



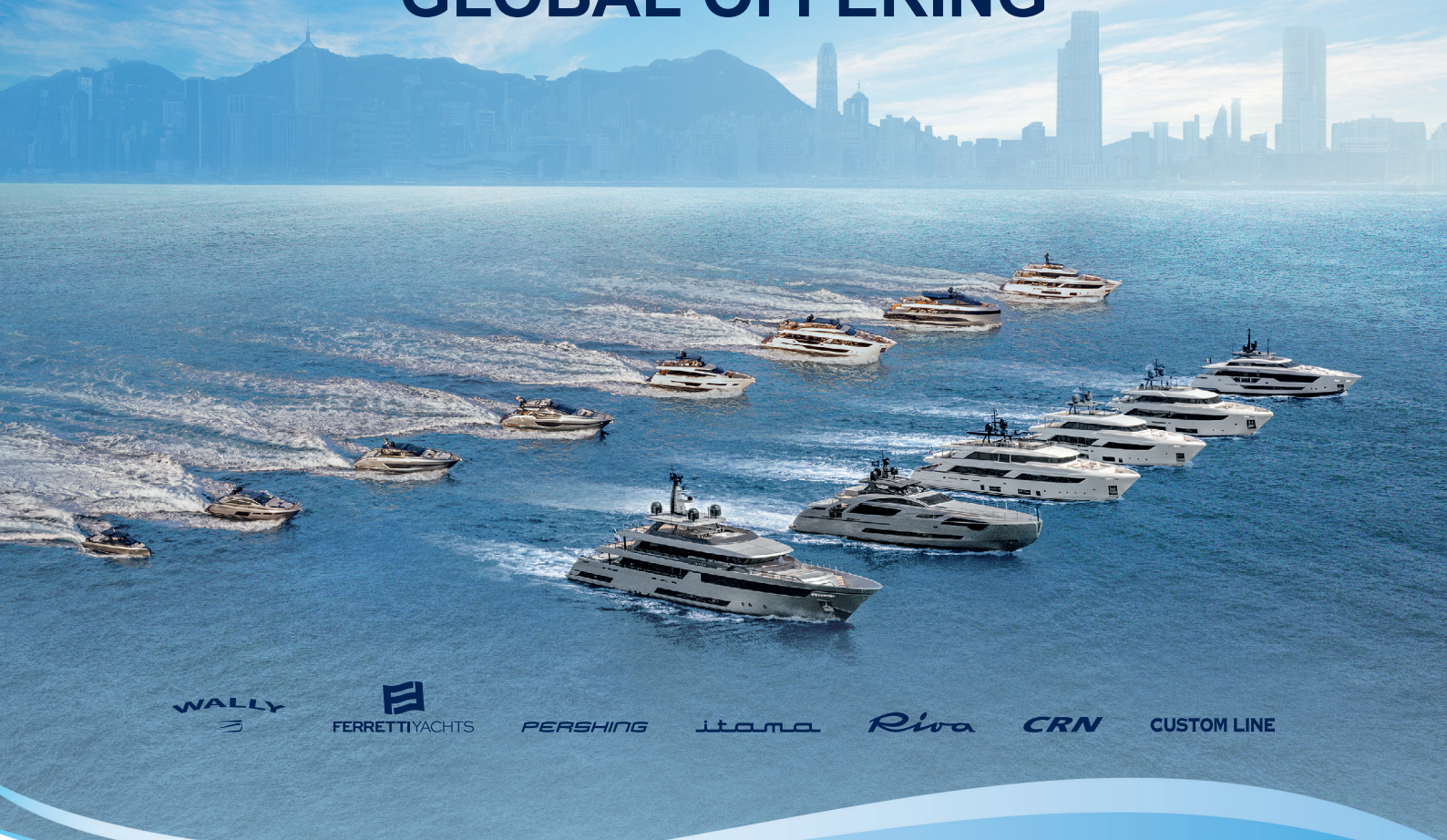
FERRETTIGROUP

Ferretti S.p.A.

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

Stock Code: 9638

GLOBAL OFFERING



WALLY
3


FERRETTIYACHTS

PERSHING

Itama

Riva

CRN

CUSTOM LINE

Sole Sponsor and Sole Global Coordinator

 **CICC 中金公司**

Joint Bookrunners and Joint Lead Managers

 **CICC 中金公司**



BNP PARIBAS



中泰國際
ZHONGTAI INTERNATIONAL

IMPORTANT

IMPORTANT: If you are in any doubt about the contents of this prospectus, you should obtain independent professional advice.

FERRETTIGROUP

Ferretti S.p.A.

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

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 83,580,000 Offer Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 8,358,000 Offer Shares (subject to adjustment)
Number of International Offer Shares	: 75,222,000 Offer Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	: HK\$28.24 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Hong Kong Stock Exchange trading fee of 0.005% and Financial Reporting Council Transaction Levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)
Stock code	: 9638

Sole Sponsor and Sole Global Coordinator



Joint Bookrunners and Joint Lead Managers



BNP PARIBAS



中泰國際
ZHONGTAI INTERNATIONAL

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to the accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Appendix VI — Documents Delivered to the Registrar of Companies in Hong Kong and on Display", has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Company on the Price Determination Date, which is expected to be on or about Friday, March 25, 2022 and, in any event, not later than Sunday, March 27, 2022. The Offer Price is expected to be not more than HK\$28.24 per Offer Share and is expected to be not less than HK\$21.82 per Offer Share, unless otherwise announced. For any reason the Offer Price is not agreed by Sunday, March 27, 2022 between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

The Sole Global Coordinator, for itself and on behalf of the Underwriters, may, where considered appropriate and with our consent, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that stated in this prospectus (which is HK\$21.82 to HK\$28.24) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published on the website of the Company at www.ferrettigroup.com and on the website of the Hong Kong Stock Exchange at www.hkexnews.hk as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set forth in the sections headed "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in "Risk Factors". The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may be offered and sold only (a) in the United States to QIBs in reliance on Rule 144A under the U.S. Securities Act or another exemption from, or in a transaction not subject to, the registration requirements under the U.S. Securities Act and (b) outside the United States in an offshore transaction in accordance with Regulation S under the U.S. Securities Act.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk and our website at www.ferrettigroup.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

March 22, 2022

IMPORTANT

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of the Prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

The prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the “HKEXnews>New Listings>New Listing Information” section, and our website at <http://www.ferrettigroup.com>. If you require a printed copy of the prospectus, you may download and print from the website addresses above. To apply for the Hong Kong Offer Shares, you may:

- (1) apply online via the **White Form eIPO** at www.eipo.com.hk; or
- (2) apply through the CCASS EIPO service to electronically cause HKSCC Nominees to apply on your behalf, including by:
 - (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or
 - (ii) (if you are a CCASS Investor Participant) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (following the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC’s Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request form.

If you have any question about the application for the Hong Kong Offer Shares, you may call the enquiry hotline of our Hong Kong Share Registrar and **White Form eIPO** Service Provider, **Computershare Hong Kong Investor Services Limited**, both at +852 2862 8600 on the following dates:

Tuesday, March 22, 2022 — 9:00 a.m. to 9:00 p.m.
Wednesday, March 23, 2022 — 9:00 a.m. to 9:00 p.m.
Thursday, March 24, 2022 — 9:00 a.m. to 9:00 p.m.
Friday, March 25, 2022 — 9:00 a.m. to 12:00 noon

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of the prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

If you are an **intermediary, broker or agent**, please remind your customers, clients or principals, as applicable, that the prospectus is available online at the website addresses above.

Please refer to the section headed “How to Apply for the Hong Kong Offer Shares” in the prospectus for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

IMPORTANT

Your application must be for a minimum of 100 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

Ferretti S.p.A. (HK\$28.24 per Hong Kong Offer Share) NUMBER OF HONG KONG OFFER SHARES THAT MAY BE APPLIED FOR AND PAYMENTS							
No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
		<i>HK\$</i>				<i>HK\$</i>	
100	2,852.46	2,000	57,049.22	10,000	285,246.16	300,000	8,557,385.05
200	5,704.92	2,500	71,311.55	20,000	570,492.34	400,000	11,409,846.73
300	8,557.38	3,000	85,573.86	30,000	855,738.50	500,000	14,262,308.42
400	11,409.84	3,500	99,836.16	40,000	1,140,984.67	600,000	17,114,770.11
500	14,262.31	4,000	114,098.47	50,000	1,426,230.84	700,000	19,967,231.79
600	17,114.78	4,500	128,360.77	60,000	1,711,477.01	800,000	22,819,693.47
700	19,967.23	5,000	142,623.08	70,000	1,996,723.18	900,000	25,672,155.15
800	22,819.69	6,000	171,147.69	80,000	2,281,969.35	1,000,000	28,524,616.84
900	25,672.16	7,000	199,672.32	90,000	2,567,215.51	2,000,000	57,049,233.68
1,000	28,524.61	8,000	228,196.94	100,000	2,852,461.69	3,000,000	85,573,850.52
1,500	42,786.92	9,000	256,721.55	200,000	5,704,923.37	4,179,000 ⁽¹⁾	119,204,373.77

⁽¹⁾ Maximum number of Hong Kong Offer Shares you may apply for.

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable, our Company will issue an announcement to be published on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.ferrettigroup.com.

Hong Kong Public Offering commences 9:00 a.m., Tuesday, March 22, 2022

Latest time to complete electronic applications under
White Form eIPO service through the designated
website www.eipo.com.hk 11:30 a.m. on Friday, March 25, 2022

Application lists of the Hong Kong
Public Offering open⁽³⁾ 11:45 a.m. on Friday, March 25, 2022

Latest time for (a) giving **electronic application** instructions to
HKSCC and (b) completing payment of **White Form eIPO**
applications by effecting internet banking transfer(s) or PPS
payment transfer(s)⁽⁴⁾ 12:00 noon on Friday, March 25, 2022

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists of the Hong Kong
Public Offering close⁽³⁾ 12:00 noon on Friday, March 25, 2022

Expected Price Determination Date⁽⁵⁾ Friday, March 25, 2022

Announcement of the Offer Price, the levels of indication of
interest in the International Offering, the level of applications in
respect of the Hong Kong Public Offering and basis of
allocation under the Hong Kong Public Offering to be published
on the website of the Stock Exchange at www.hkexnews.hk
and the website of our Company at www.ferrettigroup.com⁽⁶⁾
on or before⁽⁸⁾ Wednesday, March 30, 2022

EXPECTED TIMETABLE⁽¹⁾

Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in "How to Apply for the Hong Kong Offer Shares — Publication of Results" from⁽⁸⁾ Wednesday, March 30, 2022

Results of allocations in the Hong Kong Public Offering to be available at www.iporesults.com.hk (alternatively: English <https://www.eipo.eom.hk/en/Allotment>; Chinese <https://www.eipo.eom.hk/zh-hk/Allotment>) with a "search by ID" function from⁽⁸⁾ 8:00 a.m. on Wednesday, March 30, 2022 to 12:00 midnight on Tuesday, April 5, 2022

Results of allocations in the Hong Kong Public Offering to be available at telephone enquiry by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. from Wednesday, March 30, 2022 to Monday, April 4, 2022 (except Saturday, Sunday and Hong Kong Public Holiday)

Dispatch/Collection of Share certificates or deposit of Share certificates into CCASS in respect of wholly or partially successful applications and Dispatch/Collection of refund cheques/**White Form eIPO** e-Refund payment instructions (if applicable) in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before⁽⁷⁾⁽⁸⁾ Wednesday, March 30, 2022

Dealings in the Shares on the Stock Exchange to commence at 9:00 a.m. on⁽⁸⁾ Thursday, March 31, 2022

(1) All times and dates refer to Hong Kong local times and dates except as otherwise stated. Details of the structure of the Global Offering, including the conditions of the Hong Kong Public Offering, are set out in "Structure of the Global Offering" in this prospectus. If there is any change in this expected timetable, an announcement will be published.

(2) You will not be permitted to submit your application to the **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to or at 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

EXPECTED TIMETABLE⁽¹⁾

- (3) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, March 25, 2022, the application lists will not open and close on that day. See “How to Apply for the Hong Kong Offer Shares — Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists” in this prospectus for details. If the application lists do not open and close on Friday, March 25, 2022, the dates mentioned in this section may be affected. We will make a press announcement in such an event.
- (4) Applicants who apply by giving **electronic application instructions** to HKSCC should see “How to Apply for the Hong Kong Offer Shares — How to Apply” in this prospectus.
- (5) The Price Determination Date, being the date on which the final Offer Price is to be determined, is expected to be on or around Friday, March 25, 2022 and in any event, no later than Sunday, March 27, 2022. If, for any reason, the Offer Price is not agreed by Sunday, March 27, 2022 between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.
- (6) None of the website or any of the information contained on the website form part of this prospectus.
- (7) Share certificates for the Hong Kong Offer Shares are expected to be issued on Wednesday, March 30, 2022, but will only become valid evidence of title provided that the Global Offering has become unconditional in all respects prior to 8:00 a.m. on Thursday, March 31, 2022. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid evidence of title do so entirely at their own risk. e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and in respect of successful applicants in the event that the final Offer Price is less than the price payable per Offer Share on application.
- (8) In case a typhoon warning signal no. 8 or above, a black rainstorm warning signal and/or Extreme Conditions is/are in force in any days between Tuesday, March 22, 2022 to Thursday, March 31, 2022, then the day of (i) announcement of results of allocations in the Hong Kong Public Offering; (ii) dispatch of Share certificates and refund cheques/**White Form eIPO** e-Refund payment instructions; and (iii) dealings in the Shares on the Stock Exchange may be postponed and an announcement may be made in such event.

The above expected timetable is a summary only. For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, see “Structure of the Global Offering” and “How to Apply for the Hong Kong Offer Shares” in this prospectus, respectively.

CONTENTS

IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

This prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, employees, agents or representatives of any of them or any other person or party involved in the Global Offering.

	<i>Page</i>
EXPECTED TIMETABLE	i
CONTENTS	iv
SUMMARY	1
DEFINITIONS	23
GLOSSARY OF TECHNICAL TERMS	33
FORWARD-LOOKING STATEMENTS	35
RISK FACTORS	37

CONTENTS

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM STRICT COMPLIANCE WITH THE COMPANIES (WUMP) ORDINANCE	64
INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING ...	79
DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING	83
CORPORATE INFORMATION	87
INDUSTRY OVERVIEW	90
REGULATORY OVERVIEW	107
POTENTIAL REQUIREMENT TO DEMATERIALIZE OUR SHARES	127
HISTORY AND CORPORATE STRUCTURE	135
BUSINESS	147
DIRECTORS AND SENIOR MANAGEMENT	231
RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS	254
SUBSTANTIAL SHAREHOLDERS	262
SHARE CAPITAL	264
FINANCIAL INFORMATION	265
FUTURE PLANS AND USE OF PROCEEDS	340
CORNERSTONE INVESTORS	344
UNDERWRITING	353
STRUCTURE OF THE GLOBAL OFFERING	368
HOW TO APPLY FOR THE HONG KONG OFFER SHARES	381

CONTENTS

APPENDIX I	— ACCOUNTANTS' REPORT	I-1
APPENDIX II	— REPORT ON PRO FORMA FINANCIAL INFORMATION	II-1
APPENDIX III	— UNAUDITED PRELIMINARY FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021	III-1
APPENDIX IV	— SUMMARY OF THE BY-LAWS OF OUR COMPANY AND ITALIAN COMPANIES LAWS AND TAXATION	IV-1
APPENDIX V	— STATUTORY AND GENERAL INFORMATION	V-1
APPENDIX VI	— DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND ON DISPLAY	VI-1

SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

As we are an Italian company, our Hong Kong resident Shareholders are subject to the duties under Italian taxation regime. See “— Summary of Main Italian Tax Aspects Relevant to Shareholders of the Company.”

OVERVIEW

We are an established leader in the global luxury yacht industry with a portfolio of iconic brands with a long heritage and outstanding high-end manufacturing capabilities. As one of the oldest Italian luxury yacht producers, we have 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 our business in 1968. Our 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. We design, produce and sell luxury composite yachts, made-to-measure yachts and super yachts from eight to 95 meters, offering the full spectrum of functionalities and an increasing range of ancillary services, catering to the personalized tastes and requirements of our clientele. With our market leadership, rich history and iconic brand portfolio, we are positioned as the trend-setter of the global luxury yachting industry and the ambassador of Italian nautical excellence to the world.

According to the Industry Consultant, throughout the Track Record Period, we consistently ranked among the top players worldwide in terms of value of production of inboard composite and made-to-measure yachts above 30 feet (approximately nine meters), consolidating our leading market share from approximately 10% in 2018 to 13% in 2021. Moreover, as a testament of our focus on higher value market segments, in 2021, our inboard composite yachts between 80 and 99 feet and inboard made-to-measure yachts of over 30 meters (approximately 100 feet) and up to 43 meters achieved higher market shares of approximately 20% and 24%, respectively. In super yacht market which is highly fragmented, we were among the top 10 industry players with seven super yachts sold between 2018 and 2021, according to the Industry Consultant.

Each of our brands is associated with exclusivity and differs in style and technical performance characteristics with distinctive features and precise identities. This iconic and complementary brand portfolio allows us to comprehensively cover the high-end luxury segments of our addressable market and targeted client profiles. Our multi-brand business model relies on independent teams dedicated to each brand that carry out product development, and formulate and manage sales and communication strategies to unlock the commercial potential of each brand, thus nurturing their unique identity. Meanwhile, we can benefit from enhanced operational efficiency from the centralized functions at the Group level, such as procurement and engineering. Such a competitive business model would enable us to safeguard and promote the distinctiveness of each brand, while ensuring the sharing of operational best practices across the Group, de-risking our business, and enabling fast reactions to any changes in customer tastes, preferences and behaviors.

Over the years, we have cultivated a premium and loyal clientele of highly sophisticated VHNWIs and UHNWIs, empowered by our effective sales model. We have established a sales presence in more than 70 countries and regions in EMEA, AMAS and APAC, enabling us to reach customers globally. In particular, we maintain our in-house sales team through a network of sales offices strategically located in (i) Milan, London, Monaco and Palma de Mallorca (covering the EMEA market); (ii) Fort Lauderdale, Palm Beach, Naples and Sag Harbor (covering the AMAS market); and (iii) Hong Kong and Shanghai (covering the APAC market). As of September 30, 2021, our sales network consisted of our in-house sales team comprising 96 employees, 52 dealers and more than 300 brokers. We pride ourselves in how we directly engage and serve our end customers with personalized product offerings and services, laying the foundations for long-lasting relationships and great customer satisfaction. Moreover, we believe that our dedicated brand promotion campaigns such as our participation in renowned boat shows, our branded lounges in exquisite locations in Italy, Monaco, Greece, Croatia, Spain and France, and our various

SUMMARY

sponsorship arrangements, have enhanced the high-end positioning of our brands. This helped us to grow our high-value clientele, cultivate an exclusive community of luxury yacht customers, and nurture a stronger sense of belonging.

We own and operate six shipyards, and a production plant for interior fittings and customized furnishings, all located at the heart of the world-famous Italian nautical district. This strategic choice allows us to continuously enhance our production process, while ensuring an uncompromised focus on product quality and technical performance by leveraging the proximity of our network of suppliers and contractors. We design and manufacture luxury interior fittings and customized furnishings for our yachts on a vertically integrated basis, as part of our ongoing efforts to meet the demands for high-end customization and to further increase our competitiveness. Each element inside our luxury yachts is carefully selected and tailor-made by professional nautical craftsmen, following techniques that were handed down over generations, blending tradition, modernity and our relentless dedication to customization. The attention we put to the design and to every single technical detail, we believe, is a core strength in delivering an item that is viewed as irreplaceable and unique. We also operate a refitting facility in Fort Lauderdale, with the view to further expanding the offering of our after-sales and refitting services and strengthening our positioning in the U.S. market. In addition, in order to reinforce a stable supply of high-quality key inputs, we are currently in the process of internalizing a strategic portion of our GRP and carbon-fiber hull production.

