efforts to strengthen and improve access to child protection systems, to support children to stay in school and transform public areas into child friendly spaces, helping children, including those with disabilities, to safely play sports, learn life skills and build resilience.

Il Miglio Blu (The Blue Mile)

La Spezia has always been one of the most important global centres for yacht production, hosting shipyards run by the Ferretti Group, Sanlorenzo, Baglietto and Fincantieri, among others. This concentration of yacht builders in an area around one mile long, combined with the ambition of local administrators to enhance this unique industrial hub, has led to the creation of the Miglio Blu (Blue Mile) project. The project foresees a requalification of the whole area that is designed to enhance this section of the port both aesthetically, making this stretch of road immediately identifiable, and logistically, organising space so as to create a true maritime district which responds to all the specific needs of the sector.

The project also includes the construction of a pedestrian and cycle path, marked with the "Blue Mile" logo, which will allow residents and tourists to rediscover a special, historic place where hundreds of unique yachts are produced every year. The project will also lead to training for around 300 professionals to meet the employment needs of the requalified area, which will have a positive effect on local employment. At the same time, the presence of the La Spezia university hub will also prompt innovation and research, leading to training for highly qualified workers; the objective is therefore to strengthen synergies between the maritime companies and the university hub, including through the direct participation of the Group's companies.

In between 2022 and 2023 a number of specific clusters and working groups were established, including one which will focus on sustainable energy, and work began to restructure Viale San Bartolomeo to create pavements.

Ferretti Group is proud to contribute to the creation of an exclusive nautical district capable of establishing La Spezia as the international capital of the maritime industry.

The donation to La Fenice

The Ferretti Group believes that the companies representing Made in Italy around the world have a duty to support and promote other Italian excellence in the field of culture and historical and artistic heritage. In 2023 the Group made a donation to support the Fondazione Teatro La Fenice, in Venice.

Scuola dei Mestieri

Scuola dei Mestieri is a Ferretti Group project for 18 to 29-year-olds who want to start a career in the high-end Italian yacht industry.

Much more than an extra-curricular internship for career guidance, this course combines theory and experience in the yard — in a program ranging from sessions in the classroom and workshop to on-the-job training in production departments — with the aim of creating real career opportunities.

The goal of transferring knowledge is achieved by exploiting the Group's own know-how: the classroom courses are held by managers and key technical experts who worked in Ferretti Group.

After the successful first edition in Forlì and subsequent launch at the Mondolfo and Sarnico sites, the Group kicked off the second edition of the Scuola dei Mestieri project on November 13, 2023 in Forlì. The goal of this second edition was mainly to focus on the newly acquired Ravenna yard, aiming to grow the workforce in view of the upcoming full functionality. The students on the course were, in fact, based both in Ravenna and Forlì.

In Ferretti Group's vision, the Scuola dei Mestieri is an incubator of young resources attracted by the excellence of Italian boatbuilding.

7. EU TAXONOMY

Introduction

To respond to the environmental challenges imposed by the climate crisis and concretely implement the objectives of the European Green Deal, the European Union has set specific climate and energy targets to be achieved by 2030 and 2050. To this end, the private sector is expected to actively participate in the implementation of sustainable projects and activities. With this in mind, the European Institutions have developed the so-called "Taxonomy of economic activities", i.e. a classification of economic activities that can be considered "environmentally sustainable".

This Taxonomy was introduced through Regulation (EU) 2020/852 (hereinafter "**Regulation**"), published in the Official Journal of the European Union on June 22nd, 2020 and entered into force on July 12th, 2020. The Regulation, which applies to all companies obliged to draw up a Non Financial Statement in accordance with the provisions of Directive 2014/95/EU, implemented in Italy by means of the Legislative Decree 254/2016, provides investors, companies and public institutions with reliable and shared criteria and tools to identify environmentally sustainable economic activities.

In order to proceed with the classification of economic activities, the document divides them into "eligible" and "aligned". An economic activity is defined as "eligible" if it is listed in the Delegated Regulation in relation to one or more environmental objectives, namely: climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, protection and restoration of biodiversity and ecosystems. The activity, if eligible, has the potential to contribute substantially to the target setting.

On the other hand, an economic activity is "aligned" if, in addition to being eligible, it is carried out in accordance with:

— the technical screening criteria, which are divided into **substantial contribution criteria**, identified on a scientific basis and specific to each of the objectives, and **DNSH** (*Do No Significant Harm*) criteria, which ensure that the activity does not cause significant harm to any of the remaining five objectives;

— the **minimum safeguards**, i.e. the safeguards implemented by the Group to ensure respect for human rights and international standards in the management of its organisation and along the supply chain.

Over the years, the Regulation has already undergone additions and extensions by means of Delegated Acts that have introduced additional economic activities and modified some criteria.

In 2021, the European Commission published the "Climate Delegated Act",[16] aimed at regulating economic activities that can contribute substantially to the two climate objectives, while in 2023 the "Environmental Delegated Act" was published[17], which, in addition to regulating the remaining four environmental objectives, made some changes to the models to be used for the publication of key performance indicators (KPIs) of non-financial companies. During the same year, Delegated Regulation 2023/2485 was also published, with which amendments were made to the Climate Delegated Act, both in terms of new economic activities and in terms of technical screening criteria.

With regard to the 2023 Reporting Period, the first in which the Ferretti Group is subject to the Regulation, non-financial companies obliged to prepare a Non Financial Statement are required to provide information regarding the share of turnover, capital expenditures (CapEx) and operating expenses (OpEx) associated with the economic activities considered eligible and aligned with the Taxonomy, with reference to the economic activities included in the "Climate Delegated Act". With regard to the activities included in the Environmental Delegated Act, on the other hand, for this first year of reporting, non-financial companies are only required to report the share of eligible turnover, CapEx and OpEx.

Evaluation of the Ferretti Group's activities

Eligibility analysis

In order to assess the possible eligibility for the six environmental objectives outlined by the Regulation, the Ferretti Group has carried out a mapping of its economic activities, identifying activity ***3.3 Manufacture of low-carbon technologies for transport*** associated with the objective of climate change mitigation as the main activity related to its business, in particular considering the specific characteristics of the "*Commission Notice on the interpretation of certain legal provisions of the Disclosures Delegated Act under Article 8 of EU Taxonomy Regulation on the reporting of eligible economic activities and assets 2022/C 385/01*". This communication, issued on October 6th, 2022 by the European Commission, indicates that qualifiers are assessed as "low carbon" exclusively to determine compliance with technical screening criteria and not in terms of eligibility.

Alignment Analysis

In order to assess the alignment of Turnover, CapEx and OpEx with respect to activity *3.3 Manufacture of low-carbon technologies for transport*, linked to the objective of climate change mitigation, the Group carried out an audit of the following elements:

- Compliance with the technical screening criteria, divided into substantial contribution criteria and Do No Significant Harm (DNSH) criteria;
- The fulfilment of minimum safeguards.

[16] Delegated Regulation (EU) 2021/2139

[17] The Environmental Delegated Act, European Commission, C(2023) 2486, adopted on 27 June 2023 and entered into force on 1 January 2024.

Substantial Contribution Analysis

The requirements of the Regulation to meet the criterion of substantial contribution to the climate change mitigation objective for activity *3.3 Manufacture of low-carbon technologies for transport* are as follows:

m. sea and coastal passenger water transport vessels, not dedicated to transporting fossil fuels, that:

i. have zero direct (tailpipe) CO2 emissions;

ii. until 31 December 2025, hybrid and dual fuel vessels derive at least 25 % of their energy from zero direct (tailpipe) CO2 emission fuels or plug-in power for their normal operation at sea and in ports;

iii. until 31 December 2025, the vessels have an attained Energy Efficiency Design Index (EEDI) value 10 % below the EEDI requirements applicable on 1 April 2022 if the vessels are able to run on zero direct (tailpipe) CO2 emission fuels or on fuels from renewable sources;

In this regard, during the 2023 financial year, the Group developed only one boat that meets these requirements, the Riva El-Iseo model (R27E), i.e. the all-electric propulsion version of the Iseo model. It should be noted, however, that this model has not yet been sold and therefore no revenues related to it have been generated. It should also be noted that the Group is actively dedicated to the research and development of solutions aimed at creating increasingly environmentally friendly boats.

Do No Significant Harm

The purpose of the DNSH compliance review in relation to the DNSH criteria is to ensure that the individual activities identified do not cause harm to the other environmental objectives.

In particular, in order to comply with the DNSH criteria, activity *3.3 Manufacture of low-carbon technologies for transport* must comply with the following criteria:

— Adaptation to climate change: The criteria outlined in Appendix A of the Climate Delegated Act require an analysis to be carried out to identify and assess chronic and acute physical climate risks (listed in Section II of the same Appendix) that affect the activity. This requires a robust assessment of climate risk and vulnerability, based on a precise process set out in the Delegated Act itself.

  To date, the Group has not carried out an analysis dedicated to the assessment of climate risks and for this reason the criterion is not met.

— Sustainable use and protection of water and marine resources: the criteria outlined in Appendix B of the Climate Delegated Act require an analysis of the risks of environmental degradation related to both the maintenance of water quality and the prevention of water stress, or an environmental impact assessment according to Directive 2000/60/EC of the European Parliament and of the Council. The Group does not currently carry out this type of analysis and for this reason, the criterion is not met.

— Transition to a circular economy: the criteria outlined by the Climate Delegated Act require the activity to assess *the availability of and, where feasible, adopts techniques that support*:

   a. *reuse and use of secondary raw materials and re-used components in products manufactured;*

   b. *design for high durability, recyclability, easy disassembly and adaptability of products manufactured;*

   c. *waste management that prioritises recycling over disposal, in the manufacturing process;*

   d. *information on and traceability of substances of concern throughout the life cycle of the manufactured products.* The Ferretti Group is committed to investing in the research of innovative materials and techniques capable of reducing the impact of its products. However, the Group does not believe that to date it has the necessary information available for a full evaluation of the criterion. Therefore, the criterion is considered as not fulfilled as a precautionary measure.

— Pollution prevention and control: the criteria outlined in Appendix C of the Climate Delegated Act require an assessment to be made of specific substances potentially included in manufacturing processes. The Ferretti Group complies with local and international laws regarding the use of hazardous substances. However, since it has not carried out a specific assessment, conservatively, it considers the criterion to be unfulfilled.

— Protection and restoration of biodiversity and ecosystems: The criteria outlined in Appendix D of the Climate Delegated Act require an Environmental Impact Assessment (EIA) procedure to be carried out and the implementation of mitigation and compensation measures necessary for the protection of the environment.

   To date, the Group does not carry out this type of analysis and for this reason the criterion is not met.

Minimum safeguards

In order to verify compliance with the criteria defined by the minimum safeguards, the Ferretti Group carried out an assessment of the main corporate structures and policies, aiming to assess compliance with a series of international standards and principles, including the Organisation for Economic Co-operation and Development (OECD) guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, and the main conventions of the International Labour Organization (ILO), such as the International Bill of Human Rights.

The Ferretti Group pays great attention to respect for human rights and the proper conduct of business, making these elements a solid foundation of its business. In order to ensure and promote these principles, the Group has implemented a public Code of Ethics, which serves as a reference to outline the main guidelines for corporate conduct.

The Group is also committed to the fight against gender inequalities, making use of a "Diversity policy of the Administrative and Control Bodies".

The adoption of this policy underlines the focus on diversity in its various forms, both within the Board of Directors and within the Group at large. During the selection process, the Group adopts strict principles of non-discrimination, respecting internationally accepted standards and principles.

Upholding the importance of a transparent and ethical work environment, the Group has established a whistleblowing policy, making it public and easy to access for all its various stakeholders. This system makes it possible to report any unethical behaviour, thus promoting a culture of integrity in the Group.

With regard to corruption, the Ferretti Group has adopted Model 231, with a particular focus on corruption crimes, further reaffirming its commitment to legality and transparency.

However, with a conservative and prudential approach, the Group recognizes the need for further progress in terms of due diligence policies and supply chain control. In this perspective, it does not yet consider its practices fully aligned with the required parameters, continuing to work to improve these aspects.

Contextual Information & Accounting Policy

This paragraph describes the methodological and accounting approaches used to calculate the Turnover, CapEx and OpEx KPIs required by the regulations, based on what is reported in the Annexes of Delegated Act 2178/2021 of the Regulation, analyzing the information based on the activities deemed eligible and, if necessary, aligned.

The calculation methods, the structure of the different indicators analysed in relation to the activities defined by the EU taxonomy and the methods of numerical extraction are presented in order to quantify the items included in the numerator of each indicator. It should be noted that items relating to intercompany transactions are excluded from the analysis carried out to calculate the indicators, in accordance with the Regulation.

The elaboration of the indicators required the involvement of the Group’s administrative and accounting structures which, on the basis of the indications set out in Annex 1 to Delegated Act 2178/2021, identified the accounting items to be associated with the various KPIs, starting with the consolidated financial statement items.

Additionally, it should be noted that the Capex and Opex KPIs do not incorporate any elements related to the requirements for a plan to expand economic activities aligned with the taxonomy or to enable economic activities eligible to alignment with the taxonomy, as described in §1.1.2.2 of Annex 1 of Delegated Act 2178/2021.

Turnover

In line with the provisions defined by Annex 1 of the Delegated Act 2021/4987, the Turnover KPI has been calculated as the ratio between the share of net revenues obtained from products or services, including intangibles, associated with taxonomy-aligned economic activities (numerator) and the Group's net revenues (denominator). In accordance with the international accounting reference IAS 1.82 (a) cited by the Regulation, in order to avoid *double counting*, any revenue generated by the sale of Intercompany products or services has been excluded from the calculation of the KPI. Consequently, the denominator of the Turnover KPI corresponds to the item "Net revenues" presented in the Consolidated Income Statement, showing a value of € 1,134,484 thousand.

In accordance with the requirements of the Annexes of the Disclosure Delegated Act 2021/4987, in calculating the numerator, the Group considered only revenues related to economic activities identified as eligible. Specifically, the turnover generated by the Group deemed eligible is associated with activity 3.3 — *Manufacture of low-carbon technologies for transport* (Climate Change Mitigation), which refers to *Ferretti S.p.A.'s core business, the manufacture of boats*.