The comprehensive yachting ecosystem that we created, which encompasses luxury yachts and ancillary services, enables us to enhance customer satisfaction and loyalty. Our ancillary businesses provide synergies with our core business with an all-encapsulating portfolio. In addition, we have tapped into the global coastal patrol and rescue vessel industry with the launch of FSD (Ferretti Security Division), our security vessel business division. By leveraging our accumulated know-how and resources and by exploiting already existing product platforms, we are well-positioned to seize the growing opportunities in this flourishing market.

Our financial track record was underpinned by the substantial industrial and R&D investments that we have made ahead of the industry. The former provided the production capacity needed to sustain growth, while the latter was key to align our product offering to the emerging customer needs and market trends. Moreover, our past investments in model renovation and industrial facilities have given us an edge over our peers, representing a strong competitive advantage and a visible pillar to drive future growth.

Moving forward, we intend to meet the evolving demands in the luxury yacht industry, especially towards larger and more profitable yachts. We will adjust our product mix to strengthen our market positioning while preserving the exclusivity of our brands with a relentless focus on quality and innovation. We aim to continue to further consolidate our leading position in EMEA, extend our presence in AMAS and fully unleash our potential in APAC, along with the Listing, thus strengthening our leadership in the global luxury yacht industry.

OUR BUSINESS MODEL

We design, produce and sell a broad and diverse range of luxury yachts with a complementary portfolio of seven iconic brands with a long heritage — Riva, Wally, Ferretti Yachts, Pershing, Itama, CRN and Custom Line. See “Business — Our Products and Brands.”

We divide our products into three categories, namely, (i) composite yachts, (ii) made-to-measure yachts and (iii) super yachts. The key differences among them relate to size, material used for hulls, degree of customization, mode of construction and required lead time. We manage and report our results of operations across these three categories for the purpose of allocation of our resources and assessment of our performance.

To a lesser extent, we engage in ancillary businesses that provide synergies with our core business with an all-encapsulating portfolio, comprising: (i) yacht brokerage, chartering and management services; (ii) after-sales and refitting services; (iii) brand extension activities, such as our lifestyle merchandise collection; and (iv) manufacturing and installation of wooden furnishings for nautical interiors. In certain instances, we are also engaged in the trading of pre-owned yachts, offering trade-in opportunities to our customers as a complementary service and a lever to facilitate the sales of new yachts. In addition, we have tapped into the global coastal patrol and rescue vessel industry with the launch of FSD (Ferretti Security Division), our security vessel business division. See “Business — Other Businesses.”

SUMMARY

OUR PRODUCTS AND BRANDS

Our Product Portfolio

We divide our products into three categories, namely, (i) composite yachts, (ii) made-to-measure yachts and (iii) super yachts.

- **Composite yachts:** Our composite yacht portfolio comprises models from 27 to 100 feet. Models are characterized by fiberglass hulls with a pre-defined set of accessories, materials and interior decorative elements available for customization. Given their intrinsic features, composite yachts follow our “one-piece flow” production process and have the shortest lead times among the three categories. As of the Latest Practicable Date, our composite yacht product portfolio comprised 35 models.
- **Made-to-measure yachts:** Our made-to-measure yachts range from 28 to 43 meters and they also have fiberglass hulls. Compared to composite models, the degree of customization is substantially higher: the interior layouts, furnishings and fittings can be almost completely adapted to match customer requirements, while still maintaining cost advantages associated with our production cycle (based on molds) similar to that of composite yachts. As of the Latest Practicable Date, our made-to-measure yacht product portfolio comprised 10 models.
- **Super yachts:** Our super yacht offering features alloy-hulled yachts ranging from 39 to 95 meters, comprising (i) fully-customizable yachts each of which is a one-off creation, designed and built to comply with the customer requirements for both exterior and interior designs; and (ii) branded super yacht flagship models with fully-customizable interiors, but reflecting the distinctive exterior design of the respective brands. Given their distinctive nature, the production process takes longer and strictly depends on the design complexity. As of the Latest Practicable Date, our super yacht product portfolio comprised two flagship models.

The table below summarizes our product portfolio as of the Latest Practicable Date:

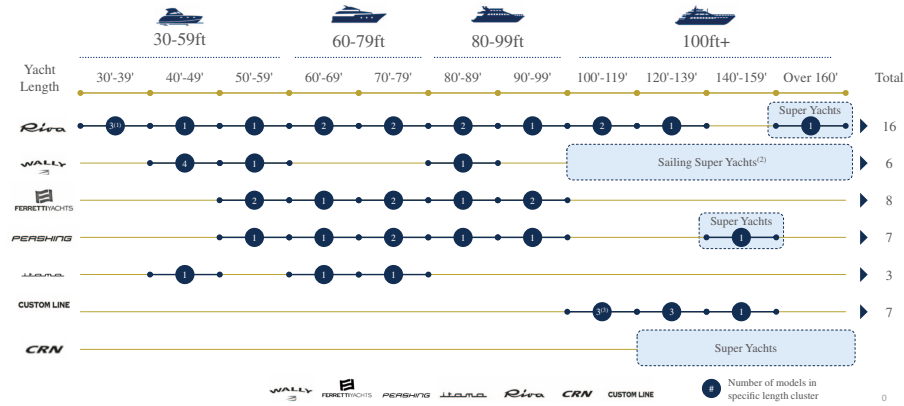
Brand	Product type	Models	Size Range	Price Range
Composite yachts				
Ferretti Yachts	Flybridge	8	50-100 feet	€0.9 million-€10.0 million
Pershing	Coupé, Sportfly	6	50-100 feet	€1.0 million-€7.5 million
Itama	Open	3	40-80 feet	€0.6 million-€3.6 million
Riva	Open, Flybridge, Sportfly	12	27-94 feet	€0.3 million-€7.5 million
Wally	Open, Coupé, Crossover	6	40-90 feet	€0.7 million-€8.5 million
Total		35		
Made-to-measure yachts				
Custom Line	Flybridge, Navetta (Planing/ Semi-displacement)	7	28-43 meters	€9.0 million-€22.0 million
Riva	Flybridge	3	28-34 meters	€9.0 million-€18.5 million
Total		10		
Super yachts				
Riva	Motor yacht	1	50-95 meters	From approximately €30.0 million
Pershing	Motor yacht	1	43 meters	From approximately €25.0 million
CRN	Motor yacht	— ⁽¹⁾	39-95 meters	From approximately €30.0 million
Wally ⁽²⁾	—	— ⁽¹⁾	30-45 meters	From approximately €10.0 million
Total		2		

SUMMARY

Notes:

- (1) Featuring fully-customizable yachts each of which is a one-off creation, designed and built to comply with the customer requirements for both exterior and interior designs.
- (2) In 2021, we complemented our offering with Wally sailing super yachts. Since this product line is in its launching phase, the associated order intake and revenue in 2021 are included under “other businesses.”

The diagram below illustrates the total number of models in our yacht product portfolio by brand and vessel size:



Notes:

- (1) Including Iseo which is 27 feet in length.
- (2) In 2021, we complemented our offering with Wally sailing super yachts. Since this product line is in its launching phase, the associated order intake and revenue in 2021 are included under “other businesses.”
- (3) Including Navetta 30 which is 93 feet 3 inches in length.

We define “order intake” as the total amount of new orders signed, net of commissions, for new vessels. The table below sets forth a breakdown of our order intake for the periods indicated:

Order intake	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
			<i>(Euro in thousands)</i>		
Composite yachts	262,739	326,252	315,746	215,908	492,710
Made-to-measure yachts	255,496	211,132	155,561	84,425	232,020
Super yachts	55,889	107,681	68,433	24,733	82,255
Other businesses	—	49,436	2,023	—	14,850
Total	574,124	694,502	541,764	325,067	821,836

We define “order backlog” as the total amount of existing orders, net of commissions, for new vessels not yet delivered to customers. As of December 31, 2021, our total order backlog was €1,015.8 million. The table below sets forth a breakdown of our order backlog as of the dates indicated:

Order backlog	As of December 31,			As of September 30,	
	2018	2019	2020	2020	2021
			<i>(Euro in thousands)</i>		
Composite yachts	185,000	178,467	207,244	161,739	377,582
Made-to-measure yachts	278,581	319,440	220,996	204,873	277,294
Super yachts	244,948	209,035	216,085	171,885	271,340
Other businesses	—	44,936	47,293	47,603	57,780
Total	708,528	751,878	691,618	586,100	983,996

SUMMARY

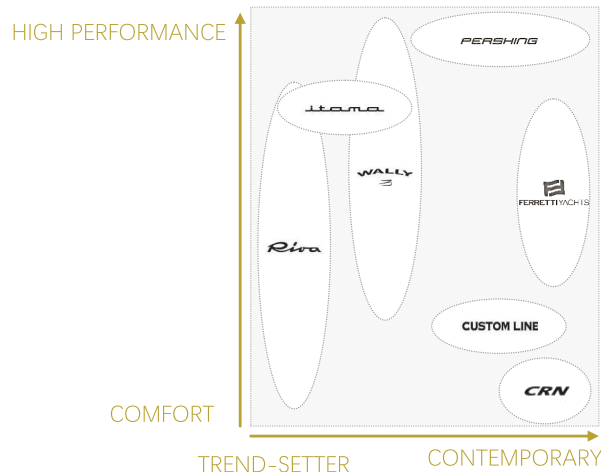
The table below sets forth a breakdown of our order backlog in terms of number of vessels as of the dates indicated:

Order backlog	As of December 31,			As of September 30,	
	2018	2019	2020	2020	2021
Composite yachts	77	67	93	67	136
Made-to-measure yachts	29	32	22	21	28
Super yachts	6	5	5	4	6
Other businesses	—	2	18	18	16
Total	112	106	138	110	186

Our Brand Portfolio

Our unique and comprehensive portfolio comprises seven iconic, prestigious and heritage brands globally recognized as symbols of luxury, exclusivity, Italian design, quality, craftsmanship, innovation and performance. Each of our brands is associated with exclusivity and differs in style and technical performance characteristics with distinctive features and precise identities. Riva is a synonym with elegance, tradition and luxury, attributable to its 180-year-long history as well as its embodiment of the “Dolce Vita” lifestyle concept of the 1960s. With a relentless commitment to high performance, Riva perfectly combines contemporary and modern design elements with attention to details and the essence of taste. Wally is considered a front-runner and pioneer in both motor and sailing yachting innovation with growing acceptance by younger generations. It matches the latest technology with contemporary design, constantly looking at ways of improving the on-the-water enjoyment with performance, comfort and style. Ferretti Yachts are characterized by luxurious cabins with spacious and elegantly designed interior layouts, making them suitable for family cruises. Pershing is associated with perfect lines and shapes coupled with supreme nautical engine power to guarantee the highest speed without sacrificing comfort. Itama is the leading brand for those looking for elegant open yachts featuring high performance. Custom Line and CRN are committed to meeting the demands for a high degree of customization or completely personalized yachts.

The diagram below illustrates the positioning of our brands:



See “Business — Our Products and Brands — Our Brand Portfolio” for more details about our brands.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The tables below set forth summary financial data from our consolidated financial information for the Track Record Period, extracted from the Accountant’s Report set out in Appendix I to this prospectus.

SUMMARY

Summary of Consolidated Income Statements

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	<i>(Euro in thousands)</i>			(Unaudited)	
Revenue	631,269	678,165	638,194	425,638	693,277
Commissions and other costs related to revenue	(15,857)	(28,914)	(26,839)	(26,005)	(24,010)
NET REVENUE	615,412	649,251	611,355	399,633	669,267
Change in inventories of work-in-process, semi-finished and finished goods	15,356	331	(21,727)	7,723	(35,691)
Cost capitalized	25,371	35,834	34,076	24,637	20,889
Other income	13,082	12,991	15,027	10,661	8,155
Raw materials and consumables used	(332,729)	(335,559)	(291,768)	(205,409)	(310,576)
Contractors costs	(90,589)	(93,860)	(91,604)	(64,709)	(93,688)
Costs for trade shows, events and advertising	(13,068)	(11,668)	(9,446)	(7,232)	(10,265)
Other service costs	(60,967)	(70,852)	(69,837)	(47,029)	(60,006)
Rentals and leases	(8,195)	(6,671)	(5,582)	(4,691)	(5,354)
Personnel costs	(90,516)	(96,446)	(92,454)	(67,659)	(80,375)
Other operating expenses	(4,971)	(11,328)	(7,366)	(5,139)	(3,919)
Provisions and impairment	(15,553)	(20,857)	(17,272)	(14,585)	(16,399)
Depreciation and amortization	(25,100)	(38,155)	(42,493)	(33,319)	(35,836)
Share of loss of a joint venture	—	—	—	—	(15)
Financial income	313	236	133	128	216
Financial expenses	(5,403)	(6,608)	(6,897)	(5,144)	(4,600)
Foreign exchange gains/(losses)	(1,786)	(209)	(618)	(30)	515
PROFIT/(LOSS) BEFORE TAX	20,657	6,430	3,527	(12,164)	42,318
Income tax	10,063	20,169	18,455	17,852	(10,229)
PROFIT FOR THE YEAR/PERIOD	30,720	26,599	21,982	5,688	32,089
Attributable to:					
Shareholders of the Company	30,720	26,628	22,006	5,669	32,111
Non-controlling interests	—	(29)	(24)	19	(22)

Non-IFRS Measure

To supplement our consolidated income statements which are presented in accordance with IFRS, we also use EBITDA as a non-IFRS measure, which is not required by, or presented in accordance with, IFRS. We believe that this measure facilitates comparison of operating performance from period to period by eliminating potential impacts of certain items.

We believe that this measure provides useful information to investors and others in understanding and evaluating our consolidated income statements in the same manner as they help our management. However, our presentation of EBITDA may not be comparable to similarly titled measures presented by other companies. The use of this measure has limitations as an analytical tool, as such, it should not be considered in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS.

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

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	<i>(Euro in thousands)</i>			(Unaudited)	
Profit for the year/period	30,720	26,599	21,982	5,688	32,089
Income tax (benefit)/expense	(10,063)	(20,169)	(18,455)	(17,852)	10,229
Financial income	(313)	(236)	(133)	(128)	(216)
Financial expenses	5,403	6,608	6,897	5,144	4,600
Depreciation and amortization	25,100	38,155	42,493	33,319	35,836
EBITDA	50,847	50,957	52,784	26,171	82,538

SUMMARY

Net Revenue

The table below provides a breakdown of our net revenue by business lines during the Track Record Period:

	Year ended December 31,						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	<i>(Euro in thousands, except percentages)</i>						<i>(Unaudited)</i>			
Composite yachts	264,257	42.9%	321,368	49.5%	298,368	48.8%	205,394	51.4%	351,017	52.4%
Made-to-measure yachts	233,233	37.9%	195,386	30.1%	168,506	27.6%	108,169	27.1%	187,360	28.0%
Super yachts	44,286	7.2%	56,674	8.7%	63,742	10.4%	22,056	5.5%	56,210	8.4%
Other businesses										
Yacht brokerage, chartering and management services	7,071	1.1%	6,333	1.0%	5,932	1.0%	3,671	0.9%	10,283	1.5%
After-sales and refitting services and brand extension activities	5,808	0.9%	5,220	0.8%	6,051	1.0%	5,911	1.5%	6,997	1.0%
Manufacturing and installation of wooden furnishings for nautical interiors	14,534	2.4%	12,229	1.9%	10,231	1.7%	6,671	1.7%	10,908	1.6%
Trading of pre-owned yachts	37,485	6.1%	42,680	6.6%	39,451	6.5%	36,881	9.2%	36,345	5.4%
FSD	2,708	0.4%	9,361	1.4%	19,074	3.1%	10,880	2.7%	8,356	1.2%
Others	6,030	1.0%	—	—	—	—	—	—	1,791	0.3%
	73,636	12.0%	75,823	11.7%	80,739	13.2%	64,014	16.0%	74,680	11.2%
Total	615,412	100.0%	649,251	100.0%	611,355	100.0%	399,633	100.0%	669,267	100.0%

The following table shows the number of vessels we delivered to customers during the Track Record Period:

	Year ended December 31			Nine months ended September 30	
	2018	2019	2020	2020	2021
Composite yachts	107	140	118	96	144
Made-to-measure yachts	21	19	22	18	20
Super yachts	1	3	2	2	1
FSD vessels	1	1	—	—	2
New vessels	130	163	142	116	167
Pro-owned yachts	31	21	24	22	12
Total	161	184	166	138	179

Our net revenue increased by €33.8 million, or 5.5%, from €615.4 million for the year ended December 31, 2018 to €649.3 million for the year ended December 31, 2019, which was due to (i) an increase in sales of composite yachts mainly attributable to an increase in order intake; and (ii) an increase in sales of super yachts mainly attributable to the launch of the new super yachts under Riva and Pershing brands in 2019. The increase was partially offset by a decrease in sales of made-to-measure yachts mainly attributable to a decrease in order intake.

Our net revenue decreased by €37.9 million, or 5.8%, from €649.3 million for the year ended December 31, 2019 to €611.4 million for the year ended December 31, 2020, which was due to decreases in sales of composite yachts and made-to-measure yachts mainly attributable to (a) a decrease in order intake mainly because certain customers decided to postpone their orders in light of the outbreak of the COVID-19 pandemic and (b) a decrease in production activities as we temporarily and partially suspended the operations of our six shipyards for two months in 2020 due to COVID-19 lock-down restrictions. The decrease was offset by (i) an increase in sales of super yachts mainly because we recognized a significant amount of revenue from super yachts whose orders were placed in 2018 and 2019, as super yachts have relatively longer production cycles; and (ii) an increase in revenue generated from other businesses mainly attributable to an increase in revenue derived from FSD business.

SUMMARY

Our net revenue increased by €269.6 million, or 67.5%, from €399.6 million for the nine months ended September 30, 2020 to €669.3 million for the nine months ended September 30, 2021, which was due to (i) increases in sales of composite yachts, made-to-measure yachts and super yachts mainly attributable to increases in order intake; and (ii) an increase in revenue generated from other businesses mainly attributable to an overall growth in our ancillary businesses.

See “Financial Information — Period to Period Comparison of Results of Operations” for more details.

We have established a sales presence in more than 70 countries and regions in EMEA, AMAS and APAC, enabling us to reach customers globally. The table below sets forth our net revenue by geographic regions during the Track Record Period:

	Year ended December 31,						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	<i>(Euro in thousands, except percentages)</i>									
	(Unaudited)									
EMEA	272,051	44.2%	287,939	44.3%	254,027	41.6%	153,756	38.5%	268,388	40.1%
APAC	89,087	14.5%	51,520	7.9%	62,925	10.3%	38,879	9.7%	34,544	5.2%
AMAS	136,352	22.1%	177,295	27.3%	149,922	24.5%	120,928	30.3%	235,445	35.2%
Global ⁽¹⁾	44,286	7.2%	56,674	8.7%	63,742	10.4%	22,056	5.5%	56,210	8.4%
Other businesses ⁽²⁾	73,636	12.0%	75,823	11.8%	80,739	13.2%	64,014	16.0%	74,680	11.1%
Total	615,412	100.0%	649,251	100.0%	611,355	100.0%	399,633	100.0%	669,267	100.0%

Notes:

- (1) Representing revenue attributable to super yachts not allocable to an individual country because, for example, the customer’s country of residence is different from the vessel’s country of registration.
- (2) Mainly comprising revenue from ancillary businesses and the FSD business.