CapEx

As described in the Regulation, the calculation of the denominator of the CapEx KPI includes the additions to assets presented during the 2023 financial year for tangible assets, intangible assets and *right of use of assets* (in accordance with IFRS 16), including those deriving from business combinations, considered before depreciation, impairment and any revaluation, including those deriving from restatements and impairments, excluding changes in fair value. In accordance with the provisions defined by Annex 1 of the Delegated Act 2021/4987, the denominator of the CapEx KPI was calculated starting from the items "Increases in owned assets" and "Increases in assets for rights of use" recorded during the year and reported in Note 30 — Buildings, plant and equipment and the item of "Increases" recorded during the year in Note 31 — Intangible assets Intangible assets excluding the goodwill. To cover the accounting references required by IAS16, IAS38 and IFRS16, a breakdown of the denominator composition with reference to the asset categories mentioned, is given below:

- Intangible assets with a finite life: € 19,485 thousand;
- Property, plant and equipment: € 127,584 thousand;
- Rights of use related to tangible assets: € 8,320 thousand.

The value considered in the denominator of the Capex KPI therefore amounts to € 15,389 thousand.

To identify the numerator, an analysis of the additions associated to point (a)[18] of § 1.1.2.2 of Annex 1 of the Disclosure Delegated Act was carried out. In particular, the values related to the additions allocated to the activity that generates Turnover were extracted, that is activity 3.3 -Manufacture of low-carbon technologies for transport (Climate Change Mitigation) This essentially encapsulates the core activities of the Group. Within this context, only the net revenues attributed to *composite yachts, made-to-measure yachts, super yachts, FDS and Wally sailboats*, were considered, for a total value of € 1,064,476 thousand.

OpEx

For the calculation of the OpEx KPI, the chart of accounts of the Group was analysed in detail in order to isolate cost items attributable to the categories defined by Annex 1 of the Delegated Act 2021/4987 as follows:

- Non-capitalized R&D;
- Building renovation measures;
- Short-term leases;
- Maintenance and Repair;
- Day-to-Day Servicing of assets.

With reference to the FAQ[19] published by the European Commission, the expenses incurred by the Group for the cleaning of the assets have been included in the calculation of the denominator with reference to the category " any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment".

On the basis of the categories metioned above, the denominator of the OpEx KPI is € 10,037 thousand.

For the identification of the operating expense values associated with the numerator of the Opex KPI, the Group mainly identified expenses related to the maintenance of owned assets, maintenance of non-owned assets and cleaning related to "Day to Day servicing of assets" related to point (a)[20] of § 1.1.2.2 of Annex 1 of the Disclosure Delegated Act. In particular, the above-mentioned categories included in the management accounts of Ferretti S.p.a. were considered instrumental to the performance of core business activities, as they are functional to the manufacture of boats.

It should be noted that, since the activities relating to the gas and nuclear sectors, included in the Complementary Delegated Act (Delegated Regulation 2022/1214), are not eligible, the related tables are not published.

18 Capital expenditures included in the denominator that are related to assets or processes associated with taxonomy-aligned economic activities.

19 FAQ 12 of Commission Notice C (2022) 385/01 of 06.10.2022

20 Par. 1.1.3.2 of (EU) Delegated Regulation 2021/2178: operational expenditure related to assets or processes associated with taxonomy-aligned (eligible) economic activities, including training and other human resources adaptation needs, as well as direct non-capitalised R&D costs.

Share of turnover deriving from products or services associated with economic activities aligned and eligible for the Taxonomy — information relating to the year 2023 (data in €/k)[21]

Financial Year 2023		Year		Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities (1)	Code (2)	Turnover (3)	Proportion of Turnover, year 2023 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Turnover aligned (A.1.) or eligible (A.2.), year 2022 (18)	Category Enabling activity (19)	Category Transitional activity (20)
		k €	%	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY — ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		— €	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	N	N	N	N	N	N	N	0,00%		
of which enabling				0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	N	N	N	N	N	N	N	0,00%	E	
of which transitional				0,00%						N	N	N	N	N	N	N	0,00%		T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Manufacture of low carbon technologies for transport	3.3 CCM/3.3 CCA	1.067.476,00 €	94,09%	AM	N/AM												0,00%		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned) (A.2)	1.067.476,00 €	94,09%	94,09%	0,00%	0,00%	0,00%	0,00%	0,00%									0,00%		
Turnover of Taxonomy eligible activities Totale (A.1 + A.2)	1.067.476,00 €	94,09%	94,09%	0,00%	0,00%	0,00%	0,00%	0,00%									0,00%		
B TAXONOMY NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy non-eligible activities		67.008,00 €	5,91%																
TOTAL		1.134.484,00 €	100,00%																

21 The methods of representation of information, following regulatory clarifications, may be subject to updates.

	Ratio of Turnover/Total Turnover	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	0,00%	94,09%
CIRCA	0,00%	0,00%
WRT	0,00%	0,00%
THAT	0,00%	0,00%
PPC	0,00%	0,00%
BIO	0,00%	0,00%

Share of capital expenditures deriving from products or services associated with taxonomy-aligned economic activities — Disclosure for the year 2023 (data in €/k)[22]

Financial Year 2023		Year		Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities (1)	Code (2)	CapEx (3)	Proportion of CapEx, year 2023 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of CapEx aligned (A.1.) or eligible (A.2.), year 2022 (18)	Category Enabling activity (19)	Category Transitional activity (20)
		k €	%	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY — ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		— €	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	N	N	N	N	N	N	N	0,00%		
of which enabling				0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	N	N	N	N	N	N	N	0,00%	E	
of which transitional				0,00%						N	N	N	N	N	N	N	0,00%		T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Manufacture of low carbon technologies for transport	3.3 CCM/3.3 CCA	139.914,01 €	165,01%	AM	N/AM												0,00%		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned) (A.2)	139.914,01 €	90,04%	90,04%	0,00%	0,00%	0,00%	0,00%	0,00%									0,00%		
CapEx of Taxonomy eligible activities Totale (A.1 + A.2)	139.914,01 €	90,04%	90,04%	0,00%	0,00%	0,00%	0,00%	0,00%									0,00%		
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy non-eligible activities		15.474,99 €	9,96%																
TOTAL		155.389,00 €	100,00%																

22 The methods of representation of information, following regulatory clarifications, may be subject to updates.

	Proportion of CapEx/Total CapEx	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	0,00%	90,04%
CIRCA	0,00%	0,00%
WRT	0,00%	0,00%
EC	0,00%	0,00%
PPC	0,00%	0,00%
BIO	0,00%	0,00%

Share of operating expenses deriving from products or services associated with taxonomy-aligned economic activities — Information for the year 2023 (data in €/k)[23]

Financial Year 2023		Year		Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities (1)	Code (2)	OpEx (3)	Proportion of OpEx, year 2023 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of OpEx aligned (A.1.) or eligible (A.2.), year 2022 (18)	Category Enabling activity (19)	Category Transitional activity (20)
		k €	%	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY — ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		– €	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	N	N	N	N	N	N	N	0,00%		
of which enabling				0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	N	N	N	N	N	N	N	0,00%	E	
of which transitional				0,00%						N	N	N	N	N	N	N	0,00%		T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Manufacture of low carbon technologies for transport	3.3 CCM/3.3 CCA	6.610,36 €	65,86%	AM	N/AM												0,00%		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned) (A.2)	6.610,36 €	65,86%	65,86%	0,00%	0,00%	0,00%	0,00%	0,00%									0,00%		
CapEx of Taxonomy eligible activities Totale (A.1 + A.2)	6.610,36 €	65,86%	65,86%	0,00%	0,00%	0,00%	0,00%	0,00%									0,00%		
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy non-eligible activities		3.427,24 €	34,14%																
TOTAL		10.037,61 €	100%																

[23] The methods of representation of information, following regulatory clarifications, may be subject to updates.

	Proportion of OpEx/Total OpEx	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	0,00%	65,86%
CIRCA	0,00%	0,00%
WRT	0,00%	0,00%
THAT	0,00%	0,00%
PPC	0,00%	0,00%
BIO	0,00%	0,00%

METHODOLOGICAL NOTE

Reporting criteria

The 2023 Non Financial Statement represents the fifth step in the Ferretti Group's Sustainability journey, which began in 2020 with the publication of the first Sustainability Report. In this document, the Group has updated and extended its reporting of the main initiatives, activities and performance in environmental, social and governance terms.

In order to accurately and clearly update the topics covered in this report, in 2023 the Board of Directors reviewed and approved the information reported in the present document.

This report, for the year 2023, has been prepared using the Global Reporting Initiative Sustainability Reporting Standards ("**GRI Standards**") reporting framework published by the Global Sustainability Standards Board, following the option "In accordance". 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 C2) of the Hong Kong Stock Exchange, which are set out in the Content Index. This Non Financial Statement refers to specific standards of the framework that have been chosen for reporting. They are summarised in the table below:

Macro-category	Material topic	GRI Aspect
Product and customers	Customer protection and safety	GRI 416: 2016 — *Customer health and safety* GRI 417: 2016 — *Marketing and labelling* GRI 418: 2016 — *Customer privacy*
	Research and development	—
People	Human and civil rights	GRI 2: *General Disclosures* GRI 408: 2016 — *Child Labour* GRI 409: 2016 — *Forces or Compulsory Labour*
	Human capital development, retention and satisfaction	GRI 2: *General Disclosures* GRI 401: 2016 — *Employment*
	Occupational health and safety	GRI 403: 2018 — *Occupational health and safety*
	Diversity, equal opportunities and inclusion	GRI 405: 2016 — *Diversity and equal opportunity* GRI 406: 2016 — *Non-Discrimination*
Value for the local area	Development and value creation for local communities	GRI 201: 2016 — *Economic performance* GRI 204: 2016 — *Procurement practices*
	Community Investments	—
	Anti-corruption and money laundering	GRI 205: 2016 — *Anti-corruption*
	Sustainable supply chain management	GRI 414: 2016 — *Supplier social assessment* GRI 308: 2016 — *Supplier environmental assessment*
Reduction of environmental impacts of the production process	Waste management and product's end-of-life	GRI 306: 2020 — *Waste*
	Polluting atmospheric emissions	GRI 305: 2016 — *Emissions*
	Water resources	GRI 303: 2018 — *Water and effluents*
	Energy consumption	GRI 302: 2016 — *Energy*
	Raw materials consumption	GRI 301: 2016 — *Materials*
	GHG emissions	GRI 305: 2016 — *Emissions*
	Biodiversity	GRI 304: 2016 — *Biodiversity*

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 3 of this document. The Group's Non Financial Statement is published annually and is distributed to stakeholders through the Company's usual communication channels. A short version of the 2022 Sustainability Report has been published together with the 2022 Annual Report, while the extended version has been published on November 27, 2023 and it is available at https://www.ferrettigroup.com/en-us/Sustainability/Sust-archive.

This Non Financial Statement has been published together with the 2023 Annual Report on March 28, 2023, so as to provide an insightful description of the firm's commitment and effort towards sustainability.

All figures reported refer to the Reporting Period between January 1, 2023, and December 31, 2023, and refer to all Group companies on a consolidated basis with the exception of some data expressly indicated in the text. In particular, environmental information are only collected by production sites and facilities, since commercial offices has a marginal contribution to the Group's environmental impacts. The reporting boundary and reporting period are the same as the information reported in the 2023 Annual Report and are consistent with those of the previous year, with the exception of Il Massello S.r.l. and F.lli Canalicchio S.p.A., which have been fully acquired at the end of 2022 and included in the sustainability reporting process from 2023.

All data are presented in comparison with the two years prior to this Statement, namely 2021 and 2022, in order to provide greater detail and highlight the main trends occurring during the three-year period. Given the consideration of extending the perimeter to cover previous years, the data has been accordingly adjusted. Kindly note that the GRI 301–1 indicator strictly applies to the entity Zago S.p.A. and does not include the other entities within the group.

This Non Financial Statement represents the first edition subject to external assurance, in accordance with the International Standard on Assurance Engagement (ISAE 3000 Revised) by the independent auditor EY S.p.A.. Quantitative indicators that do not refer to any general or topic-specific disclosure of the GRI Standards are not subject to external assurance.

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

- The **Conversion to GJ 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 2023 (for natural gas), and by the UK Government's Department for Environment, Food and Rural Affairs (DEFRA), available in the document "2023 UK Government GHG Conversion Factors for Company Reporting" (for electricity and fuels).

- **Direct GHG emissions (Scope 1)** produced by the Group and due to the consumption of natural gas were calculated using the emission factors provided by the Ministry for the Environment and Protection of the Land and the Sea (MATTM) in the National Standard Parameters Table for 2023 (for natural gas). As regards consumption of electricity, f-gases, diesel and petrol, on the other hand, the emissions factors used were those provided by the UK Government's Department for Environment, Food and Rural Affairs (DEFRA), available in the document "2023 UK Government GHG Conversion Factors for Company Reporting". 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 emission factors used were those published by Terna in the document "International Comparisons 2020–2019 data" (for Italian sites) and by the United States Environmental Protection Agency (EPA), in the "eGRID — all fuels" database available online (for US sites). 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" (for Italian sites) and by the United States Environmental Protection Agency (EPA), in the "eGRID — all fossil fuels" database available online (for US sites).[24]

No reference has been made to Comply or Explain Provisions 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 and Alessandro.Pellegrini@ferrettigroup.com.

[24] 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 CONTENT INDEX & HKEX INDEX

Ferretti Group has reported the information cited in this GRI content index for the period 01/01/2023–31/12/2023 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

<table>
<tr><th rowspan="2">GRI STANDARD/ OTHER SOURCE</th><th rowspan="2">DISCLOSURE</th><th rowspan="2">REFERENCE TO HKEXESG REPORTING GUIDE</th><th rowspan="2">LOCATION</th><th colspan="3">OMISSION</th></tr>
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1.4 Group Governance</td><td colspan="3" rowspan="5">Reasons for omission are not permitted for these disclosures.</td></tr>
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GRI STANDARD/ OTHER SOURCE	DISCLOSURE	REFERENCE TO HKEXESG REPORTING GUIDE	LOCATION	OMISSION		
				REQUIREMENT(S) OMITTED	REASON	EXPLANATION
	2–11 Chair of the highest governance body		1.4 Group Governance			
	2–12 Role of the highest governance body in overseeing the management of impacts		3. The Group's responsibilities: our journey towards sustainability			
	2–13 Delegation of responsibility for managing impacts		1.4 Group Governance			
	2–14 Role of the highest governance body in sustainability reporting		Methodological note			
	2–15 Conflicts of interest		1.4 Group Governance			
	2–16 Communication of critical concerns		1.4 Group Governance			
	2–17 Collective knowledge of the highest governance body		As of 2023, the Group does not implement any specific training activities for the Board of Directors on sustainable development.			
	2–18 Evaluation of the performance of the highest governance body		As of 2023, the Group does not evaluate the Board of Directors' performance in managing the firm's ESG impacts.			
	2–19 Remuneration policies		1.4 Group Governance			
	2–20 Process to determine remuneration		1.4 Group Governance			
	2–21 Annual total compensation ratio		1.4 Group Governance			
	2–22 Statement on sustainable development strategy		Welcome message from our CEO			
	2–23 Policy commitments		1.4 Group Governance 5.2 Environmental impacts 6.2 Training and Development			