During the Track Record Period, the proportion of revenue from EMEA was relatively stable. Meanwhile, the launch of certain models well-received in AMAS has allowed us to achieve a very strong growth trajectory in terms of revenue contribution from AMAS; while the relatively lower revenue contribution from AMAS in 2020 was mainly due to the outbreak of COVID-19 pandemic, which resulted in postponement of certain deliveries to the first quarter of 2021. Revenue from APAC represented a larger proportion of our revenue in 2018, which was primarily due to the sales and delivery of mainly made-to-measure yachts in the region in 2018. APAC generated a smaller proportion of our revenue in 2019 and the nine months ended September 30, 2021, primarily due to (i) dampened market demand in Hong Kong, which is a key market for APAC, due to local disturbance that affected the investment appetite for the population of VHNWIs and UHNWIs in Hong Kong in 2019; and (ii) the outbreak of COVID-19 pandemic which caused significant travel restrictions for APAC customers to visit Europe in 2020 and therefore, resulted in a decrease in order intake from APAC, especially for larger footage yachts that have relatively longer production cycles.

For the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021, we incurred research and development expenses of €24.6 million, €33.6 million, €35.4 million and €20.7 million, respectively, representing 4.0%, 5.2%, 5.8% and 3.1%, respectively, of our net revenue for the same periods. See “Business — Product Development and Innovation” for more details about our research and development efforts.

SUMMARY

Summary of Consolidated Statements of Financial Position

	As of December 31,			As of
	2018	2019	2020	September 30, 2021
	<i>(Euro in thousands)</i>			
Cash and cash equivalents	38,503	39,164	32,830	187,462
Contract assets	158,381	155,130	176,037	111,826
Inventories	186,267	187,360	176,941	133,976
Total current assets	427,849	450,855	443,075	502,783
Property, plant and equipment	154,189	199,660	231,651	244,725
Intangible assets	237,215	260,563	262,349	259,120
Total non-current assets	393,155	467,830	515,368	519,962
Total assets	821,004	918,685	958,443	1,022,745
Bank and other borrowings	87,843	89,310	79,024	28,483
Trade and other payables	208,488	240,234	222,476	242,737
Contract liabilities	46,814	45,810	55,704	132,669
Total current liabilities	386,574	414,703	394,427	444,376
Due to the immediate holding company	211,081	—	—	—
Bank and other borrowings	7,589	36,253	84,846	71,882
Total non-current liabilities	256,449	54,657	100,691	88,090
Total liabilities	643,023	469,360	495,118	532,466
Net current assets	41,275	36,152	48,648	58,407
Total equity	177,981	449,325	463,325	490,279
Equity attributable to shareholders of the Company	177,981	449,351	463,375	490,351
Non-controlling interests	—	(26)	(50)	(72)

Our net current assets decreased from €41.3 million as of December 31, 2018 to €36.2 million as of December 31, 2019, primarily due to an increase of our trade and other payables mainly attributable to an increase in trade payables reflecting the increase in our procurement in line with the growth of our business, partially offset by an increase in our trade and other receivables mainly attributable to orders received and invoiced in 2019 for coastal patrol vessels whose payments were due upon delivery in 2020. Our net current assets increased from €36.2 million as of December 31, 2019 to €48.6 million as of December 31, 2020, primarily due to an increase in contract assets mainly attributable to a decrease in advances received from customers, reflecting the decrease in order intake. Our net current assets increased from €48.6 million as of December 31, 2020 to €58.4 million as of September 30, 2021, primarily due to (i) an increase in cash and cash equivalents and (ii) a decrease in bank and other borrowings, partially offset by (i) an increase in contract liabilities mainly attributable to an increase in order intake and (ii) a decrease in contract assets mainly attributable to an increase in advances received from customers, reflecting the increase in order intake. For further details, see “Financial Information — Net Current Assets.”

Summary of Consolidated Cash Flow Statements

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	<i>(Euro in thousands)</i>			(Unaudited)	
Operating profit before changes in working capital	51,921	44,794	50,885	27,305	79,910
Operating profit after changes in working capital	20,515	61,654	57,341	44,315	245,963
Income tax paid	9,760	(7,278)	—	—	—
Net cash generated from operating activities .	30,275	54,376	57,341	44,315	245,963

SUMMARY

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	<i>(Euro in thousands)</i>			(Unaudited)	
Net cash used in investing activities	(53,495)	(80,602)	(69,934)	(39,931)	(46,489)
Net cash generated from/(used in) financing activities	17,519	26,137	7,723	1,733	(43,723)
Net (decrease)/increase in cash and cash equivalents	(5,701)	(89)	(4,870)	6,117	155,751
Cash and cash equivalents at the beginning of the period	46,574	38,503	39,164	39,164	32,830
Effect of foreign exchange rate changes, net	(2,370)	750	(1,464)	414	(1,119)
Cash and cash equivalents at the end of the period	38,503	39,164	32,830	45,695	187,462

For further details, see “Financial Information — Liquidity and Capital Resources — Cash Flows.”

Key Financial Ratios

The table below sets forth certain of our key financial ratios as of the dates or for the periods indicated:

	As of/Year ended December 31,			As of/Nine months ended September 30,
	2018	2019	2020	2021
Profitability ratios				
Return on equity	N/A	8.5%	4.8%	9.0%
Return on total assets	N/A	3.1%	2.3%	4.3%
Liquidity ratios				
Current ratio	1.1	1.1	1.1	1.1
Quick ratio	0.6	0.6	0.7	0.8
Capital adequacy ratio				
Gearing ratio	172.4%	27.9%	35.4%	20.5%

Gearing ratio is calculated based on total indebtedness divided by total equity and multiplied by 100%. See “Financial Information — Key Financial Ratios” for descriptions of the calculation of our other key financial ratios.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths are critical to our current success and crucial to our future growth:

- We are an established leader in the global luxury yacht industry with a portfolio of iconic brands with a long heritage, positioning us as the industry trend-setter and ambassador of Italian nautical excellence to the world.
- We offer a unique and complementary brand portfolio, enabling us to comprehensively cover the high-end luxury segments of our addressable market and targeted client profiles.
- With our financial track record consistently outperforming the market, we are well-positioned to capture the opportunities arising in the sizable and fast-growing global yacht industry.
- Our effective and diversified sales model supports us in building a strong order book, cultivating a premium and loyal clientele, featuring long-lasting relationships and great customer satisfaction.
- Our outstanding high-end manufacturing capabilities and know-how, empowered by intelligent production facilities, secure the quality and competitiveness of our products.
- We invest substantial resources in research and development, thus fueling outstanding yacht performance and being constantly at the forefront of industry innovation.

SUMMARY

- We have created an all-encompassing ecosystem with our ancillary services, which drives profitable growth and enhances overall business resilience.
- Our highly committed and passionate senior management team, together with our knowledgeable Shareholders, provide us with a complementary mix of experience, supporting and safeguarding our long-term success and sustainable development.

OUR STRATEGIES

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

- We will consolidate our market leadership position with composite and made-to-measure yachts.
- We will develop new flagship models of super yachts.
- We will vertically integrate strategic and high value-adding activities.
- We will enhance our unique portfolio of ancillary services.
- We will continue our investments in green technologies.

OUR PRODUCTION FACILITIES

We produce our yachts in six shipyards located at the heart of the world-famous Italian nautical district. See “Business — Production — Production Facilities.”

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

	Year ended/As of December 31,									Nine months ended/As of September 30,					
	2018			2019			2020			2020			2021		
	Max	Actual	Utilization	Max	Actual	Utilization	Max	Actual	Utilization	Max	Actual	Utilization	Max	Actual	Utilization
	Value of Production	Value of Production	Rate ⁽¹⁾	Value of Production	Value of Production	Rate ⁽¹⁾	Value of Production	Value of Production	Rate ⁽¹⁾	Value of Production	Value of Production	Rate ⁽¹⁾	Value of Production	Value of Production	Rate ⁽¹⁾
	<i>(Euro in millions, except percentages)</i>														
<i>Forlì</i>	45	35	78.0%	60	48	80.0%	60	48	80.0%	52	34	65.4%	52	52	100.0%
<i>Cattolica</i>	75	53	70.7%	75	53	70.7%	75	54	72.0%	56	37	66.1%	56	53	94.6%
<i>Sarnico</i>	50	33	66.0%	50	38	76.0%	50	32	64.0%	38	23	60.5%	38	32	84.2%
<i>Ancona</i>	140	100	71.4%	140	114	81.4%	140	89	63.6%	105	64	61.0%	105	91	86.7%
<i>La Spezia</i>	120	96	80.0%	120	87	72.5%	120	81	67.5%	90	59	65.6%	90	87	96.7%
<i>Mondolfo</i>	90	72	80.0%	90	56	62.2%	90	60	66.7%	68	40	58.8%	68	60	88.2%

Note:

(1) Actual value of production is calculated as the actual production costs incurred by the shipyard. Maximum value of production is calculated as a function of the maximum number of composite or made-to-measure yachts the shipyard can produce and the estimated production costs that would be incurred based on our past experience, assuming five days a week and two shifts of seven hours per day. Utilization rate is calculated by dividing actual value of production by maximum value of production.

Some of our shipyards had relatively lower utilization rates in 2020 and the nine months ended September 30, 2020, primarily due to the outbreak of COVID-19 pandemic in 2020. In particular, we temporarily and partially suspended the operations of our six shipyards for two months in 2020, which was imposed by the Italian government (emergency statutory provisions adopted for coping with the pandemic).

SUMMARY

OUR SUPPLIERS AND CUSTOMERS

Our Customers

Our customers primarily consist of (i) end customers, mainly VHNWIs and UHNWIs; (ii) our dealers through which we sell our yachts to end customers; and (iii) national government bodies and international organizations which purchase coastal patrol vessels from us, and customers of our ancillary businesses.

For the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021, sales to our five largest invoicing customers collectively accounted for 13.4%, 16.6%, 16.2% and 22.0% of our total revenue during the same periods, respectively, and sales to our largest invoicing customer accounted for 3.6%, 5.6%, 3.6% and 6.0% of our total revenue during the same periods, respectively. Our five largest invoicing customers during the Track Record Period comprise end customers, dealers and leasing companies. All of our five largest invoicing customers during the Track Record Period are Independent Third Parties. We have had relationships with our five largest invoicing customers for 0.7 to 9.2 years as of the Latest Practicable Date.

Our Suppliers

Our suppliers mainly include (i) suppliers and contractors of our production inputs; and (ii) naval architects and designers to whom we outsource the design development for the development of new models (strictly following the style of our brand).

For the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021, purchases from our five largest suppliers collectively accounted for 13.6%, 14.9%, 11.8% and 12.4% of our total purchases during the same periods, respectively, and purchases from our largest supplier accounted for 5.1%, 6.3%, 3.5% and 3.4% of our total purchases during the same periods, respectively. Our five largest suppliers during the Track Record Period comprise suppliers of engines and other mechanical components, interior furnishing, fiberglass and steel components. All of our five largest suppliers during the Track Record Period are Independent Third Parties. We have had relationships with our five largest suppliers for two to more than 11 years as of the Latest Practicable Date.

INDUSTRY OVERVIEW

The global yacht market saw stable growth between 2016 and 2019 and declined in 2020 due to the COVID-19 pandemic. Specifically, the global yacht industry increased at a CAGR of 10.5% from €17.4 billion in 2016 to €23.4 billion in 2019 and decreased to €18.9 billion in 2020. Nevertheless, the global yacht industry is forecasted to continue to increase at a CAGR of 7.3% from €18.9 billion in 2020 to €26.8 billion in 2025. Based on (i) the Industry Consultant's view that the COVID-19 pandemic has to a certain extent changed the traditional customer perception and significantly increased the market desire for yachts, further stimulating industry growth with a trend which is expected to become a "new normal" due to the structural and long-lasting changes in spending behaviors. Specifically, in pursuit of a lifestyle with a combination of both business and leisure, luxury yachts, which ensure privacy and security in terms of safety and possibility of social distancing, have become one of the best means and places for VHNWIs and UHNWIs. As a result, luxury yachting has demonstrated greater resilience under the COVID-19 pandemic than other luxury verticals, and (ii) our Directors' deep industry knowledge and insightful observations in the global yacht industry, our Directors believe that such change on target customers' spending behavior and attitude towards luxury yachting will not fade away after the COVID-19 pandemic is fully controlled. The Industry Consultant concurs with our Directors' view.

In addition, the emerging APAC market, which is still at its initial stage of development with significant unmet demand, is expected to grow at a much faster speed than EMEA and AMAS markets, fueled by the considerable increases in (i) the number of potential end customers (i.e., VHNWIs and UHNWIs), and (ii) penetration of luxury yachting among the potential end customers. According to Industry Consultant, the VHNWI and UHNWI population has shown unprecedented growth momentum between 2020 and 2025, with a CAGR of 10.8% and 11.6%, respectively, coupled with the notably low yacht ownership per thousand population (0.3 versus 15.3 in AMAS and 13.4 in Europe in 2020, according to the Industry Consultant). The level of

SUMMARY

penetration in APAC is expected to surge in the short term future, driven by factors including (i) a series of favorable policies supporting the yacht industry promulgated in major APAC countries (especially in the PRC), stimulating more yacht ownership and encouraging foreign enterprises to engaged in yacht servicing, chartering and manufacturing in the future; (ii) the increasing awareness and acceptance of yachting culture in APAC, which will unleash the potential demand for luxury yachting; and (iii) the expected cancellation of travel restrictions between APAC and Europe after the COVID-19 pandemic is fully contained, which will further drive the purchasing decisions of more APAC customers who used to have limited chances to visit shipyards for order placement, especially with respect to larger footage yachts that require a more complex decision making process and longer production cycles. Benefiting from the above reasons, we believe that the APAC market will play a crucial role in the yachting industry as it does in other segments of the luxury industry. See “Industry Overview.”

However, the demand for luxury yachts can depend in part on changes in macroeconomic, geopolitical and social conditions. Political or economic upheavals in certain countries or markets could lead customers to delay purchasing decisions for considerations linked to political or reputational risks. See “Risk Factors — Risks Relating to Our Business and Industry — 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.”

RISK FACTORS

Our business faces risks including those set out in the section headed “Risk Factors.” As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the “Risk Factors” section in its entirety before you decide to invest in our Shares. Some of the major risks that we face include:

- 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.
- Our business strategies are subject to uncertainties and risks, which may materially and adversely affect our business, results of operations, financial condition and prospects.
- 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.
- 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.
- 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 vessels produced by our FSD are subject to the Italian regulatory regime applicable to the export, import, shipment, brokerage and production of armaments established by Law of 9 July 1990 no. 185 and the Ministerial Decree of 7 January 2013 no. 19 promulgated thereunder by the Italian Ministry of Defense and the Italian Ministry of Foreign Affairs. This regulatory regime requires us to maintain registration in good standing in the Registro Nazionale delle Imprese (“**R.N.I.**”), which is the official register of Italian companies authorized to manufacture and sell armaments, and to obtain certain permits for the import and export of armaments from the Italian Ministry of Defense and the Italian Ministry of Foreign Affairs. The registration in the R.N.I. is ruled by Article 127 of the Decree of the President of the Republic of 15 March 2010 no. 90/2010 (the *Testo Unico delle Disposizioni Regolamentari in Materia di Ordinamento Militare*, or the “**Consolidated Military Law**”). Article 127 of the Consolidated Military Law specifies the data we are required to file when applying for or renewing our registration with the R.N.I., which include a list of our Shareholders owning more than 3% of our share capital. Throughout the three-year term of validity of the R.N.I. registration, we are required to promptly communicate a change of our shareholding structure.

SUMMARY

Specifically, based on the guidelines issued by the “Italian Ministry of Defense — Office of the Secretary General — Office of the national registry of companies and companies’ consortiums in the field of armament materials” (“VADEMECUM” *per l’Iscrizione, Rinnovo e Cancellazione delle Imprese e delle relative liste dei Materiali di Armamento ex legge 110/75 presso il R.N.I. — Registro Nazionale delle Imprese e Consorzi d’Imprese*), companies whose shares are listed on financial markets (*i.e.*, listed companies, just like us after the Listing) are required to report change in ownership contemplated by Article 127 of the Consolidated Military Law in the event of a person having an interest in 3% or more of the share capital. In this event, at the time when the shareholding percentage of a shareholder reaches the 3% threshold, the ultimate beneficial owner shall fill in, sign and submit the so called “declarations in lieu of certification” (“*dichiarazioni sostitutive di certificazioni*”) to us as soon as practicable or within 15 days upon receipt of our notice. The “declarations in lieu of certification” are self-declarations of the relevant ultimate beneficial owner to confirm whether he/she (for individual) or its legal representative, namely, duly authorized officer (for corporate) is (a) a person associated with organized crime (as per Law no. 55/1990); (b) a person associated with secret societies (as per Law no. 17/1982); or (c) a person who has been convicted of engaging in illegal trade in armaments. After receiving the completed and signed “declarations in lieu of certification,” we must deliver the same to the R.N.I. as soon as practicable. The Ministry of Defense of Italy has prepared standard forms for the “declarations in lieu of certifications.” The obligations to collect and deliver to the R.N.I. the “declarations in lieu of certification” lie exclusively on us. See “Regulatory Overview — Italian Regulations Applicable to Weapons Manufacturing” for a template of the “declarations in lieu of certification.”

Our Company, after the Listing, will have limited information on our Shareholders who hold equity interests in our share capital. Indeed, Part XV of the SFO sets forth a duty of disclosure of interests on those persons having an interest in 5% or more of the voting shares in a listed corporation. Based on this, we could be in the position not to be able to promptly comply with the communication obligations to the R.N.I. reported above. Based on verbal consultation with the R.N.I., it cannot be excluded that failure to fulfill such communication obligations could cause the suspension or cancellation of our R.N.I. registration. The Shareholders have no liability whatsoever in case we are suspended or our registration in the R.N.I. is revoked, whichever the reason is, including the failure to provide the “declarations in lieu of certification.” However, any liability in relation to the content of the declarations lies on the persons issuing them (not on us), who are personally responsible under Italian criminal law for mendacious declarations, false statements and use of false documents.

Suspension or cancellation of our R.N.I. registration may make it impossible for us to apply for or renew permits for the import and export of armaments in the future (without impact and prejudice over the FSD national — *i.e.*, Italian — business and activities and permits for importing and exporting armaments existing at the date of the suspension or cancellation from the R.N.I., which would remain validly in place). This circumstance could, in turn, prevent us from exporting our FSD vessels in the future. However, our FSD business only contributed a limited portion of our revenue during the Track Record Period. For the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021, our FSD business accounted for 0.4%, 1.4%, 3.1% and 1.2%, respectively, of our net revenue for the same periods. Therefore, we do not expect any inability to export our FSD vessels to have a material adverse effect on our business, results of operations, financial condition and prospects.

In order to comply with the communications obligations to the R.N.I. under Article 127 of the Consolidated Military Law, upon the Listing, we will put in place appropriate systems aimed at acknowledging those shareholders holding more than 3% of our share capital. Specifically, we will appoint specialized professionals to monitor shareholding changes through access to the branch register kept in Hong Kong and list of CCASS Participants.

SHAREHOLDING STRUCTURE AND CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, our Company was owned as to 86.055%, 11.138%, 0.014% and 2.793% by FIH, F Investments, Butler and Adtech. The entire issued share capital of FIH is held by Weichai Holding (HK), a wholly-owned subsidiary of Weichai Group. Weichai Group is

SUMMARY

wholly owned by SHIG. As such, each of SHIG, Weichai Group, Weichai Holding (HK) and FIH is our Controlling Shareholder. See “History and Corporate Structure” and “Relationship with the Controlling Shareholders” for details.

Immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), FIH will directly hold approximately 64.541% of our enlarged issued share capital. Therefore, SHIG, Weichai Group, Weichai Holding (HK) and FIH will continue to be our Controlling Shareholders immediately following the completion of the Global Offering. Our Controlling Shareholders and our Company have entered into the Non-competition Agreement in favor of our Company. See “Relationship with the Controlling Shareholders” for details.

RECENT DEVELOPMENTS

As of February 28, 2022, our total order backlog was €1,272 million. For the two months ended February 28, 2022, our order intake was €308 million.

The Russia-Ukraine tensions have recently accelerated, resulting in Russian invasion of Ukraine in February 2022. We believe that the impact of such geopolitical conflicts on our sales, procurement and the future prospects have been and will be minimal based on the following:

- To the best knowledge of our Directors, as of the Latest Practicable Date, we were not engaged in any sales or had any pending orders to Russian oligarchs;
- During the Track Record Period, sales to Russian and Ukraine purchasers accounted for less than 3% of our total revenue for the same period. Therefore, Russian and Ukraine sales are deemed immaterial to our business, results of operations and financial condition as a whole. Furthermore, in the event of a customer default, we are able to freely resell the yacht to another customer. Due to the nature and uniqueness of the luxury industry, we did not experience in the past, nor do we expect to face in the future, any material difficulty in reselling our yachts to other customers;
- We will cease entering into new sales contracts with Russian and Ukraine purchasers; and
- On the supply side, we are not sourcing, and do not plan to source in the future, any raw materials and components from any Russian or Ukraine supplier. Although the invasion may result in rises in energy prices and raw material costs, we believe that the impact on us will be minimal as we are not engaged in an energy intensive business, and due to the nature and uniqueness of the luxury industry, it would be relatively easy for us to pass on increases in raw material costs to our customers.

In addition, in March 2022, the Italian government declared a state of emergency over Russian invasion of Ukraine until December 31, 2022. We do not expect this recent development to have a material adverse impact on our business and operations because state of emergency is not a new situation in Italy as Italy has already been in the state of emergency since March 2020 due to the COVID-19 pandemic, which was expected to end on March 31, 2022. As of the Latest Practicable Date, the only measures put in place by the Italian government in relation to the declaration of a state of emergency over Russian invasion of Ukraine were mainly in connection with international policy and international cooperation and aids to Ukraine which were not interfering our business operations.

Our Directors confirm that, up to the date of this prospectus, (i) there has been no material adverse change in our financial or trading position since September 30, 2021; and (ii) there has been no material adverse change in our business, the industry in which we operate and/or market or regulatory environment to which we are subject.

On December 21, 2021 our Company approved the management incentive plan (the “**Management Incentive Plan**”) which will cover our senior management and certain other employees (the “**Key Employees**”).

Pursuant to the Management Incentive Plan, a special cash bonus in a maximum aggregate amount of 2.5% of the market capitalization of our Company at the time of the Listing which is calculated by the final Offer Price and the total number of the issued Shares as at the Listing Date will be paid to our Key Employees in recognition of the value they have helped to create prior to

SUMMARY

the Listing Date. The estimated maximum aggregate amount of the special cash bonus under the Management Incentive Plan (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised) is approximately €24.4 million (equivalent to HK\$209.2 million), representing 2.5% of the market capitalization of the Group (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised).

Our Board will determine the specific terms and conditions concerning the special cash bonus in due course, including but not limited to the scope of Key Employees, eligibility criteria and payment schedule. When determining the terms and conditions of the special cash bonus, our Chief Executive Officer and Chief Financial Officer shall take good care of the overall control of the cash flow to ensure that our Company could maintain a positive cash flow after the use of working capital and investment of fixed assets, and take into account the potential influence on the Company's profit. The Company will hold separate board meetings in due course to determine the specific terms and conditions of the special cash bonus under the Management Incentive Plan. See "Directors and Senior Management — Management Incentive Plan."

The payment of special cash bonus may have adverse impact on the Company's net profit. As at the Latest Practicable Date, a first instalment of €5.1 million relevant to the special cash bonus under the Management Incentive Plan has been approved and paid to the Key Employees in December 2021 to recognize their contribution to the application progress of the Listing.

OFFERING STATISTICS

Offer size:	Initially 25% of our enlarged issued share capital
Over-allotment Option:	Up to 15% of our initial Offer Shares
Offer Price per Offer Share:	HK\$21.82 to HK\$28.24 per Offer Share
Offering Structure:	Approximately 90% International Offering and 10% Hong Kong Public Offering (subject to reallocation and the Over-allotment Option)

	Based on an Offer Price of HK\$21.82 per Offer Share	Based on an Offer Price of HK\$28.24 per Offer Share
Market capitalization of Offer Shares	HK\$1,824 million	HK\$2,360 million
Market capitalization of the Shares ⁽¹⁾	HK\$7,295 million	HK\$9,441 million
Unaudited pro forma adjusted net tangible assets per Offer Share ⁽²⁾	HK\$10.98	HK\$12.52

Notes:

- (1) The calculation of market capitalization is based on the assumption that 334,314,954 Shares will be in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), including 83,580,000 Shares to be issued pursuant to the Global Offering.
- (2) See "Appendix II — Report on Pro Forma Financial Information" for further details regarding the assumptions used and the calculations method.

LISTING EXPENSES

Our listing expenses mainly include sponsor's fee, underwriting commissions, professional fees paid to legal advisers, the Reporting Accountants and other professional advisers for their services rendered in relation to the Listing and the Global Offering. The estimated total listing expenses (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised) for the Global Offering are approximately €17.3 million (equivalent to HK\$148.5 million), representing 7.1% of the gross proceeds (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised) of the Global Offering. Our listing expenses are categorized into underwriting-related expenses of approximately €9.9 million (equivalent to HK\$85.0 million) and non-underwriting-related expenses of approximately €7.4 million (equivalent to HK\$63.5 million), representing 4.0% and 3.1%, respectively, of the gross

SUMMARY

proceeds (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised) of the Global Offering. The non-underwriting-related expenses can be further classified into fees and expenses of legal advisor(s) and accountant(s) of approximately €5.0 million (equivalent to HK\$42.9 million) and other fees and expenses of approximately €2.4 million (equivalent to HK\$20.6 million), representing 2.1% and 1.0%, respectively, of the gross proceeds (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised) of the Global Offering. During the Track Record Period, we did not incur any listing expenses in relation to the Listing and the Global Offering. We expect approximately €5.6 million (equivalent to HK\$47.9 million) to be recognized as administrative and other operating expenses and the remaining approximately €11.7 million (equivalent to HK\$100.6 million) is expected to be recognized as a deduction in equity directly upon the Listing.

DIVIDENDS

We have 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 of the Company for the relevant year, after deduction of mandatory legal reserves (5%). The annual dividends will be distributed to Shareholders based on a payment proposal by the Board, after taking into consideration of compliance with any applicable financial covenants and, if any, with further financial needs of the Company. Assuming the Listing occurs in 2022, 2022 will be the first year when our profit attributable to Shareholders of the Company will be used for the purpose of declaring and paying dividends in accordance with the aforementioned general annual dividend policy. The declaration of dividends is subject to the discretion of our Directors, and, if necessary, the approval of our 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. See “Financial Information — Dividends.”

We declared and paid dividends of €6.6 million and €3.5 million in 2020 and the nine months ended September 30, 2021, respectively. Other than that, no dividend has been proposed, paid or declared by us during the Track Record Period.

USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK\$25.03 per Offer Share (being the mid-end of the Offer Price range stated in this prospectus), will be approximately HK\$1,943.9 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering and assuming the Over-allotment Option is not exercised.

We intend to use the net proceeds of the Global Offering for the following purposes:

<u>Approximately HK\$ in millions</u>	<u>Percentage of Net Proceeds</u>	<u>Future Plans</u>
1,321.8	68.0	Expansion of our product portfolio and further boost to our end-to-end operational excellence, including (i) consolidating our leadership positioning in the luxury yacht industry and increasing our market share and coverage, (ii) developing new flagship models of super yachts under our iconic Riva, Wally, Pershing, and Custom Line brands, and (iii) vertically integrating strategic and high value-adding production activities to ensure the uncompromised excellence in the luxurious design, performance, quality and reliability of our yachts.

SUMMARY

Approximately HK\$ in millions	Percentage of Net Proceeds	Future Plans
466.5	24.0	Enhancing our unique portfolio of ancillary services and expanding our offering in the most promising verticals such as yacht brokerage, chartering and management services and after-sales and refitting services.
155.5	8.0	Further development of our brand extension activities and for other general corporate purposes.

See “Future Plans and Use of Proceeds” for more details.

SUMMARY OF MAIN ITALIAN TAX ASPECTS RELEVANT TO SHAREHOLDERS OF THE COMPANY

The following is a non-exhaustive summary of certain material Italian tax consequences for Shareholders holding and disposing of Shares. It does not purport to be a complete analysis of all possible tax situations that may be relevant to a decision to purchase Shares or with regard to the taxation of the Company. In particular, it is focused on the main Italian tax aspects relevant to Hong Kong Shareholders of the Company. The Company intends to produce a tax booklet, that will provide the Italian tax framework relating the ownership of the Shares.

More details in relation to the following tax matters (including tax aspects relevant to non-Hong Kong resident shareholders) are set out in the section headed “Appendix IV — Summary of the By-laws of Our Company and Italian Companies Laws and Taxation — Summary of Main Italian Tax Aspects Relevant to Shareholders of the Company.”

As we are an Italian company, our Shareholders will have the rights, obligations and protections ordinarily afforded to shareholders under Italian law, as well as duties under Italian taxation regime. As the Company is an Italian resident entity subject to Italian tax law, dividends distributed by the Company and capital gains realized through the sale of Shares may be subject to tax in Italy, as well as in the tax jurisdiction in which the recipient/seller is resident for tax purposes.

Hong Kong resident Shareholders should note that there is a double tax treaty agreement (DTA) in force between Italy and Hong Kong. According to the mentioned tax treaty:

- the withholding tax rate applicable on dividends paid by the Company to an individual and corporate Shareholder resident in Hong Kong (who do not carry on business in Italy through a permanent establishment situated therein) cannot exceed **10% of the gross amount of the dividend** (art. 10);
- capital gains realized by individual and corporate Shareholders resident in Hong Kong from the sale of the Shares are taxable **only in Hong Kong** (art. 13, par. 5).

Hong Kong resident Shareholders will be subject to a withholding tax on dividends. Subject to the provisions of the applicable DTA, the rate of withholding tax may be reduced.

Provided that conditions set by article 13 of the mentioned tax treaty are applicable, capital gains by Shareholders resident in Hong Kong from the sale of the Shares are taxable only in Hong Kong. Where no DTA is applicable, capital gains realized by a non-Italian resident Shareholder through the sale of a substantial participation are taxable in Italy and the relevant shareholder is required to file the income tax return in Italy.

The DTA between Italy and Hong Kong shall apply only to persons who are residents of one or both of the Contracting States. The term “*person*” includes an individual, a company and any other body of persons.

SUMMARY

For the purposes of the DTA, the term “*resident of a Contracting State*” in the case of Italy means any person who, under the laws of Italy, is liable to tax therein by reason of his domicile, residence, place of management or any other criterion of a similar nature. This term does not include, however, any person who is liable to taxation in Italy in respect only of income from sources in Italy.

In the case of the Hong Kong Special Administrative Region the term “*resident of a Contracting State*” means:

- any individual who ordinarily resides in the Hong Kong Special Administrative Region;
- any individual who stays in the Hong Kong Special Administrative Region for more than 180 days during a year of assessment or for more than 300 days in two consecutive years of assessment one of which is the relevant years of assessment;
- a company incorporated in the Hong Kong Special Administrative Region, or, if incorporated outside the Hong Kong Special Administrative Region, being normally managed or controlled in the Hong Kong Special Administrative Region;
- any other person constituted under the laws of Hong Kong Special Administrative Region, or, if constituted outside the Hong Kong Special Administrative Region, being normally managed or controlled in the Hong Kong Special Administrative Region.

Shareholders should also note that transfer of the ownership of financial instruments (mainly shares and other participating financial instruments) issued by companies resident in Italy are subject to Italian Financial Transaction tax.

The Company recommends that all Shareholders should consult their professional advisors in order to understand the taxation consequences of purchasing, holding, disposing of or dealing in Shares or exercising any rights attaching to them and to take all measures necessary in order to comply with Italian law and regulations.

Withholding tax

Dividends paid by the Company to non-Italian resident Shareholders (who do not carry on business in Italy through a permanent establishment situated therein) are subject to a 26% final withholding tax as a general rule (which will be withheld by Company upon payment of dividend). In this case, the Shareholders are not required to file the income tax return in Italy.

Subject to the provisions of any applicable double taxation convention, Shareholders entitled to a reduced (or to zero) withholding tax may seek to recover the excess amount of tax paid through a refund procedure initiated with the Italian Revenue Agency.

In particular, provided that conditions set by article 10 of the DTA are applicable, for dividends paid by the Company on or after January 1st, 2016, Hong Kong resident Shareholders may claim a credit refund equal to the difference between the tax withheld and 10% of the gross amount of the dividends.

Credit refund procedure

Where double taxation convention is applicable, non-Italian resident Shareholder may claim a partial or full refund of the Italian withholding tax levied. For the request of the credit refund official forms have been issued by the Italian Revenue Agency.

The same rules are provided for “white listed” Company Shareholders of European Union (“EU”) or European Economic Area (“EEA”) which are in principle subject to a 1.2% withholding tax or to a withholding exemption (provided that the requirements laid down in European Union Parent-Subsidiary Directive are met).

A copy of the forms, along with the related instructions, are available at the following links:

https://www.agenziaentrate.gov.it/portale/documents/20143/345018/Provvedimento+10+luglio+2013+convenzione+modelli_TOTALE_Provvedimento+approvazione+modelli+del+Direttore_allegati_1_10_07_2013.pdf/c0ab2951-aa88-cbb6-9d5f-2d47e6793e9f

SUMMARY

A credit refund request, if any, must be filed with the Italian Revenue Agency by the Shareholder not later than 48 months following the date on which the tax on the dividend is finally paid by the Shareholder in its home jurisdiction.

Shareholders should note that delays may be encountered in the process of obtaining a credit refund.

Where no double taxation convention is applicable, non-Italian resident Shareholders may claim a partial refund equal to the lower of 11/26th of the Italian withholding tax levied and the foreign tax actually paid on the dividend in their country of residence. However, if the dividend is not subject to final taxation in Shareholder's country of residence, the non-Italian resident Shareholder will not be entitled to receive any credit refund.

In order to be entitled to the credit refund, the non-Italian resident Shareholder must (i) provide evidence of being resident for tax purposes in its home jurisdiction, by way of a certificate issued by the relevant tax authority in that jurisdiction and (ii) demonstrate that a final tax on the same dividend has been paid, by means of proper documentation issued by the above mentioned tax authority.

Capital gains

Capital gains realized by non-Italian resident Shareholders (who do not carry on business in Italy through a permanent establishment situated therein) on sales of Shares are subject to the following tax treatment:

- starting from January 1, 2019, capital gains realized through the sale both of a substantial and a non-substantial participation not held in a business capacity are fully (i.e. 100%) subject to a substitute tax of 26%. A full exemption applies in case of capital gains realized through the sale of a non-substantial participation in Italian companies listed on regulated stock-market;
- capital gains realized through the sale of a non-substantial participation in companies listed on regulated stock markets are not regarded as Italian-sourced income (i.e. they are not subject to tax in Italy) . The interpretation issued by the Italian Revenue Agency on the definition of 'regulated stock market' appear to include into its scope the Hong Kong Stock Exchange. It follows that capital gains tax is only applicable for capital gains realized by non-Italian resident Shareholders through the sale of a substantial participation in the Company;
- please note that under the DTA entered in force between Italy and Hong Kong, in principle capital gains realized by individual Shareholders resident in Hong Kong from the sale of the Shares are taxable only in Hong Kong. **It follows that individual Shareholders resident in Hong Kong, that can benefit from the DTA, will not be subject to capital gains tax and will not be required to file a tax return in Italy for capital gains realized from the sale of the Shares.**

A participation is considered to be 'substantial' when it entitles the holder to (i) more than 2% of the voting rights or more than 5% of the capital in companies listed on regulated stock markets (according to Italian law), or (ii) more than 20% of the voting rights or more than 25% of the capital in other companies, including companies listed on non-regulated stock markets (according to Italian law). On the assumption that the Hong Kong Stock Exchange is a regulated stock market for this purpose, the thresholds of 2% and 5% would apply before a participation is considered to be 'substantial'.

Where capital gains have been realized by a non-Italian resident Shareholder through the sale of a substantial participation in companies listed on regulated stock markets (according to the interpretations of Italian Revenue Agency, the Hong Kong Stock Exchange is a regulated stock market), the relevant Shareholder is required to file a tax return in Italy. **As mentioned above,**

SUMMARY

provided that DTA between Italy and Hong Kong is applicable, Shareholders resident in Hong Kong will not be subject to capital gains tax and will not be required to file a tax return in Italy for capital gains realized from the sale of the Shares.

Financial Transaction Tax on transfer of shares (FTT)

The transfer of the ownership of financial instruments (mainly shares and other participating financial instruments) issued by companies resident in Italy, wherever executed and regardless the residence of the parties involved in the deal, are subject to Financial Transaction Tax.

The tax rates are equal to 0.10% for transfers of shares, other participating financial instruments issued by Italian resident companies and of securities representing equity investment, executed in regulated stock markets or through multilateral trading facilities and 0.20% for all other taxable transfers.

Based on the specific FTT regulations, on the assumption that the Hong Kong Stock Exchange is considered a regulated stock market for FTT purposes, the transfer of Shares should be subject to 0.10% FTT tax rate. The FTT is due by the persons to which the ownership of shares (including the beneficial ownership) is transferred. Generally, the payment of FTT is executed by financial intermediary involved in the transaction. The persons obliged to pay the FTT shall annually comply with the tax return obligations for the transactions. It follows that, if no financial intermediary is involved, the ultimate purchaser is bound for filing such tax return.

Illustrative examples

Withholding tax

In case of a dividend equal to 100, the Company will apply a withholding tax equal to 26. The individual/corporate Shareholder:

- may request a refund of the Italian withholding tax levied equal to 16 where DTA (Double Taxation Agreement) between Italy and Hong Kong is applicable. The credit refund request must be filed with the Italian Revenue Agency by the Shareholder not later than 48 months following the date on which the tax on the dividend is paid. For the request of the credit refund official forms have been issued by the Italian Revenue Agency;
- may claim a partial refund equal to the lower of 11/26th of the Italian withholding tax levied (in this case 11) and the foreign tax actually paid on the dividend in their country of residence, where no double taxation convention is applicable.

Capital Gains

In case of a capital gain equal to 100 (calculated as difference between a sale price of 200 and the tax basis of 100) the non-resident individual/corporate Shareholders will be in principle subject to a substitute tax of 26. However, individual/corporate Shareholders will be:

- not subject to such capital gains tax if DTA (Double Taxation Agreement) between Italy and Hong Kong is applicable;
- subject to a capital gain tax equal to 26 in case of sale of a substantial participation in the Company where no double taxation convention is applicable. In this case to individual/corporate shareholders will be required to file a tax return in Italy.

SUMMARY

Financial Transaction Tax on transfer of shares (FTT)

An individual/corporate Shareholder buys 1000 Shares on the same day via the same securities account.

Buy 1,000 shares purchase at HKD 72,00 per unit.

Net increase of beneficial holding is 1000 shares.

Weighted average purchase price is $(1.000 \times 72,00)/1.000 = \text{HKD}72,00$.

Amount of Italian FTT payable is $1000 \text{ shares} \times \text{HKD}72,00 \times 0.10\% = \text{HKD}72,00$.