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	REFERENCE TO HKEXESG REPORTING GUIDE	LOCATION	OMISSION		
				REQUIREMENT(S) OMITTED	REASON	EXPLANATION
	2–24 Embedding policy commitments		Compliance with policy commitments is guaranteed by various company bodies: the ESG Committee which, in carrying out its tasks, also monitors compliance with the commitments defined in company policies; the Supervisory Board in the field of Model 231 and related documents; the shipyards representatives, for compliance with regulations in the field of environmental compliance (ISO 14001).			
	2–25 Processes to remediate negative impacts		Apart from the Whistleblowing procedure, there are no other measures implemented to remediate to negative impacts.			
	2–26 Mechanisms for seeking advice and raising concerns	B7.2	1.4 Group Governance			
	2–27 Compliance with laws and regulations[25]	GD A1	No incidents of non-compliance with law and regulations occurred during the three-year reporting period.			
	2–28 Membership associations		3. The Group's responsibilities: our journey towards sustainability			

25 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
	2–29 Approach to stakeholder engagement		3. The Group's responsibilities: our journey towards sustainability 3.1 The Ferretti Group's stakeholders 3.2 The materiality analysis			
	2–30 Collective bargaining agreements		Tables of figures			
Material topics						
ECONOMIC PERFORMANCE INDICATORS						
GRI 3: Material Topics 2021	3–1 Process to determine material topics		3.2 The materiality analysis	Reasons for omission are not permitted for these disclosures.		
	3–2 List of material topics		3.2 The materiality analysis			
Economic performance						
GRI 3: Material Topics 2021	3–3 Management of material topics	G.D. B7	3.3 ESG Risk Management 1.4 Group governance			
GRI 201: Economic performance 2016	201–1 Direct economic value generated and distributed	KPI B8.2	2.4 Value creation: figures and achievements			
Procurement practices						
GRI 3: Material Topics 2021	3–3 Management of material topics	G.D. B7	3.3 ESG Risk Management 1.4 Group governance			
GRI 204: Procurement practices 2016	204–1 Proportion of spending on local suppliers	KPI B5.1	2.4 Value creation: figures and achievements			
Anti-corruption						
GRI 3: Material Topics 2021	3–3 Management of material topics	G.D. B7	3.3 ESG Risk Management 1.4 Group governance			
GRI 205: Anti-corruption 2016	205–3 Confirmed incidents of corruption and actions taken	KPI B7.1 KPI B7.2 KPI B7.3	1.4 Group governance			

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	REFERENCE TO HKEXESG REPORTING GUIDE	LOCATION	OMISSION		
				REQUIREMENT(S) OMITTED	REASON	EXPLANATION
ENVIRONMENTAL PERFORMANCE INDICATORS						
Materials						
GRI 3: Material Topics 2021	3–3 Management of material topics	G.D. A2	5.2 Environmental Impacts			
GRI 301: Materials 2016	301–1 Materials used by weight or volume	KPI A2.5	4.1 Research, innovation and sustainability Tables od figures			
Energy						
GRI 3: Material Topics 2021	3–3 Management of material topics	G.D. A2	5.2 Environmental Impacts			
GRI 302: Energy 2016	302–1 Energy consumption within the organization	KPI A2.1	5.2.1 Energy and climate footprint Tables of figures			
	302–3 Energy Intensity	KPI A2.1	Tables of figures			
Water and effluents						
GRI 3: Material Topics 2021	3–3 Management of material topics	G.D. A2	5.2.3 Water: a precious resource			
GRI 303: Water and Effluents 2018	303–1 Interaction with water as shared resource	G.D. A2	5.2.3 Water: a precious resource			
	303–3 Water withdrawal	KPI A2.2 KPI A2.4	5.2.3 Water: a precious resource Tables of figures None of the Ferretti Group sites is located in an area of water stress.			
Biodiversity						
GRI 3: Material Topics 2021	3–3 Management of material topics		5.2 Environmental impacts			
GRI 304: Biodiversity 2016	304–1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		Biodiversity			

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	5.2.1 Energy and climate footprint			
GRI 305: Emissions 2016	305–1 Direct (Scope 1) GHG emissions	KPI A1.1 KPI A1.2	Tables of figures			
	305–2 Energy indirect (Scope 2) GHG emissions	KPI A1.1 KPI A1.2	Tables of figures			
	305–4 GHG emissions intensity	KPI A1.2	Tables of figures			
	305–7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	KPI A1.1	5.2.2 Polluting atmospheric emissions monitoring and reduction Tables of figures			
Waste						
GRI 3: Material Topics 2021	3–3 Management of material topics	G.D. A1 G.D. A3	5.2.4 Waste			
GRI 306: Waste 2020	306–1 Waste generation and significant waste-related impacts	KPI A3.1	5.2.4 Waste			
	306–3 Waste generated	KPI A1.3 KPI A1.4	5.2.4 Waste Tables of figures			
	306–4 Waste diverted from disposal	KPI A1.3 KPI A1.4	5.2.4 Waste Tables of figures			
	306–5 Waste directed to disposal	KPI A1.3 KPI A1.4	5.2.4 Waste Tables of figures			
Supplier environmental assessment						
GRI 3: Material Topics 2021	3–3 Management of material topics	G.D. B5	2.4 Value creation: figures and achievements 3.3 ESG Risk Management			
GRI 308: Supplier Environmental Assessment 2016	308–1 New suppliers that were screened using environmental criteria	KPI B5.2 KPI B5.3 KPI B5.4	2.4 Value creation: figures and achievements			

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	6.4 Company welfare and industrial relations			
GRI 401: Employment 2016	401 -1 New employee hires and employee turnover	KPI B1.2	Tables of figures			
Occupational health and safety						
GRI 3: Material Topics 2021	3–3 Management of material topics	G.D. B2	6.3 Health & Safety			
GRI 403: Occupational Health and Safety 2018	403–1 Occupational health and safety management system	G.D. B2 KPI B2.3	6.3 Health & Safety			
	403–2 Hazard identification, risk assessment, and incident investigation	G.D. B2	6.3 Health & Safety			
	403–3 Occupational health services	KPI B2.3	6.3 Health & Safety			
	403–4 Worker participation, consultation, and communication on occupational health and safety		6.3 Health & Safety			
	403–5 Worker training on occupational health and safety	KPI B2.3	6.3 Health & Safety			
	403–6 Promotion of worker health		6.4 Company welfare and industrial relations			
	403–7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	KPI B2.3	6.3 Health & Safety			
	403–8 Workers covered by an occupational health and safety management system		6.3 Health & Safety			
	403–9 Work-related injuries	KPI B2.1 KPI B2.2	6.3 Health & Safety Tables of figures			
	403–10 Work-related ill health	KPI B2.1	6.3 Health & Safety Tables of figures			