Withdrawal rights and notification/disclosure of shareholders' agreement

For details of withdraw rights, see “Appendix IV — Summary of the By-laws of Our Company and Italian Companies Laws and Taxation — Summary of the By-laws of our Company — Withdrawal right”. For details of notification/disclosure of shareholders' agreement under Italian law, see “Appendix IV — Summary of the By-laws of Our Company and Italian Companies Laws and Taxation — Certain Disclosure of Interest and Other Shareholding Requirements under Italian Law Do Not Apply to Our Shareholders.”

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings. Certain other terms are defined in the section headed “Glossary of Technical Terms” in this prospectus.

“Adtech”	Adtech Advanced Technologies AG, a limited liability company incorporated under the laws of Switzerland and one of our Shareholders
“Americas” or “AMAS”	North America, Central America and South America
“APAC”	the Asia-Pacific region
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Authorized Representatives”	the authorized representatives of the Company under Rule 3.05 of the Listing Rules, namely Mr. Alberto Galassi and Ms. Wong Hoi Ting
“Board”	the board of directors of our Company
“Borsa Italiana”	Borsa Italiana S.p.A., a company incorporated and organized under the laws of Italy, with its registered office in Milan, at Piazza degli Affari, 6. Borsa Italiana is a member of the Euronext Group and is a stock exchange
“Business Day”	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“Butler”	Butler Management Ltd., a private limited company incorporated under the laws of United Kingdom and one of our Shareholders
“By-laws”	the by-laws of the Company with effect from the Listing Date, as amended, supplemented or restated from time to time
“CAGR”	compound annual growth rate
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

DEFINITIONS

“CCASS Clearing Participant(s)”	person(s) admitted to participate in CCASS as direct clearing participant(s) or general clearing participant(s)
“CCASS Custodian Participant(s)”	person(s) admitted to participate in CCASS as custodian participant(s)
“CCASS EIPO”	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant’s stock account through causing HKSCC Nominees to apply on your behalf, including by (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, or (ii) if you are an existing CCASS Investor Participant, giving electronic application instructions through the CCASS Internet System (https://ip.ccass.com) or through the CCASS Phone System (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input electronic application instructions for CCASS Investor Participants through HKSCC’s Customer Service Centre by completing an input request
“CCASS Investor Participant(s)”	person(s) admitted to participate in CCASS as investor participant(s) who may be an individual, joint individual(s) or corporation(s)
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant(s)”	CCASS Clearing Participant(s), CCASS Custodian Participant(s) or CCASS Investor Participant(s)
“Chief Executive Officer”	Mr. Alberto Galassi

DEFINITIONS

“China” or “PRC”	the People’s Republic of China, for the purpose of this prospectus and for geographical reference only, except where the context requires otherwise, references to “China” and the “PRC” do not apply to Hong Kong, Macau and Taiwan
“CIC” or “Industry Consultant”	China Insights Industry Consultancy Limited
“CIC Report”	an independent industry report commissioned by us and prepared by CIC for the purpose of this prospectus
“Civil Code”	the Italian Civil Code (Codice Civile) enacted by Royal Decree No. 262 of March 16, 1942, as amended
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Ferretti S.p.A., which was incorporated and organized under the laws of Italy on July 16, 2004 and subsequently converted into a joint-stock company with limited liability on July 11, 2006
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Consob”	Commissione Nazionale per le Società e la Borsa, the Italian Companies and Stock Exchange Commission, with its registered office in Rome, at Via Giovanni Battista Martini, 3, Italy

DEFINITIONS

“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
“Director(s)”	the director(s) of our Company
“EMEA”	Europe, Middle East and Africa
“EU”	the European Union
“Euro”, “EUR” or “€”	the lawful currency of the member states of the EU participating in the third stage of the EU’s Economic and Monetary Union
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the Government of Hong Kong
“FSD”	Ferretti Security Division, a division of the Company that designs, develops and manufactures coastal patrol vessels
“F Investments”	F Investments S.A., a joint-stock company (<i>société anonyme</i>) incorporated and organized under the laws of Luxembourg and one of our Shareholders, which is controlled by Mr. Piero Ferrari, our Vice Chairman and non-executive Director
“FIH”	Ferretti International Holding S.p.A., a joint-stock company (<i>società per azioni</i>) incorporated and organized under the laws of Italy and one of our Controlling Shareholders
“GDP”	gross domestic product
“Global Offering”	the Hong Kong Public Offering and the International Offering
“GREEN Application Form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited

DEFINITIONS

“Group”, “our Group”, “we”, “our” or “us”	our Company and its subsidiaries, or any one of them as the context may require, and where the context refers to any time prior to its incorporation, the business which its predecessor(s) was engaged in and which was subsequently assumed by it
“HK\$” or “Hong Kong dollar(s)”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 8,358,000 new Shares (subject to reallocation) being initially offered by our Company for subscription in the Hong Kong Public Offering, as described under “Structure of the Global Offering” in this prospectus
“Hong Kong Public Offering”	the issue and offer of the Hong Kong Offer Shares for subscription in Hong Kong at the Offer Price (plus brokerage, Stock Exchange trading fee, SFC transaction levy and Financial Reporting Council Transaction Levy) on and subject to the terms and conditions described in this prospectus and the GREEN Application Form, as further described in the section headed “Structure of the Global Offering” in this prospectus
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering, whose names are set out in “Underwriting — Hong Kong Underwriters” in this prospectus

DEFINITIONS

“Hong Kong Underwriting Agreement”	the conditional underwriting agreement dated March 21, 2022 and entered into by us, the Sole Sponsor, the Sole Global Coordinator, the Hong Kong Underwriters and FIH relating to the underwriting of the Hong Kong Offer Shares, further details of which are set out in the section headed “Underwriting — Underwriting Arrangements and Expenses” in this prospectus
“IAS”	International Accounting Standards
“IFRS”	the International Financial Reporting Standards
“Independent Third Party(ies)”	any entity or person who, to the best knowledge of our Directors, is not a connected person of our Company within the meaning ascribed thereto under the Listing Rules
“International Offer Shares”	the 75,222,000 new Shares offered by our Company for subscription under the International Offering, subject to reallocation and the exercise of the Over-allotment Option, as described in the section headed “Structure of the Global Offering” in this prospectus
“International Offering”	the offering of the International Offer Shares at the final Offer Price to professional, institutional and other investors, as further described in the section headed “Structure of the Global Offering” in this prospectus
“International Underwriters”	the underwriters of the International Offering, who are expected to enter into the International Underwriting Agreement
“International Underwriting Agreement”	the underwriting agreement expected to be entered into on or around March 25, 2022 by, among others, us, the Sole Sponsor, the Sole Global Coordinator, and the International Underwriters relating to the International Offering, as further described in the section headed “Underwriting — International Offering” in this prospectus
“Italian Legal Advisors”	Pedersoli Studio Legale, the legal advisor of our Company as to Italian laws

DEFINITIONS

“Italy”	the Republic of Italy
“Joint Bookrunners”	China International Capital Corporation Hong Kong Securities Limited, BNP Paribas Securities (Asia) Limited and Zhongtai International Securities Limited
“Joint Lead Managers”	China International Capital Corporation Hong Kong Securities Limited, BNP Paribas Securities (Asia) Limited and Zhongtai International Securities Limited
“Latest Practicable Date”	March 14, 2022, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Listing”	the listing of the Shares on the Main Board
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about Thursday, March 31, 2022, on which our Shares are listed and from which dealings in our Shares are permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Michelini”	Michelini & C. S.r.l., a limited liability company incorporated and organized under the laws of Italy on July 26, 1973, and was a wholly-owned subsidiary which was merged by incorporation into the Company with legal effect from December 31, 2021 and with effect for accounting and tax purposes from January 1, 2021

DEFINITIONS

“Non-competition Agreement”	the non-competition agreement entered into between the Company and the Controlling Shareholders on March 14, 2022, details of which are set forth in the section headed “Relationship with the Controlling Shareholders — Non-competition Agreement and Undertakings”
“Offer Price”	the offer price per Offer Share (exclusive of brokerage of 1.00%, Stock Exchange trading fee of 0.005%, SFC transaction levy of 0.0027% and Financial Reporting Council Transaction Levy of 0.00015%) at which the Offer Shares are to be subscribed pursuant to the Global Offering
“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares, together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted by our Company under the International Underwriting Agreement to allot and issue up to an aggregate of 12,537,000 additional new Shares at the Offer Price, representing 15% of the initial number of Offer Shares offered under the Global Offering, details of which are described in the section headed “Structure of the Global Offering” in this prospectus
“Price Determination Date”	the date, expected to be on or about Friday, March 25, 2022 and no later than Sunday, March 27, 2022 unless otherwise announced, on which the Offer Price is to be determined for the purposes of the Global Offering
“QIB”	a qualified institutional buyer within the meaning of Rule 144A
“Regulation S”	Regulation S under the U.S. Securities Act
“Renminbi” or “RMB”	Renminbi yuan, the lawful currency of the PRC
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SFC”	the Securities and Futures Commission of Hong Kong

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shandong SASAC”	State-owned Assets Supervision & Administration Commission of Shandong Province
“Share(s)”	ordinary share(s) with no nominal value in the share capital of our Company
“Shareholder(s)”	holder(s) of the Shares
“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
“Sea Lion”	Sea Lion S.r.l., a limited liability company incorporated and organized under the laws of Italy on March 27, 2018, and a subsidiary owned as to 75% by our Company
“Sole Sponsor”, “Sole Global Coordinator” or “Stabilization Manager”	China International Capital Corporation Hong Kong Securities Limited, a corporation licensed to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) regulated activities under the SFO
“State Council”	the State Council of the PRC
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the period comprising three financial years ended December 31, 2020 and the nine months ended September 30, 2021

DEFINITIONS

“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “U.S.”	the United States of America, its territories and possessions, any State of the United States and the District of Columbia
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“US\$”, “USD” or “U.S. dollar(s)”	United States dollars, the lawful currency of the United States
“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
“ White Form eIPO ”	the application of Hong Kong Offer Shares for issue in the applicant’s own name by submitting applications online through the designated website of White Form eIPO Service Provider at www.eipo.com.hk
“ White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“%”	per cent

* For identification purposes only

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains terms used in this prospectus as they relate to our business. As such, these terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

“Advertising Value Equivalent” or “AVE”	a measure of the effectiveness of digital advertising that seeks to equate the cost of web-based advertising to the cost of print advertising by using specific algorithms
“Anti-Grounding Navigation Aid System”	an alerting system that we plan to introduce in 2022, which will be equipped with GPS sensors and navigation helm instruments, helping avoid collisions due to shallow water or obstacles
“Autonomous Docking System”	our first self-docking system with three modes available, which we plan to introduce in 2022
“Carbon Fiber + Epoxy”	the application of ultra-light materials, namely, carbon fiber and epoxy, in the design and construction of superstructure and deck, which we introduced in 2018 and has enabled the yacht to reduce up to 30% of weight
“composite yachts”	yachts ranging from 27 to 100 feet, characterized by fiberglass hulls with a pre-defined set of accessories, materials and interior decorative elements available for customization
“end customers”	mainly VHNWIs and UHNWIs, who directly purchase yachts from us (or through their yacht owning companies)
“GRP”	glass reinforced plastic
“HVAC”	heating, ventilation and air conditioning
“invoicing customers”	end customers, dealers and leasing companies (as our end customers may, with our consent, choose to transfer the sales contract to a leasing company and the leasing company will serve as the invoicing customer and pay us in full)

GLOSSARY OF TECHNICAL TERMS

“Italian Authors”	university professionals, scholars or even law book writers who have the particular legal knowledge and foundation to explain and interpret Italian law, whose opinions are a common legal reference point in Italy and may be accepted and referred to by courts under the Italian legal system
“Joystick Yacht Control”	an application that we introduced in 2018, which eases navigation and docking maneuvers (especially at high speed) since it synchronizes propeller movements to let the yacht maintain a fixed position in the water
“made-to-measure yachts”	yachts that have fiberglass hulls, ranging from 28 to 43 meters, and compared to composite yachts, have substantially higher degree of customization: the interior layouts, furnishings and fittings can be almost completely adapted to match customer requirements
“MTU”	a product and solution brand of Rolls Royce, providing world-class power solutions and complete life-cycle support
“super yachts”	alloy-hulled yachts ranging from 39 to 95 meters, comprising (i) fully-customizable yachts each of which is a one-off creation, designed and built to comply with the customer requirements for both exterior and interior designs; and (ii) branded super yacht flagship models with fully-customizable interiors, but reflecting the distinctive exterior design of the respective brands
“UHNWIs” or “ultra-high net worth individuals”	persons who have a net worth with investable and liquid assets in excess of 50 million U.S. dollars
“VHNWI” or “very-high-net-worth individual”	persons who have a net worth with investable and liquid assets of five million to 50 million U.S. dollars

FORWARD-LOOKING STATEMENTS

We have included in this prospectus forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including, without limitation:

- (a) the discussions of our business strategies, objectives and expectations regarding our future operations, products, revenue, margins, profitability, liquidity and capital resources;
- (b) any statements concerning the future development of, and trends and conditions in, the market and the general economy of the countries in which we operate or plan to operate and where our products may be distributed and sold;
- (c) any statements concerning our ability to control costs;
- (d) any statements concerning the nature of, and potential for, the future development of our business, including any potential business relationships and partnerships; and
- (e) any statements preceded by, followed by or that include words and expressions such as “expect”, “believe”, “plan”, “intend”, “estimate”, “forecast”, “project”, “anticipate”, “continue”, “seek”, “estimate”, “may”, “will”, “ought to”, “would”, “should”, “would” and “could” or the negative of these terms or similar words or statements, as they relate to our Group or our management, are forward-looking statements.

These statements are based on assumptions regarding our present and future business, our business strategies and the environment in which we will operate. These forward-looking statements reflect our current views as to future events and are not a guarantee of our future performance. Forward-looking statements are subject to certain known and unknown risks, uncertainties and assumptions, including the risk factors described in “Risk Factors”. Important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements include, among other things, the following:

- our ability to successfully implement our business plans and strategies;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;

FORWARD-LOOKING STATEMENTS

- our business prospects;
- our capital expenditure plans;
- our financial condition and performance;
- regulatory changes affecting, among other things, the industry and market, accounting standards and taxes;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices pertaining to the industry and markets in which we operate; and
- global political and economic conditions related to jurisdictions in which we have or intend to have business operations.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation, and undertake no obligation, to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or developments or otherwise. In light of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section as well as the risks and uncertainties discussed in “Risk Factors”.

RISK FACTORS

An investment in the Shares involves a high degree of risk. Prospective investors should carefully consider the following risk factors, together with all other information contained in the prospectus, before deciding whether to invest in the Shares. If any of the following events occur or if these risks or any additional risks not currently known to us or which we now deem immaterial materialize, our business, financial condition, results of operations and our ability to meet our financial obligations could be materially and adversely affected. The market price of the Shares could fall significantly due to any of these events or risks or such additional risks, and you may lose your investment. The order in which the following risks are presented does not necessarily reflect the likelihood of their occurrence or the relative magnitude of their potential material adverse effect on our business, financial condition, results of operations and prospects.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

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.

We have a global sales and distribution network with presence in more than 70 countries and regions in EMEA, AMAS and APAC, enabling us to reach customers globally. In addition, we have subsidiaries in various countries and regions in EMEA, AMAS and APAC. Additionally, as part of our growth strategy, we intend to continue to expand our business internationally. Therefore, we are subject to risks associated with changes in the general macroeconomic, political, social and regulatory conditions in the markets in which we operate, which are beyond our control. In particular, we face a number of challenges as a result of our international business and expansion strategy, including without limitation our ability to effectively recruit, manage and coordinate our employees across different geographic regions; customs regulations on the import and export of products and raw materials; foreign investment restrictions; and our ability to obtain and renew licenses that may be needed in international markets to support our business. If we fail to effectively manage these risks, such failure could impair our ability to operate or expand our business globally and could materially and adversely affect our business, results of operations and financial condition.

In addition, the demand for luxury yachts can depend in part on changes in macroeconomic, geopolitical and social conditions. Our end customer base is principally comprised of VHNWIs and UHNWIs. Therefore, the demand for our products is directly impacted by changes in the number of VHNWIs and UHNWIs and their capacity and propensity to spend. While the COVID-19 pandemic has to a certain extent changed the traditional customer perception and significantly increased the market desire for yachts, further stimulating industry growth, there is no assurance that such growth in demand will not diminish some time in the future after the end of

RISK FACTORS

the COVID-19 pandemic. Moreover, in the event of a significant geopolitical conflict or a macroeconomic downturn, the demand of our potential end customers may fall. Similarly, political or economic upheavals in certain countries or markets could lead customers to delay purchasing decisions for considerations linked to political or reputational risks. Such events may damage our ability to obtain customer orders and lead to a decrease in future orders received, which could have a material adverse effect on our business, financial condition, results of operations and prospects. For example, although we believe that the impact of the recent geopolitical conflicts on our sales, procurement and the future prospects have been and will be minimal, there is no assurance that any escalation of geopolitical tension in the future will not create instability in macroeconomic and social conditions, which could have a material adverse effect on our business, financial condition and results of operations.

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

As part of our business strategies, we plan to organically and inorganically through acquisitions increase our production capacity in order to support the growth of our business. See “Future Plans and Use of Proceeds.” However, there is no assurance that we will be able to identify suitable assets to expand our business. Even if we are able to identify suitable targets, such expansion can be difficult, time consuming and costly to execute. We may also have to engage in intense competition for attractive targets, which may make it difficult to consummate any acquisitions on commercially acceptable terms or at all. Unsuccessful expansion plan in whole or in part may have a material and adverse effect on our growth plan in relation to acquisitions.

Even if we are able to consummate any acquisitions, our ability to grow our business through any recently completed or future acquisitions remains subject to further risks and uncertainties which could in whole or in part materially and adversely affect our growth plan in relation to acquisitions, including that:

- we may fail to successfully integrate the acquired businesses with our existing business and operations; and
- the acquired businesses could not generate the expected level of revenue and profitability we had planned.

If we are not able to identify, capture or execute opportunities to expand our business successfully, or if we suffer reputational or financial harm caused by unknown or contingent liabilities of the assets we acquire, our business, financial condition, results of operations and prospects could be materially and adversely affected.

RISK FACTORS

In addition, the acquisitions, once consummated, which are expected to increase our revenue and profitability, will also incur additional depreciation and amortization expenses.

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.

We rely on our suppliers to provide us with a wide range of raw materials, components and sub-assemblies. In addition, we typically outsource to third-party contractors the production and construction of some more complex parts, components and systems of yachts (such as the assembly of fiberglass hulls and superstructures as well as the construction and installation of electrical parts and other systems). For the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2020 and 2021, we used raw materials and consumables and incurred contractors costs with an aggregate amount of €423.3 million, €429.4 million, €383.4 million, €270.1 million and €404.3 million, respectively, accounting for 68.8%, 66.1%, 62.7%, 67.6% and 60.4% of our net revenue for the same periods, respectively.

We face various risks associated with our suppliers and contractors. If contractors fail to perform their obligations and/or we are not able to replace them on a timely, effective and commercially acceptable basis in the event that our contractual arrangements with them are terminated due to their breach, we may incur delays potentially affecting the agreed timetables or product specifications. In addition, we require our contractors to be punctual in their deliveries and to give particular care to the quality of their supplies. As a result, any supplier or contractor default of contractual obligations, or any failure by them to meet specified deadlines, specifications and quality standards could negatively affect our ability to fulfil customer orders on a timely basis.

Moreover, our contractors also expose us to the risk under Italian employment laws of joint liabilities in the event they fail to pay salaries and social security contributions of their employees involved in the performance of relevant contractual obligations.

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

RISK FACTORS

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.