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	6. Our People: Pride, passion and belonging			
GRI 405: Diversity and Equal Opportunity 2016	405–1 Diversity of governance bodies and employees	KPI B1.1	Tables of figures			
Non-discrimination						
GRI 3: Material Topics 2021	3–3 Management of material topics	G.D. B1	6. Our People: Pride, passion and belonging			
GRI 406: Non-discrimination 2016	406–1 Incidents of discrimination and corrective actions taken	G.D. B1	6. Our People: Pride, passion and belonging No incidents of discrimination occurred during the three-year reporting period			
Child labour						
GRI 3: Material Topics 2021	3–3 Management of material topics	G.D. B4	1.4 Group governance			
GRI 408: Child Labour 2016	408–1 Operations and suppliers at significant risk for incidents of child labour	KPI B4.1 KPI B4.2	1.4 Group governance			
Forced or compulsory labour						
GRI 3: Material Topics 2021	3–3 Management of material topics	G.D. B4	1.4 Group governance			
GRI 409: Forced or Compulsory Labour 2016	409–1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	KPI B4.1 KPI B4.2	1.4 Group governance			
Supplier social assessment						
GRI 3: Material Topics 2021	3–3 Management of material topics	G.D. B5	2.4 Value creation: figures and achievements			
GRI 414: Supplier Social Assessment 2016	414–1 New suppliers that were screened using social criteria	KPI B5.2 KPI B5.3	2.4 Value creation: figures and achievements			

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	REFERENCE TO HKEXESG REPORTING GUIDE	LOCATION	OMISSION		
				REQUIREMENT(S) OMITTED	REASON	EXPLANATION
Customer health and safety						
GRI 3: Material Topics 2021	3–3 Management of material topics	G.D. B6 KPI B6.4	2.3 Customer relations			
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			
Marketing and labelling						
GRI 3: Material Topics 2021	3–3 Management of material topics	G.D. B6	4.2 Quality system			
GRI 417: Marketing and Labelling 2016	417–3 Incidents of non-compliance concerning marketing communications	G.D. B6 KPI B6.3	No incidents occurred during the three-year reporting period			
Customer Privacy						
GRI 3: Material Topics 2021	3–3 Management of material topics	G.D. B6	2.3 Customer relations			
GRI 418: Customer Privacy 2016	418–1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	KPI B6.5	2.3 Customer relations No incidents occurred during the three-year reporting period			
Community Investments						
Non GRI Topics		G.D. B8 KPI B8.1 KPI B8.2	6.5 Local initiatives			
		KPI B5.1	2.4 Value creation: figures and achievements			
Research and development						
Non GRI Topics			4. Luxury and innovation: The Quality and Exclusivity of our Products			

TABLES OF FIGURES

Environmental data — Energy-GRI 302–1

ENERGY SOURCE	MEASUREMENT UNIT	2021	2022	2023
NATURAL GAS	GJ	77,768	56,896	**61,715**
DIESEL (site use)	GJ	37,703	49,296	**51,444**
DIESEL (vehicle fleet)	GJ	16,142	17,325	**16,239**
PETROL (site use)	GJ	2,157	2,355	**1,802**
LPG (site use)	GJ	52	52	**31**
ELECTRICITY PURCHASED FROM THE GRID	GJ	54,489	56,637	**64,269**
ELECTRICITY FROM AUTOPRODUCTION	GJ	1,727	2,365	**3,234**
DISTRICT HEATING	GJ	8,546	9,814	**8,901**
TOTAL	GJ	198,583	194,740	**207,635**

Environmental data — GHG emissions-GRI 305–1, 305–2

CATEGORY	MEASUREMENT UNIT	2021	2022	2023
SCOPE 1	**ton CO_{2e}**	**8,615**	**8,567**	**9,222**
From gas	ton CO_{2e}	4,371	3,198	**3,488**
From diesel	ton CO_{2e}	2,823	3,798	**3,830**
From diesel (vehicle fleet)	ton CO_{2e}	1,209	1,335	**1,209**
From petrol	ton CO_{2e}	152	164	**127**
From LPG	ton CO_{2e}	3	3	**2**
From f-gas refills	ton CO_{2e}	57	68	**565**
SCOPE 2 LOCATION BASED	**ton CO_{2e}**	**5,275**	**5,523**	**6,190**
From electricity	ton CO_{2e}	4,870	5,058	**5,746**
From district heating	ton CO_{2e}	405	465	**444**
SCOPE 2 MARKET BASED	**ton CO_{2e}**	**7,320**	**7,640**	**8,586**
From electricity	ton CO_{2e}	6,915	7,174	**8,142**
From district heating	ton CO_{2e}	405	465	**444**

Environmental Data — Energy and emissions Intensity — GRI 302–4, 305–4

ENERGY INTENSITY	MEASUREMENT UNIT	2021	2022	2023
Revenue	GJ/Euro million	214.1	181.6	**183.0**

EMISSIONS INTENSITY	MEASUREMENT UNIT	2021	2022	2023
Revenue	tCO_{2e} (Sc.1 + Sc.2 Location-Based)/ Euro million	15.0	13.1	**13.6**

Environmental Data — Pollutant emissions — GRI 305–7

POLLUTING ATMOSPHERIC EMISSIONS[26]	MEASUREMENT UNIT	2021	2022	2023
NOx	kg	1,309	1,110	**1,575**
Volatile Organic Compounds (VOC)	kg	6,099	8,608	**49,540**
Particles (PM)	kg	140	77	**1,134**
Hazardous Air Pollutant (HAP)	kg	49	115	**130**
Heavy metals	kg	0	0	**4,358**
Total	**kg**	**7,597**	**9,910**	**56,736**

Environmental Data — Water — GRI 303–3

WATER WITHDRAWAL BY SOURCE[27]	MEASUREMENT UNIT	2021	2022	2023
Total withdrawn from groundwater (e.g., wells)	m^3	58,036	60,827	**63,369**
Total withdrawn from third parties (e.g., mains water)	m^3	46,032	51,060	**66,467**
Total	**m^3**	**104,068**	**111,887**	**129,836**

26 Group pollutant emissions data reported in the table do not include figures for the Fort Lauderdale shipyard (FL, USA). The pollutant emission data for Zago and F.lli Canalicchio sites are estimates based on 2022 figures, since the data for 2023 are not yet available. Regarding all other sites, pollutant emissions have been measured during period assessments.

27 2021 and 2022 data have been updated, compared to the previous Sustainability Report, for a refinement of the calculation methodology.

Environmental Data — Water Intensity

WATER INTENSITY	MEASUREMENT UNIT	2021	2022	2023
Revenue	m^3/Euro million	112.2	104.3	**114.4**

Environmental Data — Waste[28] — GRI 306–3, 306–4, 306–5

HAZARDOUS WASTE	MEASUREMENT UNIT	2021	2022	2023
Forlì	kg	70,910	148,263	**100,772**
Ancona CL	kg	71,400	68,410	**75,350**
Mondolfo	kg	48,104	57,157	**69,320**
La Spezia	kg	26,478	35,380	**45,271**
Cattolica	kg	15,920	14,470	**19,300**
Ancona FSY	kg	10,860	10,490	**15,272**
Sarnico	kg	12,240	13,140	**10,810**
Zago	kg	7,270	7,580	**11,065**
RAM	kg	N/A	3,640	**2,151**
Il Massello	kg	N/A	N/A	**23**
F.lli Canalicchio	kg	N/A	N/A	**0**
Total	**kg**	**263,182**	**358,530**	**349,334**

NON-HAZARDOUS WASTE	MEASUREMENT UNIT	2021	2022	2023
Forlì	kg	1,048,860	1,636,667	**1,131,080**
Ancona CL	kg	356,570	453,040	**500,390**
Mondolfo	kg	328,880	499,720	**531,130**
La Spezia	kg	514,720	468,090	**623,605**
Cattolica	kg	61,150	251,150	**333,220**
Ancona FSY	kg	236,830	253,690	**420,070**
Sarnico	kg	146,600	152,090	**185,010**
Zago	kg	284,170	298,790	**336,580**
RAM	kg	N/A	38,950	**58,186**
Il Massello	kg	N/A	N/A	**193,672**
F.lli Canalicchio	kg	N/A	N/A	**61,595**
Total	**kg**	**2,977,780**	**4,052,187**	**4,374,538**