We provide product warranties on new yachts that are valid for 12 to 24 months after delivery (excluding batteries, anodes, paints and other parts subject to wear and tear, and excluding accessories and components manufactured by third-party suppliers but including our installation of these accessories and components). See “Business — After-sales Services and Warranties.” Our product warranties obligate us to carry out all required repairs and/or replacements at no cost to the customer during the applicable warranty period. For super yachts, we also provide customers with performance warranties covering specifications such as maximum speed, operating range and noise/vibration levels. If a super yacht fails to comply with warranted performance levels, then we could be liable for monetary compensation to the customer. Accordingly, flaws or defects in our design and production process could give rise to material exposures under our product and performance warranties. We made provision for product warranties of €15.2 million, €19.1 million, €15.1 million, €10.7 million and €15.8 million, respectively, in 2018, 2019, 2020 and the nine months ended September 30, 2020 and 2021, equivalent to 2.5%, 2.9%, 2.5%, 2.7% and 2.4% of our net revenue for the same periods, respectively.

We calculate the reserves required to cover our expected warranty liabilities based on the level of historical claims incurred and our management’s best estimates of the costs required to repair or to replace items under product warranties and its projections of the nature, frequency and costs of potential future claims under performance warranties. We seek to add amounts that we believe will be sufficient to cover such liabilities directly to the cost of our yachts, adjusting such amounts as necessary during the production process. However, any such estimates of future warranty liabilities are inherently uncertain, and any changes to our estimates, especially with respect to new product lines or super yachts, may require us to make material changes to our warranty reserve policies in the future. If our warranty reserves and related insurance coverages prove to be inadequate to cover our future warranty claims, or if our suppliers and subcontractors fail to honor the underlying warranties that we pass through to our own customers, our business, financial condition, results of operations, prospects and price of the Shares could be materially and adversely affected.

In addition, flaws and defects in our design and production processes, or in those of our suppliers and subcontractors, could give rise to product liability and product recall exposures. In the event of litigation involving claims of this nature, we could become obligated to pay material damage awards and/or legal expenses in amounts far greater than our insurance coverage. Such

RISK FACTORS

events would also generate negative publicity, which could in turn cause material harm to our brand image and reputation. The occurrence of any of these risks could have a material adverse effect on our business, financial condition, results of operations and prospects.

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.

We currently operate six shipyards, a refitting facility and a production plant for wooden furnishing and fittings. See “Business — Production — Production Facilities.” Strikes, work slowdowns and other forms of industrial action, or any other deterioration in relations with our employees, as well as shortages of skilled workers, could cause interruptions to our production cycle, to the extent that we are not able to compensate such interruptions by increasing the utilization rates of our production facilities that are still in operation. If prolonged in time, such interruptions could cause us to fail to meet our contractual obligations to customers in relation to delivery of products and cause our production capacity to be under-utilized.

In addition, our shipyards depend on structures such as piers, quays and jetties and our production process depends on certain equipment such as machine tools and molds. Our access to these structures and equipment could be subject to unforeseen interruptions due to fires, earthquakes, floods and other natural disasters, the outbreak of widespread health epidemic such as the COVID-19 pandemic, acts of war or terrorism, civil disorder, industrial accidents, shortages of raw materials, electricity blackouts, breakdowns, malfunctions or other *force majeure* events. In particular, due to the outbreak of the COVID-19 pandemic, we temporarily and partially suspended the operations of our six shipyards for two months in 2020, which was imposed by the Italian government (emergency statutory provisions adopted for coping with the pandemic). Although such temporary suspension of operations did not cause significant interruptions to our production cycle, we cannot assure you that any future *force majeure* events will not result in any material adverse impact on our business and operations. Moreover, if we fail to comply with legal requirements relating to occupational health, safety and environmental protection, or if our operations cause bodily injury, personal or property damage or harm to the environment, government authorities may require us to modify or suspend our operations until we rectify any such noncompliance or harm.

If any such events occur and we fail to rectify them on a timely basis, our production activities could be interrupted. Although we believe that our existing insurance policies are adequate to cover these risks including the risk of harm to third parties, the impact of any such interruptions to our production cycle could exceed our coverage and cause a material adverse effect on our business, results of operations, financial condition and prospects.

RISK FACTORS

Litigation or other legal or tax proceedings could expose us to liability and negatively impact our reputation.

We may be involved in litigation or other legal proceedings during the ordinary course of business operations related to, among other things, product or other types of liability, labor disputes, contract disputes or tax disputes, which could have a material adverse effect on our financial condition. These actions could also expose us to negative publicity, which might adversely affect our brand image and reputation. If we become involved in any litigation or other legal proceedings in the future, the outcome of these types of proceedings could be uncertain and could result in settlements or outcomes that adversely affect our financial condition. In addition, any litigation or legal proceedings could incur substantial legal expenses. See “Business — Legal Proceedings and Compliance — Legal Proceedings” for details about our on-going proceeding in connection with acquisition of Wally trademark and associated intellectual property rights, and Note 29 to the Accountants’ Report set forth in Appendix I to this prospectus for details about our miscellaneous risks in relation to legal disputes and other litigations as well as other legal actions and proceedings that we could face in the normal course of business.

We face strong competition in our industry and may not be able to maintain or enhance our market position.

We face strong competition in all of the product categories and markets in which we operate. We compete with other international luxury yacht manufacturers who own trademarks and brands in competition with ours. In particular, our competitors could adopt commercial policies aimed at increasing their market share and/or limiting our ability to obtain new orders. Such policies could include, *inter alia*, more aggressive discount policies. Furthermore, compared to composite and made-to-measure yachts, the super yacht sector is highly fragmented and has lower financial or technological barriers to entry. Therefore, the number of our competitors could increase at any time.

We believe that we compete primarily based on our reputation for quality, the performance and design of our yachts, our brand image and the user experience that we provide to our customers. If we fail to satisfy our customers in any regard, our business, results of operations, financial condition, prospects and price of the Shares could be materially and adversely affected.

RISK FACTORS

Customer preferences and market trends may change; any failure by us to anticipate or react in such changes or to preserve and enhance the favorable image of our brands may have a negative impact on our business and results of operations.

The image, visibility and reputation of our brands are critical to driving the demand for our products, which are influenced by a number of factors, including the design, performance and quality of our products, and the intensity and success of our brand promotion activities. We benefit from our iconic luxury brands that are associated with refined design, high performance and quality as well as technical innovation.

However, customer preferences and market trends in the luxury goods sector can vary over time, sometimes rapidly. During the Track Record Period, we developed and launched 28 new models, and our product portfolio comprised 46 models as of September 30, 2021. Due to our focus on renewing our product portfolio, we lowered the average age of our models from approximately 5.6 years in 2016 to 3.7 years in 2020 (without taking into consideration our Wally models and super yacht flagship models which were launched in 2019). In addition, we have dedicated significant resources to product innovation to keep up with technological advances in the market. See “Business — Product Development and Innovation.” However, we cannot assure you that we will succeed in anticipating or reacting to changes in customer preferences, or that we are able to keep up with advances in design and manufacturing technologies, or that we will expand our product/brand portfolio and continue to innovate in the future. In addition, our efforts and investments in product development and innovation may not generate the expected outcomes. If we misjudge the market for our products or are late in recognizing changing trends and customer preferences, we could experience poor returns on investment, an inability to maintain premium pricing for our products or extend the value of our brands to other products and damage to our reputation. Any of these could have a material adverse effect on our business, results of operations, financial condition, prospects and price of the Shares.

Moreover, although we devote significant resources to preserving and enhancing the strength of our brands, our efforts, for example, the brand promotion activities we invested in, may not be successful. These or other events that negatively impact our brand image could have a material adverse effect on our business, financial condition, results of operations, prospects and price of the Shares.

RISK FACTORS

We are dependent upon our senior management team and highly qualified personnel with specialized skills, and our business, results of operations and financial condition may suffer if we lose their services.

We have been, and will continue to be, heavily dependent on the continued services of our senior management team, mainly Mr. Alberto Galassi, our Chief Executive Officer. If we lose the services of any member of our senior management team, we may not be able to find suitable replacements in a timely manner, at acceptable cost or at all, our business, results of operations, financial condition and prospects could be materially and adversely affected. In addition, if any member of our senior management team joins a competitor or forms a competing business, we may lose know-how, trade secrets, customers and key employees.

Our success also depends on our ability to attract and retain experienced and highly trained personnel including engineers, designers, craftsmen and other skilled laborers, such as specialized installers, assemblers and testers. However, competition to hire highly qualified personnel is intense in our industry and we cannot guarantee that we will be able to meet our staffing needs in the future. Any failure by us to hire or replace a sufficient number of skilled employees on a timely and effective basis could have negative repercussions on our business, results of operations, financial condition and prospects.

Changes to and uncertainties in laws and regulation applicable to our business operations, including those related to environmental protection, occupational health and safety, anti-corruption, anti-money laundering, export control and economic sanctions, may negatively affect our results of operations.

We are subject to various and burdensome laws and regulations which mainly relate to environmental protection, occupational health and safety, organizational and management control and tax positions and interpretations. See, in particular, “Regulatory Overview.” In addition, we are also required to comply with applicable anti-corruption, anti-money laundering, export control and economic sanctions laws and regulations. Any breach by us of these laws and regulations could result in the imposition of significant fines and/or sanctions on us and may expose us and our management to potential civil and criminal liabilities. The permits and licenses required to carry out our business may be subject to periodic renewal, modification, suspension or revocation by the relevant authorities. In the event of expansion of our business, we may also be required to obtain additional permits and licenses. Any failure by us to obtain, keep current, comply with or modify on a timely basis all of the permits and licenses that we need to carry out our business, or any suspension or revocation of such permits and licenses, could have a material adverse effect on our business, results of operations, financial condition, prospects and price of the Shares.

RISK FACTORS

Although we believe that we comply with these laws and regulations in all material respects, it may nevertheless become necessary to expend additional resources in the future in order to comply with changing standards or requirements. In addition, due to the occurrence of unpredictable or exceptional circumstances, we may have to incur unbudgeted expenditures in this regard, and such expenditures could have a material adverse impact on our business, results of operations, financial condition, prospects and price of the Shares.

A more detailed description of risks in connection with these laws and regulations is set out below:

Environmental Protection Laws and Regulations

We are subject to laws and regulations relating to the disposal and remediation of hazardous substances. In general, these laws require owners and operators of polluted sites to sustain the costs of testing and reclamation of such sites and to pay compensation for any injuries or losses caused to third parties by exposure to hazardous substances, processes or work activities. Further, in some cases, Italian environmental laws provide for joint and several liability and/or strict liability in connection with emissions of hazardous substances, meaning that even parties who are not responsible for the pollution, or who has fully complied with all environmental laws in force at the time of the pollution, may be forced to remediate a polluted site. We will continue to face ongoing costs and liabilities in connection with environmental laws and regulations. Moreover, if any violation of environmental protection laws and regulations rises to the level of criminal violations, the Italian judicial authorities could order the seizure or shutdown of the sites linked to such violations, which could force us to interrupt our production process. In addition, any new laws and regulations regarding increased fuel economy requirements, reduced greenhouse gas or pollutant emissions that may be promulgated in the future, or any changes in existing laws and regulations, may expose us to significant costs. The occurrence of any of these could have a material adverse effect on our business, financial condition, results of operations, prospects and price of the Shares.

Occupational Health and Safety Laws and Regulations

We are required to comply with a comprehensive set of Italian laws and regulations concerning the protection of occupational health and safety and the prevention of industrial accidents such as, *inter alia*, Legislative Decree No. 81/2008. Given the nature of our business and production process, the risk that our employees, subcontractors or third parties may suffer significant workplace accidents is material. The occurrence of such accidents could expose us to significant litigation, enforcement actions, legal sanctions (including but not limited to, fines, suspensions of our production activities and limitations on our commercial activities), reputational harm, management distraction and, potentially, corporate criminal liabilities. In addition, we face

RISK FACTORS

the risk that employees and former employees may assert claims against us for occupational diseases and workplace stress arising from exposure to hazardous substances and processes. Any failure by us to comply with applicable occupational health and safety laws and regulations could have a material adverse effect on our business, results of operations, financial condition and prospects.

Decree 231

Italian Legislative Decree 231/2001 (“**Decree 231**”) requires Italian companies to implement compliance procedures and provides for corporate criminal liability for offences committed on their behalf or for their benefit by affiliated individuals (such as employees, directors and representatives). Penalties for such offenses include fines, bars against contracting with governmental bodies or accessing State financing, to criminal conviction and confiscation of the illicit profits. Decree 231 also provides that the implementation of Decree 231-compliant internal risk and control frameworks (“**231 Models**”) and the appointment of an independent supervisory officer or body (*Organismo di Vigilanza*) to supervise the operation of such 231 Models can constitute a defense to such corporate liability. See “Business — Risk Management and Internal Control.”

However, not all of our Italian subsidiaries have fully implemented their 231 Models. According to the Italian case-law, foreign companies with a branch office or a stable organization in Italy are also subject to the Decree 231 and, therefore, can be found liable in connection with offences committed on the Italian territory in their interest or to their advantage. Given the above, we face the risk that the activities of our subsidiaries (both Italian and foreign) expose us to criminal liability.

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

Anti-corruption, Anti-money Laundering, Export Control and Economic Sanctions Laws and Regulations

Our sales in many foreign countries outside Italy expose us to risks that are intended to be addressed by complex and burdensome anti-corruption, anti-money laundering, export control and economic sanctions laws and regulations. Further, our FSD engages primarily with governmental counterparties, which further increases our risk profile in this regard. Compliance with these laws and regulations can impose significant limitations on our business dealings with certain countries, individuals and corporate entities. Any violation by us of these laws and regulations could expose

RISK FACTORS

us to significant civil and criminal penalties and related reputational risks. Any of these circumstances could result in a material adverse effect on our business, results of operations, financial condition and prospects.

Tax Laws and Regulations

We are subject to tax laws, tariffs and potential tax audits in multiple jurisdictions. The application and interpretation of these laws in different jurisdictions affect our international business in complex ways and are subject to change, and some changes may be retroactively applied. Our tax liabilities in the different countries where we operate depend, in part, on transfer pricing and administrative charges among us and our subsidiaries. These arrangements require us to make judgments with which tax authorities may disagree, potentially resulting in the assessment of material additional taxes, penalties, interest or other charges to resolve these issues.

The vessels produced by our FSD are subject to certain Italian regulations and policies in connection with the commercialization of armaments.

Pursuant to the provisions of Article 28 of Royal Decree of 18 June 1931 no. 773 (the Consolidated Law on Public Safety — *Testo unico delle leggi di pubblica sicurezza*, or “**T.U.L.P.S.**”), the collection, manufacture, possession and sale of weapons and similar national or foreign weapons, or parts thereof, ammunition, military uniforms or other items intended for the equipment of national or foreign armed forces, are subject to specific “Licences” released — upon an audit process and for 2 years validity — by the competent Prefect (“*Prefetto*”) — *i.e.*, the central Government Representative distributed over the whole Italian territory.

The License is also required for, *inter alia*, the manufacture, import, export, collection, possession and sale of self-defense tools specifically intended for the armament of armed forces or police.

Pursuant to the provisions of article 8 of the T.U.L.P.S., the holders of such authorizations may only be natural persons; therefore, when the activity is organized as a company, the License must be registered in the name of a natural person, who must have the “technical ability” and the authority to organically represent the company.

In order to allow our FSD division to pursue its business, our Company has obtained and kept in due course of validity, the necessary Licences for Forlì, Mondolfo and Ancona shipyards.

RISK FACTORS

Furthermore, the export, import, shipment and brokerage of armaments is subject to Law of 9 July 1990 no. 185 and Ministerial Decree of 7 January 2013 no. 19, promulgated thereunder by the Italian Ministry of Defense and the Italian Ministry of Foreign Affairs. Among other things, Law no. 185/1990 requires us to maintain registration in good standing in the *Registro Nazionale delle Imprese* (“**R.N.I.**”), which is the official register of Italian companies authorized to manufacture and sell armaments, and to obtain certain permits for the import and export of armaments from the Italian Ministry of Defense and the Italian Ministry of Foreign Affairs in Italy.

As of the Latest Practicable Date, we were registered in good standing with the R.N.I. and have all of the permits needed to carry out the business of our FSD division as currently contemplated.

However:

- If we fail to comply with the prerequisites to hold the “Licenses” our FSD division could lose its permits to manufacture and sell its products;
- If we fail to comply with the prerequisites for the renewal to the R.N.I. registration set out in Article 44 of Legislative Decree of 15 March 2010 no. 66 and Article 127 of the Decree of the President of the Republic of 15 March 2010 no. 90/2010 (the *Testo Unico delle Disposizioni Regolamentari in Materia di Ordinamento Militare*, or the “**Consolidated Military Law**”), or if we breach provisions thereunder, FSD would not be able to export its products;
- If the Ministry of Defense or the Ministry of Foreign Affairs were to suspend or revoke the permits to export FSD products, we would lose relevant existing contracts and business opportunities; and
- Law no. 185/1990 prohibits us from exporting armaments to certain countries (such as those under arms embargos). The addition of new countries to the prohibited list could cause us to suffer the termination of relevant existing contracts or to lose business opportunities.

The occurrence of either circumstances above could have a material adverse effect on our business, results of operations, financial conditions, prospects and share price.

RISK FACTORS

In addition, Article 127 of the Consolidated Military Law defines which data our Company has to file when asking/renewing its registration in the R.N.I. and, among these data, the list of its shareholders (owning more than 3% of our share capital). Throughout the three-year term of validity of the registration, the same Article 127 of the Consolidated Military Law requires all companies registered with the R.N.I. to promptly communicate any changes to their shareholding structure. Based on the guidelines issued by the “Italian Ministry of Defense — Office of the Secretary General — Office of the national registry of companies and companies’ consortiums in the field of armament materials” (*“Vademecum per l’Iscrizione, Rinnovo e Cancellazione delle Imprese e delle relative liste dei Materiali di Armamento ex legge 110/75 presso il R.N.I. — Registro Nazionale delle Imprese e Consorzi d’Imprese”*), companies whose shares are listed on financial markets are required to make the declarations of change in ownership contemplated by Article 127 of the Consolidated Military Law in the event a shareholder comes to own at least 3% of our share capital. See “Regulatory Overview — Italian Regulations Applicable to Weapons Manufacturing.” Furthermore, we have to attest that:

- (i) none of our legal representatives or holders of more than 1% (3% upon Listing) of our share capital are:
 - a. persons associated with organized crime (as per Law no. 55/1990);
 - b. persons associated with secret societies (as per Law no. 17/1982); or
 - c. persons who have been convicted of engaging in illegal trade in armaments;
- (ii) none of our Directors, managers or consultants were, during the preceding three years, public officials involved in administering the regulatory regime established by Law no. 185/1990.

In order to comply, in particular, with the obligations under items a., b. and c. of point (i) above (which lie exclusively on our Company), we require from the legal representatives (*i.e.* persons empowered by the respective companies, according to applicable laws and/or constitutional documents, to represent them) of all relevant shareholders (*i.e.* owning more than 3% of our share capital) the so called “declarations in lieu of certification” (*“dichiarazioni sostitutive di certificazioni”*) covering items a., b. and c. of point (i) above, as provided by Article 127 of the Consolidated Military Law. The duty to collect and transmit to the R.N.I. the “declarations in lieu of certification” lies exclusively on us. The “declarations in lieu of certification” are self-declarations of the ultimate beneficial owner. After receiving the completed and signed “declarations in lieu of certification,” our Company must deliver the same to the R.N.I. as soon as practicable.

RISK FACTORS

In accordance with Article 46 of the Decree of the President of the Republic of 28 December 2000 no. 45, the Ministry of Defense of Italy has prepared standard forms for the “declarations in lieu of certifications” that the ultimate beneficial owner shall use.

Any liability in relation to the content of the declarations lies on the persons issuing them (not on us), who are personally responsible under Italian criminal law for mendacious declarations, false statements and use of false documents.

Our Company, once our Share will be listed on the Stock Exchange, will have limited information on its shareholders who hold equity interests into our share capital. Indeed, Part XV of the SFO sets forth a duty of disclosure of interests on those persons having an interest in 5% or more of the voting shares in a listed corporations. Based on this, we could be in the position not to be able to promptly comply with the communication obligations to the R.N.I. reported above, which, as said, concern shareholders owning more than 3% of our share capital. Following verbal contacts with the R.N.I. in this regard, it cannot be excluded that the failure to provide and update the R.N.I. with the data required under Article 127 of the Consolidated Military Law could entail the suspension of our Company from the R.N.I. until completion of the necessary verifications. A persistent breach thereof could possibly cause the cancellation from the R.N.I. or the impossibility to renew the registration in the R.N.I. The shareholders have no liability whatsoever in case our Company is suspended or its registration in the R.N.I. is revoked, whichever is the reason, including the failure to provide any of the “declarations in lieu of certification”.

Suspension or cancellation from the R.N.I. would affect the possibility for our Company to file future applications for permits to importing and exporting armaments (without impact and prejudice over the FSD national — *i.e.*, Italian — business and activities and permits for importing and exporting armaments existing at the date of the suspension or cancellation from the R.N.I., which would remain validly in place). This circumstance could, in turn, prevent us from exporting our FSD vessels in the future. However, our FSD business only contributed a limited portion of our revenue during the Track Record Period. For the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021, our FSD business accounted for 0.4%, 1.4%, 3.1% and 1.2%, respectively, of our net revenue for the same periods. Therefore, we do not expect any inability to export our FSD vessels to have a material adverse effect on our business, results of operations, financial condition and prospects.

In order to comply with the communications obligations to the R.N.I. under Article 127 of the Consolidated Military Law, upon the Listing, we will put in place appropriate systems aimed at acknowledging those shareholders holding more than 3% of our share capital. Specifically, we will appoint specialized professionals to monitor shareholding changes through access to the branch register kept in Hong Kong and list of CCASS Participants.

RISK FACTORS

Under Legislative Decree of 15 March 2012, no. 21 (commonly referred to as the “**Golden Power Law**”), companies holding assets or carrying out activities of “strategic importance for Italy’s defense and national security system” must report certain corporate transactions (such as mergers, acquisitions, divestitures and disposals) and changes in ownership structure to the Presidency of the Council of Ministers (*Presidenza del Consiglio dei Ministri*), which may block or impose restrictions on such transactions.

Also as advised by our Italian legal advisors, the possibility that the Golden Power Law will apply to our Company in the future is considered remotely low given that our Company, the Controlling Shareholders and the management undertake not to change the business drivers of our Company nor to involve it in new business area which will be deemed as of strategic importance for Italy’s defense national security system.

Although we believed that the Listing would not be relevant for the purposes of the Golden Power Law, on October 15, 2021, we nevertheless submitted to the Presidency of the Council of Ministers a notification explaining the pursued Listing transaction with a view to transparency with the Italian authorities and on a precautionary basis. Further to the information provided by us to explain the pursued Listing, we also added, with specific reference to the FSD, that (i) the turnover volume generated by FSD is not material; (ii) the Company does not own, treat or manages any “classified” information (“*riservatissimo*”; “*segreto*”; “*segretissimo*”) under Italian law as the information on the FSD products are qualified as Not Classified (“*Non Classificati*”); (iii) FSD is not a party to any military technology research program nor it benefits from any financing for the development of military technologies; (iv) in financial year 2020 the vessels sold from FSD were not equipped with weapons systems. On October 27, 2021, the Presidency of the Council of Ministers, after having reviewed the notification, formally communicated to us, in writing, that the pursued transaction does not fall within the scope of the Golden Power Law and, therefore, this last will not apply.

RISK FACTORS

Given the foregoing and although it is deemed that the possibility of seeing the Golden Power Law (and any associated special powers) applied is quite remote, our Company would be considered subject to the Golden Power Law in case of (i) future transactions that are beyond the scope of the current Proposed Listing and entail a change of control of our Company, and (ii) assuming a different relevance of the FSD's activities evolving to a level such to become and being considered of "strategic interest" for the Italian defense and national security, and following therefore a new notification to the Presidency of the Council of Ministers. The impact on our Company and its shareholders would be the obligation to notify — within 10 days from their relevant signing/adoption and before their execution — to the Presidency of the Council of Ministers the following corporate events:

- (i) extraordinary corporate decisions (*e.g.* mergers and acquisitions), acts and resolutions (*e.g.* concerning assets disposals/divestures) — in this case, the notification would be an obligation of our Company adopting the defined transaction;
- (ii) shares after acquisitions exceeding and going through any of the thresholds under Article 1(5) of the Golden Power Law (*i.e.*, 3%, 5%, 10%, 15%, 20%, 25% and 50%) — in this case, the notification would be an obligation of the shareholder exceeding the said thresholds.

Under the Golden Power Law, the Presidency of the Council of Ministers has a forty-five-business day term (the "**Review Period**") to communicate its decision to our Company or to the shareholder, as the case may be, on whether it considers the notified corporate event/transaction as being a threat of serious harm to the essential interests of defense and national security. The notified transaction would be evaluated by the Presidency of the Council of Ministers following a prudent analysis of all the circumstances communicated by the notifying party, including but not limited to the percentage of participation.

With reference to point (i) above ("**extraordinary corporate decisions**"), until a decision is issued or the Review Period is elapsed without a decision, there is a standstill obligation and the transaction/acts/resolutions cannot be executed. In case the Review Period elapses without decision, the transaction/act/resolution is deemed tacitly cleared and could be implemented/executed.

With reference to (ii) "shares acquisition", the voting rights connected to the shares object of the notification and exceeding the thresholds set forth by the Golden Power Law (*i.e.*, the shares triggering the duty to notify), are suspended. However, all the economic rights connected to the shareholding, including the shares exceeding the said thresholds set forth by the Golden Power Law, are preserved.

RISK FACTORS

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

In case the Presidency of the Council of Ministers considers the notified transaction as being a threat of serious danger to the essential interests of Italian defense and national security, the Presidency of the Council of Ministers may decide to exercise the special powers. These powers are essentially the following:

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

RISK FACTORS

In such a case, failure to comply with (i) specific conditions to which a clearance decision is subject or (ii) veto decision, exposes, *inter alia*, the party acquiring the shareholding, exceeding the thresholds under Article 1(5) of the Golden Power Law (namely, 3%, 5%, 10%, 15%, 20%, 25% and 50%), to the suspension of the voting rights attached to the acquired shareholding, to a divesture obligation in case of veto decision, and to an administrative fine equal to twice the value of the transaction and in any case not lower than 1% of the aggregate global turnover realized by the involved company. In particular, in case of exercise by the Presidency of the Council of Ministers, as per Article 1(5) of the Golden Power Law, to exercise the opposition/blockage power of a transaction concerning the acquisition of shares by a shareholder entailing the overcoming of the above-mentioned thresholds, the involved shareholder:

- (i) cannot exercise the voting rights (and other rights different from those having equity content), connected to the shares which are object of the notified transaction; and
- (ii) must sell the same shares within one year. In case of non-compliance by the shareholder, the Court, at the request of the Presidency of the Council of Ministers, orders the sale of the aforementioned shares.

According to the Golden Power Law, the powers which the Presidency of the Council of Ministers is entitled to exercise following the notification of a relevant acquisition only concern — and are thus limited to — the portion of the shareholding exceeding the thresholds set forth by Article 1(5) of the Golden Power Law and triggering the notification duty. This means that, in the event that the Presidency of the Council of Ministers, at the end of the Review Period following the notification, opposes the transaction, the effects of such decision will only concern the amount of shares exceeding the threshold already legitimately detained by the shareholder.

The Golden Power Law expressly prescribes that, following the settlement of a relevant share acquisition and pending the subsequent Review Period, the voting rights pertaining to the shares object of the notified transaction are suspended. No reference is made to the counting of such shares in respect of the quorums of the general shareholders' meeting possibly convened while the concerned voting rights are suspended. Thus, there is no legal ground upon which it should be considered that such shareholding should not be counted in respect of the calculation of the relevant quorums, since two major Italian law principles would come into play: right of shareholders to attend and learn about Company's agenda matters (even if the vote is suspended) and to allow other shareholders capable to vote to validly hold the meeting. By way of example, the Civil Code prescribes that, while the voting rights pertaining to "treasury shares" are suspended, they still continue to be counted in respect of shareholders' meeting quorums.

RISK FACTORS

Resolutions possibly adopted by our shareholders' general meeting with the decisive vote of the shares blocked by the decision of the Presidency of the Council of Ministers would be deemed null and void.

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

Although most of the properties we use in connection with our business operations are owned by us, we occupied certain properties pursuant to public land use concessions (*concessioni demaniali*) issued by the Italian State government and/or other public entities, which were mainly used for shipyard, floating dock, slipway, pier and parking. See "Business — Properties."

We have not experienced any material difficulty in renewing our public land use concessions in the past. However, in principle, the renewal of concessions involving public maritime assets depends on discretionary evaluation of the public authorities. Therefore, no assurance can be given that the Italian State and other relevant public entities will renew our concessions when our public land use concessions next expire. Also, in general, land use concessions can be suspended and/or revoked in the event that the prerequisites which allowed for their grant are no longer met and/or in case of not compliance with the obligations set forth in the land use concessions. In this regard, although in the past this has not occurred, we could lose our rights under our public land use concessions in the event we violate their terms or if such an outcome is deemed to be in the public interest pursuant to the Italian Royal Decree No. 327 of March 30, 1942, as amended.

In any such scenario, we may lose the right to carry out some or all of our activities in the affected areas of some of our production facilities. This would disrupt our production activities and could, in turn, have a material adverse effect on our business, results of operations, financial condition, prospects and price of the Shares.

Our credit facility contains covenants that may limit our ability to operate our business.

Under the terms of one of our credit agreements in relation to medium- to long-term credit facilities in an aggregate principal amount of up to €170 million, we are required to comply with specified ratios between: (i) our net financial position and our EBITDA (non-IFRS measure); and (ii) our order book and the amounts outstanding under one of such credit facilities. In June 2020, we temporarily breached the first financial ratio covenant primarily due to COVID-19 restrictions imposed by the Italian government, which temporarily and partially led to a suspension of the operations of our six shipyards for two months in 2020 and banned travelling to foreigners, leading to a delay in achieving production milestones, a consequent delayed collection from customers and an order intake postponement. Such delay in orders has been more than recovered in the following months. Such credit agreement also contains, and our future debt financing

RISK FACTORS

agreements may contain, restrictions that may limit our ability to, among other things, pay dividends, effect a change of control, incur additional debt over agreed thresholds, create liens, repurchase stock or make other restricted payments, and make certain voluntary prepayments of specified debt in certain circumstances.

These covenants could restrict our ability to respond to changes in business and economic conditions, to engage in potentially beneficial transactions and to obtain required financing. Furthermore, a failure by us to comply with these covenants could result in a default under our debt agreements, which could permit our creditors to accelerate our obligations to repay debt. Any such outcome could have a material adverse impact on our business, results of operations, financial condition, prospects and price of the Shares.

Our intellectual property rights may be infringed or challenged by third parties.

Our business success and competitive positioning depends to a significant extent upon our ability to protect our intellectual property. See “Business — Intellectual Property” for a description of our intellectual property portfolio. We have widely respected and valued brands and devote substantial efforts to the establishment and protection of our trademarks and other intellectual property rights in all relevant jurisdictions. However, we cannot exclude the possibility that our intellectual property rights may be infringed or challenged by others, or that we may be unable to register our intellectual property rights or otherwise adequately protect them in some jurisdictions. In addition, our proprietary designs, technologies and applications may be copied by our competitors and we may need to invest significant resources to protect and enforce our rights, including bringing claims against such third parties. We cannot assure you that our efforts will be successful, particularly in countries whose laws and practices provide for lower levels of intellectual property rights protection than Italy and the European Union, which could cause us to incur significant costs while potentially exposing us to legal liabilities.

Moreover, Wally’s previous owners may have failed to adequately maintain and protect the Wally trademark and its derivatives in certain market sectors (such as apparel, accessories and eyewear) and geographic territories, which could make us vulnerable to potential challenges from third parties as we seek to leverage this trademark beyond the nautical sector. If such challenges are successful, our use of this trademark could be limited or even precluded in certain market sectors and geographies. Besides, Wally’s previous owners granted rights to use the Wally trademark to a number of dealers, resellers and subcontractors. We cannot assure you that all of these third-party rights have been properly terminated. Although we were given representations and warranties in connection with the acquisition of interest in the Wally trademark (see “History and Corporate Structure — Major Acquisitions — Acquisition of 75% Interest in the Wally Trademark”), we cannot assure you that such contractual coverage will be sufficient to protect us in all cases.

RISK FACTORS

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

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

Our substantial portfolio of intellectual property exposes us to losses arising in connection with impairment. As of September 30, 2021, our trademarks were the largest component of our intangible assets (equating to 23.9% of our total assets). Specifically, we recorded trademarks of €219.6 million, €243.7 million, €243.8 million and €243.9 million, respectively, as of December 31, 2018, 2019 and 2020 and September 30, 2021, representing 26.7%, 26.5%, 25.4% and 23.9%, respectively, of our total assets as of the same dates, and accounting for 123.4%, 54.2%, 52.6% and 49.8%, respectively, of our total equity as of the same dates. Our material registered trademarks include “FERRETTIGROUP,” “FF,” “Riva,” “Pershing,” “Itama,” “CRN,” “FSD,” “Wally” and “WHY.” See “Appendix V — Statutory and General Information — Further Information about Our Business — Intellectual Property.”

Pursuant to IAS 36, indefinite-lived intangible assets, such as trademarks, are recorded at fair value and are not amortized, but are reviewed for impairment at least annually or more frequently if impairment indicators arise. In evaluating the recoverability of the value of these assets and the potential for the impairment thereof, we make assumptions regarding future operating performance, business trends and market and economic conditions. Such analyses in turn require us to make certain assumptions about operating cash flows, growth rates and discount rates. Uncertainties are inherent to any such assessments of the recoverability of the value of these assets.

The impairment tests we carried out during the Track Record Period did not result in any write-downs. However, we cannot assure you that we will not record write-downs in the future if our financial performance should diverge significantly from the assumptions underlying such impairment tests or if we otherwise experience unexpected business disruptions or declines in market capitalization. The occurrence of such write-downs could have a material adverse effect on our business, financial condition, results of operations and prospects.

RISK FACTORS

Cyber security risks and the failure to maintain the confidentiality, integrity and availability of our computer hardware, software and internet applications and related tools and functions, could result in damage to our reputation, data integrity and/or subject to costs, fines or lawsuits under data privacy laws or other contractual requirements.

The integrity and protection of the data we hold is relevant to our business. The regulatory environment governing information, security and privacy laws is increasingly demanding and continues to evolve. We could be subject to risks caused by misappropriation, misuse, leakage, falsification, system malfunction or intentional or accidental release or loss of information maintained in our information systems and networks and those of our third-party service providers.

If we are unable to maintain reliable information technology systems and appropriate controls with respect to global data privacy and security requirements and prevent data breaches, we may suffer regulatory consequences in addition to business consequences. The European Union has adopted comprehensive data protection and security laws. See “Regulatory Overview — Data Protection Laws.”

Data privacy laws in the European Union are developing rapidly. We may therefore be potentially subject in the future to additional data protection obligations to those that we are already subject to and for which we are fully compliant. This may result in additional costs.

Government enforcement actions can be costly and may interrupt the regular operation of our business, and data breaches or violations of data privacy laws can result in significant fines, reputational damage and civil lawsuits, any of which may adversely affect our business, financial condition and results of operations.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior market for our Shares, and their liquidity and market price following the Global Offering may be volatile.

Prior to the Global Offering, there was no public market for our Shares. There can be no guarantee that an active trading market for our Shares will develop or be sustained after the completion of the Global Offering. The Offer Price will be determined by negotiations between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters), which may not be indicative of the price at which our Shares will be traded following completion of the Global Offering. The market price of our Shares may drop below the Offer Price at any time after completion of the Global Offering.

RISK FACTORS

In addition, the trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, Italy, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes for our Shares, and the price of our Shares may not reflect our actual results of operations.

Since there will be a gap of several days between pricing and trading of our Offer Shares, the price of our Offer Shares could fall below the Offer Price when the trading commences.

The Offer Price of our Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several Business Days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall below the Offer Price when the trading commences as a result of adverse market conditions or other adverse developments, that could occur between the time of sale and the time trading begins.

Potential investors will experience immediate and substantial dilution as a result of the Global Offering and could face dilution as a result of future equity financings.

As the Offer Price of Shares is higher than the net tangible book value per share of our Shares immediately prior to the Global Offering, purchasers of our Offer Shares will experience an immediate dilution. There can be no assurance that if we were to immediately liquidate after the Global Offering, any assets will be distributed to Shareholders after the creditors' claims. To expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of the Offer Shares may experience dilution in the net tangible asset value per Share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time.

Future or perceived sales of substantial amounts of our Shares could affect their market price.

Prior to the Global Offering, there has not been a public market for our Shares. Future sales or perceived sales by our existing Shareholders, or issuance by us of significant amounts of our Shares after the Global Offering, could result in a significant decrease in the prevailing market prices of our Shares. Only a limited number of the Shares currently outstanding will be available for sale or issuance immediately after the Global Offering due to contractual and regulatory restrictions on disposal and new issuance. Nevertheless, after these restrictions lapse or if they are

RISK FACTORS

waived, future sales of significant amounts of our Shares in the public market or the perception that these sales may occur could significantly decrease the prevailing market price for our Shares and our ability to raise equity capital in the future.

Our Controlling Shareholders have substantial influence over the Company and their interests may not be aligned with the interests of our other Shareholders.

Immediately after the Global Offering, our Controlling Shareholders will directly or indirectly hold in aggregate approximately 64.541% of our Shares (assuming that the Over-allotment Option is not exercised). The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. Our Controlling Shareholders will, through their voting power at the Shareholders' meetings and their delegates on the Board, have significant influence over our business and affairs, including decisions in respect of mergers, consolidations, other business combinations, acquisition or disposition of assets, issuance of additional Shares, timing and amount of dividend payments, election of Directors and senior management. In addition, without the consent of our Controlling Shareholders, we could be prevented from entering into transactions that could be beneficial to us. This concentration of ownership may discourage, delay or prevent changes in control of the Company that would otherwise benefit our other Shareholders. To the extent that the interests of our Controlling Shareholders conflict with those of our other Shareholders, our other Shareholders may be deprived of opportunities to advance or protect their interests.

We may not pay any dividends in the future.

We cannot guarantee when, if, or in what form, dividends will be paid on the Shares following the Global Offering. A declaration of dividends must be proposed by our Board and will be based on, and limited by, various factors. For example, we cannot guarantee that we will earn distributable income, that conditions under Italian law for the distribution of profits will be satisfied, or that we will be able to satisfy all the conditions and, consequently, it is possible that we will resolve not to pay dividends. In addition, one of our credit agreement restricts our ability to pay dividends in certain circumstances. See "Financial Information — Dividends."

Holders of physical Shares in our Company may be required to take further actions or incur further costs if our Shares are required to be dematerialized under Italian law.

Under Italian law, financial instruments of an Italian company which are, or are to be, traded on Italian and European Union trade venues must be fully dematerialized. In addition, Consob, the Italian stock exchange regulator, has been granted the power to extend, under secondary legislation and in agreement with the Bank of Italy, this requirement to other financial instruments.