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

Environmental Data — Material[29] — GRI 301–1

MATERIALS	U.M.	ZAGO MATERIALS 2021	2022	2023
RENEWABLE MATERIALS				
Poplar plywood	m^3	174.54	203.01	**187.63**
MDF and chipboard	m^3	27.28	25.96	**27.43**
Okoume plywood	m^3	185.33	332.63	**271.49**
Okoume composite plywood	m^3	232.52	358.61	**230.26**
Blockboard exotic wood	m^3	5.48	0	**0**
Fir timber	m^3	84.6	58.7	**98.89**
European hardwood timber	m^3	15.31	12	**7.19**
Exotic woods planks	m^3	33.03	23.48	**38.36**
Veneer and alpi blocks	m^3	21	23.32	**32.56**
Silicate panels	m^3	275.47	201.99	**122.95**
Wood veneer	m^3	13.69	6.99	**13.18**
Cardboard	Kg	3,755	4,765	**3,500**
NON-RENEWABLE MATERIALS				
Plastic	Kg	7,963	9,346	**8,192**

Social Data — Staff breakdown (headcount at 31.12.2023)-GRI 2–7

CONTRACT TYPE	GENDER	FERRETTI GROUP 2021	2022	2023
PERMANENT CONTRACT	Female	230	252	**280**
	Male	1,305	1,361	**1,569**
	Other	0	0	**0**
	Not disclosed	0	0	**0**
	Total	**1,535**	**1,613**	**1,849**
TEMPORARY CONTRACT	Female	18	11	**17**
	Male	46	68	**103**
	Other	0	0	**0**
	Not disclosed	0	0	**0**
	Total	**64**	**79**	**120**
NON-GUARANTEED HOURS EMPLOYEES	Female	0	0	**0**
	Male	0	0	**2**
	Other	0	0	**0**
	Not disclosed	0	0	**0**
	Total	**0**	**0**	**2**
TOTAL		**1,599**	**1,692**	**1,971**

29 Material data reported in the tables include only figures for Zago S.p.A

CONTRACT TYPE	REGION / GENDER	EMEA 2021	EMEA 2022	EMEA **2023**	AMAS 2021	AMAS 2022	AMAS **2023**	APAC 2021	APAC 2022	APAC **2023**
PERMANENT CONTRACT	Female	204	226	**254**	22	22	**22**	4	4	**4**
	Male	1,269	1,321	**1,527**	32	37	**39**	4	3	**3**
	Other	0	0	**0**	0	0	**0**	0	0	**0**
	Not disclosed	0	0	**0**	0	0	**0**	0	0	**0**
	Total	**1,473**	**1,547**	**1,781**	**54**	**59**	**61**	**8**	**7**	**7**
TEMPORARY CONTRACT	Female	18	11	**17**	0	0	**0**	0	0	**0**
	Male	46	68	**102**	0	0	**0**	0	0	**1**
	Other	0	0	**0**	0	0	**0**	0	0	**0**
	Not disclosed	0	0	**0**	0	0	**0**	0	0	**0**
	Total	**64**	**79**	**119**	**0**	**0**	**0**	**0**	**0**	**1**
NON-GUARANTEED HOURS EMPLOYEES	Female	0	0	**0**	0	0	**0**	0	0	**0**
	Male	0	0	**2**	0	0	**0**	0	0	**0**
	Other	0	0	**0**	0	0	**0**	0	0	**0**
	Not disclosed	0	0	**0**	0	0	**0**	0	0	**0**
	Total	**0**	**0**	**2**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL		**1,537**	**1,626**	**1,902**	**54**	**59**	**61**	**8**	**7**	**8**

CONTRACT TYPE	GENDER	FERRETTI GROUP 2021	FERRETTI GROUP 2022	FERRETTI GROUP **2023**
FULL-TIME	Female	242	254	**287**
	Male	1,345	1,422	**1,664**
	Other	0	0	**0**
	Not disclosed	0	0	**0**
	Total	**1,587**	**1,676**	**1,951**
PART-TIME	Female	6	9	**10**
	Male	6	7	**10**
	Other	0	0	**0**
	Not disclosed	0	0	**0**
	Total	**12**	**16**	**20**
TOTAL		**1,599**	**1,692**	**1,971**

CONTRACT TYPE	REGION / GENDER	EMEA 2021	EMEA 2022	EMEA **2023**	AMAS 2021	AMAS 2022	AMAS **2023**	APAC 2021	APAC 2022	APAC **2023**
FULL-TIME	Female	217	228	**261**	21	22	**22**	4	4	**4**
	Male	1,309	1,382	**1,621**	32	37	**39**	4	3	**4**
	Other	0	0	**0**	0	0	**0**	0	0	**0**
	Not disclosed	0	0	**0**	0	0	**0**	0	0	**0**
	Total	**1,526**	**1,610**	**1,882**	**53**	**59**	**61**	**8**	**7**	**8**
PART-TIME	Female	5	9	**10**	1	0	**0**	0	0	**0**
	Male	6	7	**10**	0	0	**0**	0	0	**0**
	Other	0	0	**0**	0	0	**0**	0	0	**0**
	Not disclosed	0	0	**0**	0	0	**0**	0	0	**0**
	Total	**11**	**16**	**20**	**1**	**0**	**0**	**0**	**0**	**0**
TOTAL		**1,537**	**1,626**	**1,902**	**54**	**59**	**61**	**8**	**7**	**8**

Social Data — Employees by age group and gender (headcount at 31.12.2023)-GRI 405–1

		FERRETTI GROUP 2021 < 30	2021 31–50	2021 > 50	2021 TOT	2022 < 30	2022 31–50	2022 > 50	2022 TOT	**2023 < 30**	**2023 31–50**	**2023 > 50**	**2023 TOT**
Managers	Male	0	74	27	101	0	63	30	93	**0**	**62**	**45**	**107**
	Female	1	17	9	27	0	16	10	26	**0**	**10**	**12**	**22**
	Other	0	0	0	0	0	0	0	0	**0**	**0**	**0**	**0**
	Not disclosed	0	0	0	0	0	0	0	0	**0**	**0**	**0**	**0**
TOTAL		**1**	**91**	**36**	**128**	**0**	**79**	**40**	**119**	**0**	**72**	**57**	**129**
White collars	Male	45	209	50	304	63	221	57	341	**81**	**266**	**67**	**414**
	Female	27	128	28	183	32	130	32	194	**39**	**147**	**41**	**227**
	Other	0	0	0	0	0	0	0	0	**0**	**0**	**0**	**0**
	Not disclosed	0	0	0	0	0	0	0	0	**0**	**0**	**0**	**0**
TOTAL		**72**	**337**	**78**	**487**	**95**	**351**	**89**	**535**	**120**	**413**	**108**	**641**
Blue collars	Male	42	535	369	946	78	536	381	995	**136**	**571**	**446**	**1,153**
	Female	2	24	12	38	2	27	14	43	**2**	**27**	**19**	**48**
	Other	0	0	0	0	0	0	0	0	**0**	**0**	**0**	**0**
	Not disclosed	0	0	0	0	0	0	0	0	**0**	**0**	**0**	**0**
TOTAL		**44**	**559**	**381**	**984**	**80**	**563**	**395**	**1,038**	**138**	**598**	**465**	**1,201**
Total	Male	87	818	446	1,351	141	820	468	1,429	**217**	**899**	**558**	**1,674**
	Female	30	169	49	248	34	173	56	263	**41**	**184**	**72**	**297**
	Other	0	0	0	0	0	0	0	0	**0**	**0**	**0**	**0**
	Not disclosed	0	0	0	0	0	0	0	0	**0**	**0**	**0**	**0**
TOTAL		**117**	**987**	**495**	**1,599**	**175**	**993**	**524**	**1,692**	**258**	**1,083**	**630**	**1,971**

Social data — Employees covered by collective bargaining agreements — GRI 2–30

EMPLOYEES	MEASUREMENT UNIT	FERRETTI GROUP 2021	2022	2023
Total number of employees on December 31	No.	1,599	1,692	**1,971**
Number of employees covered by collective bargaining agreements	No.	1,537	1,626	**1,902**
Percentage of employees covered by collective bargaining agreements	%	96%	96%	**96%**

All employees from the EMEA region are covered by collective bargaining agreements. Employees from the AMAS and APAC region, although not officially covered, are granted with similar working conditions and terms of employment, and their contracts respect local laws and regulation on the matter.

Social data — New hires during the reporting period — GRI 401–1

NEW HIRES GENDER	AGE GROUP	FERRETTI GROUP 2021	2022	2023
Female	< 30	16	13	**23**
	31–50	18	29	**30**
	> 50	0	3	**5**
Total Female		**34**	**45**	**58**
Male	< 30	45	72	**100**
	31–50	65	92	**136**
	> 50	12	20	**30**
Total Male		**122**	**184**	**266**
Other	< 30	0	0	**0**
	31–50	0	0	**0**
	> 50	0	0	**0**
Total Other		**0**	**0**	**0**
Not disclosed	< 30	0	0	**0**
	31–50	0	0	**0**
	> 50	0	0	**0**
Total Not disclosed		**0**	**0**	**0**
TOTAL NEW HIRES		**156**	**229**	**324**
HIRING RATE		**9.8%**	**13.5%**	**16.4%**

NEW HIRES GENDER	AGE GROUP	EMEA 2021	EMEA 2022	EMEA 2023	AMAS 2021	AMAS 2022	AMAS 2023	APAC 2021	APAC 2022	APAC 2023
Female	< 30	14	11	**21**	1	1	**1**	1	1	**1**
	31–50	15	22	**28**	3	6	**2**	0	1	**0**
	> 50	0	2	**4**	0	1	**1**	0	0	**0**
Total Female		**29**	**35**	**53**	**4**	**8**	**4**	**1**	**2**	**1**
Male	< 30	45	70	**97**	0	2	**2**	0	0	**1**
	31–50	57	82	**126**	8	10	**9**	0	0	**1**
	> 50	10	16	**25**	2	4	**4**	0	0	**1**
Total Male		**112**	**168**	**248**	**10**	**16**	**15**	**0**	**0**	**3**
Other	< 30	0	0	**0**	0	0	**0**	0	0	**0**
	31–50	0	0	**0**	0	0	**0**	0	0	**0**
	> 50	0	0	**0**	0	0	**0**	0	0	**0**
Total Other		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Not disclosed	< 30	0	0	**0**	0	0	**0**	0	0	**0**
	31–50	0	0	**0**	0	0	**0**	0	0	**0**
	> 50	0	0	**0**	0	0	**0**	0	0	**0**
Total Not disclosed		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL NEW HIRES		**141**	**203**	**301**	**14**	**24**	**19**	**1**	**2**	**4**
HIRING RATE		**9.2%**	**12.5%**	**15.8%**	**25.9%**	**40.7%**	**31.1%**	**12.5%**	**28.6%**	**50.0%**

Social data — Employee departures during the reporting period — GRI 401–1

DEPARTURES GENDER	AGE GROUP	FERRETTI GROUP 2021	FERRETTI GROUP 2022	FERRETTI GROUP 2023
Female	< 30	5	5	**5**
	31–50	18	22	**22**
	> 50	5	3	**4**
Total Female		**28**	**30**	**31**
Male	< 30	15	8	**31**
	31–50	27	54	**61**
	> 50	24	44	**46**
Total Male		**66**	**106**	**138**
Other	< 30	0	0	**0**
	31–50	0	0	**0**
	> 50	0	0	**0**
Total Other		**0**	**0**	**0**
Not disclosed	< 30	0	0	**0**
	31–50	0	0	**0**
	> 50	0	0	**0**
Total Not disclosed		**0**	**0**	**0**
TOTAL DEPARTURES		**94**	**136**	**169**
TURNOVER RATE		**5.9%**	**8.0%**	**8.6%**

DEPARTURES GENDER	AGE GROUP	EMEA 2021	EMEA 2022	EMEA 2023	AMAS 2021	AMAS 2022	AMAS 2023	APAC 2021	APAC 2022	APAC 2023
Female	< 30	5	4	**4**	0	1	**0**	0	0	**1**
	31–50	14	14	**19**	4	6	**3**	0	2	**0**
	> 50	5	2	**3**	0	1	**1**	0	0	**0**
Total Female		24	20	**26**	4	8	**4**	0	2	**1**
Male	< 30	14	8	**30**	0	0	**1**	1	0	**0**
	31–50	23	44	**52**	2	9	**9**	2	1	**0**
	> 50	23	42	**41**	1	2	**3**	0	0	**2**
Total Male		60	94	**123**	3	11	**13**	3	1	**2**
Other	< 30	0	0	**0**	0	0	**0**	0	0	**0**
	31–50	0	0	**0**	0	0	**0**	0	0	**0**
	> 50	0	0	**0**	0	0	**0**	0	0	**0**
Total Other		0	0	**0**	0	0	**0**	0	0	**0**
Not disclosed	< 30	0	0	**0**	0	0	**0**	0	0	**0**
	31–50	0	0	**0**	0	0	**0**	0	0	**0**
	> 50	0	0	**0**	0	0	**0**	0	0	**0**
Total Not disclosed		0	0	**0**	0	0	**0**	0	0	**0**
TOTAL DEPARTURES		84	114	**149**	7	19	**17**	3	3	**3**
TURNOVER RATE		5.5%	7.0%	**7.8%**	13.0%	32.2%	**27.9%**	37.5%	42.9%	**37.5%**

Social data — Health & Safety[30]

WORK-RELATED INJURIES	M.U.	2021	2022	2023
			EMPLOYEES	
Employee worked hours	n.	2,660,838	2,775,405	**3,205,134**
Total number of recordable work-related injuries	n.	31	33	**27**
of which commuting incidents	n.	0	1	**0**
of which high-consequence work-related injuries	n.	0	2	**0**
of which fatalities	n.	0	0	**0**
Rate of recordable work-related injuries	—	11.65	11.89	**8.42**
Rate of high-consequence work-related injuries	—	0.0	0.7	**0.0**
Rate of fatalities	—	0.0	0.0	**0.0**
Lost workdays due to injuries	n.	N/A	757	**937**

WORK-RELATED ILL HEALTH	M.U.	2021	2022	2023
			EMPLOYEES	
Cases of recordable work-relates ill health	n.	8	13	**5**
Fatalities resulting from work-related ill health	n.	0	0	**0**

30 H&S data reported in the tables do not include figures for workers who are not employees.