RISK FACTORS

Based on an interpretation of the relevant Italian regulations by our Italian Legal Advisors, we have concluded that the obligation to dematerialize will not apply to us as a result of our Shares being listed on the Stock Exchange. However, we may be required to dematerialize our Shares to comply with Italian requirements if the Italian regulators adopt a different interpretation of the relevant Italian regulations.

Upon dematerialization, our Company will cease to issue share certificates and any existing share certificates issued in respect of our Shares will also cease to have effect as instruments of title. If our Company is required to dematerialize our Shares, Shareholders who hold Shares in physical form would be required to undertake further action and to incur extra costs.

If we are required to dematerialize our Shares, we will publish an announcement on the Stock Exchange's website in accordance with the Listing Rules and on the Company's website and will dispatch a circular to inform Shareholders about the actions required to be taken by them and the last date by which such actions must be taken.

Our Shareholders may not be able to enforce their rights as there may be difficulties in seeking recognition and enforcement of foreign judgments.

We are incorporated under the laws of Italy and a majority of our assets are located in Italy. Most of our Directors and senior management reside in Italy and a majority of the assets of our Directors and senior management may also be located in Italy. As a result, it may not be possible for the holders of the Shares to effect service of process upon us, our Directors and senior management outside of Italy or to enforce against us, our Directors and senior management any court judgments based on the civil liability provisions of the securities laws of the United States, or in other jurisdictions which may be relevant to any such actions.

Fluctuations in exchange rates may negatively affect the value of your investment.

The proceeds from the Global Offering will be received in Hong Kong dollars. As a result, any appreciation of the Euro against the Hong Kong dollars may result in the decrease in the value of our proceeds from the Global Offering. Conversely, any depreciation of the Euro may adversely affect the value of, and any dividends payable on, the Shares in foreign currency. All of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, our Shares in foreign currency terms.

RISK FACTORS

You should only rely on the information included in this prospectus to make your investment decision, and we strongly caution you not to rely on any information contained in press articles or other media coverage relating to us, our Shares or the Global Offering.

There has been, prior to the publication of this prospectus, and there may be, subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering. We have not authorized the disclosure of any information concerning the Global Offering in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties.

This prospectus contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “aim,” “anticipate,” “believe,” “can,” “continue,” “could,” “estimate,” “expect,” “going forward,” “intend,” “ought to,” “may,” “might,” “plan,” “potential,” “predict,” “project,” “seek,” “should,” “will,” “would,” and similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, business operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. Subject to the ongoing disclosure obligations of the Listing Rules or other requirements of the Stock Exchange, we do not intend publicly to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Investors should not place undue reliance on such forward-looking statements and information.

RISK FACTORS

Facts, forecasts and statistics in this prospectus may not be fully reliable.

Facts, forecasts and statistics in this prospectus relating to the yacht industry are obtained from third-party reports, either commissioned by us or publicly accessible, and other publicly available sources. However, we cannot guarantee the quality or reliability of these sources. Neither we, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters nor our or their respective affiliates or advisers have verified the facts, forecasts and statistics nor ascertained the underlying assumptions relied upon in those facts, forecasts and statistics obtained from these sources. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics in this prospectus relating to the yacht industry may be inaccurate or may not be comparable to statistics produced for other markets and should not be unduly relied upon. As such, no representation as to the accuracy of such facts, forecasts and statistics obtained from various sources is made. Moreover, these facts, forecasts and statistics involve risk and uncertainties and are subject to change based on various factors and should not be unduly relied upon. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy, as may be the case elsewhere.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM STRICT COMPLIANCE WITH THE COMPANIES (WUMP) ORDINANCE

In preparation for the Global Offering, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and exemptions from strict compliance with the Companies (WUMP) Ordinance:

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, except as otherwise permitted by the Stock Exchange at its discretion, an issuer must have a sufficient management presence in Hong Kong, normally meaning that at least two of the issuer's executive directors must be ordinarily resident in Hong Kong.

Our Company is registered and headquartered in Italy, and has its principal business outside Hong Kong. Our Company does not, and in the foreseeable future, will not, have executive Directors ordinarily residing in Hong Kong in compliance with the requirements under Rule 8.12 of the Listing Rules. Currently, all the executive Director and senior management of our Company reside outside Hong Kong. Since the management and operation of our Group have been mainly under the supervision of the sole executive Director and senior management, our Company considers that it would be more effective and efficient for the executive Director to be based in a location where our Group's substantial business operations are located.

We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules, subject to the conditions that, among other things, we adopt the following arrangements to maintain effective communication between us and the Stock Exchange:

- (a) Our Company has appointed two Authorized Representatives with effect from the Listing Date pursuant to Rule 3.05 of the Listing Rules, namely, Mr. Alberto Galassi and Ms. Wong Hoi Ting, to serve as the principal channel of communications with the Stock Exchange on behalf of our Company. Our Company has also appointed Mr. Niccolò Pallesi (one of our company secretaries) as the alternate authorized representative to Mr. Alberto Galassi (the "**Alternate Authorized Representative**"). Our Company has provided the Stock Exchange with the contact details of the Authorized Representatives and the Alternate Authorized Representative, including office phone number, mobile phone number, fax number (where available), e-mail address and correspondence address. The Authorized Representatives and the Alternate Authorized Representative have all necessary means of contacting all Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the Directors on any matters;

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES
AND EXEMPTION FROM STRICT COMPLIANCE WITH THE
COMPANIES (WUMP) ORDINANCE**

- (b) The Board will consist of, upon the Listing, one executive Director, four non-executive Directors and three independent non-executive Directors. We will ensure that all Directors who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period of time when required. Our Company has provided the Stock Exchange with the contact details of each Director, including office phone number, mobile phone number, fax number (where available) and e-mail address;

- (c) We have, in compliance with Rules 3A.19 of the Listing Rules, appointed Gram Capital Limited to act as our compliance advisor for a period of at least one year from the date of Listing until the date on which our Company has fully complied with Rule 13.46 of the Listing Rules in respect of our first financial year results after Listing. Our compliance advisor will, among other things, in addition to the Authorized Representatives and the Alternate Authorized Representative, act as an additional and alternative channel of communications for our Company with the Stock Exchange and be available to answer inquiries from the Stock Exchange. We will ensure that our compliance advisor has reasonable access to the Authorized Representatives and the Alternate Authorized Representative, Directors and other officers and will procure that such persons provide promptly our compliance advisor with such information and assistance as the compliance advisor may need or may reasonably request in connection with the performance of the compliance advisor's duties as set out in Chapter 3A of the Listing Rules; and

- (d) We will also ensure that there are adequate and efficient means of communication among our Company, the Authorized Representatives, the Alternate Authorized Representative, the Directors, other officers and our compliance advisor, and will keep our compliance advisor fully informed of all communications and dealings between our Company and the Stock Exchange. We will inform the Stock Exchange as soon as practicable in respect of any change in the Authorized Representatives, the Alternate Authorized Representative and/or our compliance advisor in accordance with the Listing Rules.

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES
AND EXEMPTION FROM STRICT COMPLIANCE WITH THE
COMPANIES (WUMP) ORDINANCE**

WAIVER IN RELATION TO COMPANY SECRETARY

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, our Company must appoint a company secretary who possesses the necessary academic or professional qualifications or relevant experience and is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary.

Note 1 to Rule 3.28 of the Listing Rules provides that the Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a member of the Hong Kong Institute of Chartered Secretaries;
- (b) a solicitor or a barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and
- (c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Note 2 to Rule 3.28 of the Listing Rules further states that in assessing “relevant experience”, the Stock Exchange will consider the individual’s:

- (a) length of employment with the issuer and other issuers and the roles he played;
- (b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, the Companies (WUMP) Ordinance and the Takeovers Code;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

We have appointed Mr. Niccolò Pallesi (“**Mr. Pallesi**”) and Ms. Wong Hoi Ting as the joint company secretaries of our Company. Mr. Pallesi joined our Company on May 4, 2020 as the General Counsel. Mr. Pallesi has gained extensive knowledge about and is therefore familiar with the operations and business of our Company through his holding of managerial functions of our Group. Mr. Pallesi has close working relationship with our Directors and other senior management of our Company to perform the functions of a company secretary and to take the necessary actions

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES
AND EXEMPTION FROM STRICT COMPLIANCE WITH THE
COMPANIES (WUMP) ORDINANCE**

in an effective and efficient manner. In addition, Mr. Pallesi is more familiar with the relevant Italian laws and regulations than a professional company secretarial service provider in Hong Kong. Mr. Pallesi has been actively involved in and has worked as one of the officers-in-charge for the preparation of the proposed Listing, during the process of which he has gained familiarity with the Listing Rules, the Companies Ordinance, the Companies (WUMP) Ordinance and other applicable Hong Kong laws and regulations. He has also participated in the preparation of the corporate governance manuals of our Company and was responsible for the various Board meetings and shareholders' meetings in preparation for the proposed Listing. However, Mr. Pallesi may not fully possess the relevant experience as required by Rule 3.28 of the Listing Rules and given the important role of a company secretary in our corporate governance, our Company has made the following arrangements to enable Mr. Pallesi to discharge the functions as a joint company secretary of our Company:

- (i) Mr. Pallesi will endeavor to attend further relevant training courses required by the Listing Rules and the relevant Hong Kong laws and regulations, including briefing on the latest amendments to the applicable Hong Kong laws and regulations and the Listing Rules organized by our Company's Hong Kong legal advisors on invitation basis and seminars organized by the Stock Exchange from time to time;
- (ii) Mr. Pallesi also undertakes to take no less than 15 hours of relevant professional training in each financial year in accordance with the requirements of the Listing Rules;
- (iii) Mr. Pallesi will work closely with Ms. Wong Hoi Ting to jointly discharge the duties and responsibilities as the joint company secretaries of our Company for an initial period of three years from the Listing Date, a period of which should be sufficient for Mr. Pallesi to acquire the relevant experience as required under the Listing Rules. Ms. Wong Hoi Ting is an assistant manager of TMF Hong Kong Limited and has over 8 years of working experience in company secretarial profession. She is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom; and
- (iv) In addition, Mr. Pallesi will be assisted by (i) the compliance advisor of our Company for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date, particularly in relation to Hong Kong corporate governance practices and compliance issues; and (ii) the Hong Kong legal advisors of our Company, on matters concerning our Company's on-going compliance with the Listing Rules and the applicable laws and regulations.

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES
AND EXEMPTION FROM STRICT COMPLIANCE WITH THE
COMPANIES (WUMP) ORDINANCE**

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules. The waiver is valid for an initial period of three years from the Listing Date, which will be revoked immediately if Ms. Wong Hoi Ting ceases to provide assistance to Mr. Pallesi as a joint company secretary for the three-year period after the Listing or where there are material breaches of the Listing Rules by our Company.

WAIVER AND EXEMPTION IN RESPECT OF FINANCIAL STATEMENTS

Pursuant to Rule 4.04(1) of the Listing Rules and section 342(1)(b) in relation to paragraphs 27 of Part I and 31 of Part II of the Third Schedule to the Companies (WUMP) Ordinance, a prospectus is required to include, among other things, details of the financial results of our Company for the financial year immediately preceding the issue of this prospectus, being the year ended December 31, 2021.

Pursuant to Section 342A(1) of the Companies (WUMP) Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from the compliance with the relevant requirements under the Companies (WUMP) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interests of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or would otherwise be unnecessary or inappropriate.

The Accountants' Report set out in Appendix I to this prospectus only contains the audited financial results of our Company for the three years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021, but does not include the financial results of our Company in respect of the full year immediately preceding the proposed date of issue of this prospectus, being the full year ended December 31, 2021.

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES
AND EXEMPTION FROM STRICT COMPLIANCE WITH THE
COMPANIES (WUMP) ORDINANCE**

Accordingly, we have applied to the Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules and to the SFC for a certificate of exemption pursuant to section 342A(1) of the Companies (WUMP) Ordinance from strict compliance with section 342(1)(b) in relation to paragraphs 27 of Part I and 31 of Part II of the Third Schedule to Companies (WUMP) Ordinance, as the exemption will not prejudice the interests of the investing public and strict compliance with all of the above requirements would be unduly burdensome, for the following reasons:

- (a) There would not be sufficient time for our Company and the reporting accountants to complete the audit work on the financial information for the full year ended December 31, 2021 for inclusion in this prospectus, which shall be issued on or before Tuesday, March 22, 2022. If the financial information is required to be audited up to December 31, 2021, our Company and the reporting accountants would have to undertake a considerable amount of work, costs and expenses to prepare, update and finalize the accountants' report and the relevant sections of this prospectus will also need to be updated to cover such additional period within a short period of time. This would involve additional time and costs since a substantial amount of work is required to be carried out for audit purposes. It would be unduly burdensome for the audited results for the year ended December 31, 2021 to be finalized within a short period of time;
- (b) Our Company has included in this prospectus (i) the Accountants' Report covering the three years ended December 31, 2020 and the nine months ended September 30, 2021, (ii) the unaudited preliminary financial information of the Group for the year ended December 31, 2021 and a commentary on the results for the year, which has been agreed with the Group's reporting accountants, following their review under Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants, and such disclosure is no less than the content requirements for a preliminary results announcement under Rule 13.49 of the Listing Rules, and (iii) the information regarding the recent development of our Group subsequent to the Track Record Period and up to the Latest Practicable Date;
- (c) In light of the aforesaid information included in this prospectus, our Company is of the view that we have already provided potential investors with adequate and reasonably up-to-date information in the circumstances to form a view on the track record and earnings trend of our Company, and all information that is necessary for the potential investors to make an informed assessment of the activities, assets and liabilities, financial position, management and prospect of our Company has been included in this prospectus. Our

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES
AND EXEMPTION FROM STRICT COMPLIANCE WITH THE
COMPANIES (WUMP) ORDINANCE**

Directors believe that a waiver from strict compliance with Rule 4.04(1) of the Listing Rules and the exemption from strict compliance with paragraphs 27 of Part I and 31 of Part II of the Third Schedule to the Companies (WUMP) Ordinance would not prejudice the interests of the investing public;

- (d) The Sole Sponsor and our Directors confirmed that they have performed sufficient due diligence to ensure that, up to the date of this prospectus, there has been no material adverse change to our Company's financial and trading positions or prospects since September 30, 2021 and there is no event since September 30, 2021 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus and "Financial Information" in this prospectus and other parts of this prospectus;
- (e) Our Company will not breach its By-laws or Italian laws and regulations regarding its obligation to publish annual results announcements if our Company does not publish its preliminary results announcement for the year ended December 31, 2021 in accordance with Rule 13.49(1) of the Listing Rules. Pursuant to the Note to Rule 13.49(1) of the Listing Rules, our Company will publish an announcement after Listing and no later than March 31, 2022 stating that the relevant financial information has been included in this prospectus; and
- (f) Our Company will comply with the requirements under Rule 13.46(2) of the Listing Rules in respect of publication of its annual report within the time prescribed. Our Company currently expects to issue its annual report for the year ended December 31, 2021 on or before April 30, 2022. In this regard, our Directors consider that our Shareholders, the investing public as well as potential investors of our Company will be kept informed of the financial results of our Group for the year ended December 31, 2021.

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES
AND EXEMPTION FROM STRICT COMPLIANCE WITH THE
COMPANIES (WUMP) ORDINANCE**

The Stock Exchange has granted the waiver from strict compliance with Rule 4.04(1) of the Listing Rules on the condition that:

- (i) the Company lists on the Stock Exchange on or before March 31, 2022 and issues the prospectus on or before March 22, 2022;
- (ii) the Company obtains a certificate of exemption from the SFC from strict compliance with requirements with paragraphs 27 and 31 of the Third Schedule to the Companies (WUMP) Ordinance;
- (iii) the prospectus includes the preliminary unaudited financial information for the year ended December 31, 2021 and a commentary on the results for the year will be included in the prospectus; and
- (iv) the Company is not in breach of its constitutional documents or laws and regulations of Italy or other regulatory requirements regarding its obligation to publish preliminary results announcements.

The SFC has granted the certificate of exemption from strict compliance with section 342(1)(b) in relation to paragraphs 27 of Part I and 31 of Part II of the Third Schedule to Companies (WUMP) Ordinance on the condition that:

- (i) this prospectus will be issued on or before March 22, 2022 and our Shares will be listed on or before March 31, 2022, i.e. three months after the latest financial year end; and
- (ii) the particulars of the exemption are set out in this prospectus.

CONSENT IN RESPECT OF ALLOCATION OF OFFER SHARES TO CONNECTED CLIENTS OF CICC

Paragraph 5(1) of Appendix 6 to the Listing Rules provides that, without the prior written consent of the Hong Kong Stock Exchange, no allocations will be permitted to “connected clients” of the lead broker or of any distributors.

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES
AND EXEMPTION FROM STRICT COMPLIANCE WITH THE
COMPANIES (WUMP) ORDINANCE**

Paragraph 13(7) of Appendix 6 to the Listing Rules states that “connected clients” in relation to an exchange participant means any client which is a member of the same group of companies as such exchange participant.

For the purpose of the cornerstone investment, each of Hainan Free Trade Port Construction Investment Fund Co., Ltd. (“**Hainan Free Trade Port Fund**”), Sanya Development Holdings Co., Ltd. (“**Sanya Development Holdings**”) and Hainan Financial Holdings Co., Ltd. (“**Hainan Financial Holdings**”) have engaged Galaxy Jinhui Security Asset Management Corporation Limited (“**Galaxy Jinhui**”), an asset manager that is a qualified domestic institutional investor as approved by relevant PRC authorities (“**QDII**”) to subscribe for and hold such Offer Shares on behalf of each of them. In addition, the fund manager of Hainan Free Trade Port Fund is Galaxy Capital Management Co., Ltd. (“**Galaxy Capital**”). As Galaxy Jinhui, Galaxy Capital and China International Capital Corporation Hong Kong Securities Limited (“**CICC**”) (being the Sole Sponsor, the Sole Global Coordinator and one of the Joint Bookrunners) are members of a group of companies controlled by China Investment Co., Ltd., as a result, each of Galaxy Jinhui and Galaxy Capital is a “connected client” (the “**Connected Client**”) of CICC.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, its consent under paragraph 5(1) of Appendix 6 to the Listing Rules to permit connected clients to participate as placees in the Global Offering, subject to the following conditions:

- (i) any Shares to be allocated to and held by the Connected Client will be held for, and on behalf of, independent third parties;
- (ii) each of the cornerstone investment agreements to be entered into with each of Hainan Free Trade Port Fund, Sanya Development Holdings and Hainan Financial Holdings will not contain any material terms which are more favourable than those in other cornerstone investment agreements by virtue of the relationship between CICC and the Connected Client;
- (iii) CICC does not participate in the decision making process or relevant discussions as to whether the Connected Clients will be selected;

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES
AND EXEMPTION FROM STRICT COMPLIANCE WITH THE
COMPANIES (WUMP) ORDINANCE**

- (iv) each of Hainan Free Trade Port Fund, Sanya Development Holdings and Hainan Financial Holdings has not received, and will not receive preferential treatment in the allocation as cornerstone investor by virtue of the Connected Client's relationship with CICC, other than the preferential treatment of assured entitlement under a cornerstone investment following the principles as set out in HKEX-GL51-13;
- (v) each of the Company, CICC and, to the best of the Joint Bookrunners' knowledge and belief, the Joint Bookrunners will provide the Hong Kong Stock Exchange written confirmations in accordance with HKEX-GL85-16; and
- (vi) details of the allocation will be disclosed in this prospectus and the allotment results announcement.

WAIVER IN RELATION TO ALLOCATION OF SHARES TO CLOSE ASSOCIATE OF AN EXISTING SHAREHOLDER UNDER RULE 10.04 AND PARAGRAPH 5(2) OF APPENDIX 6 TO THE LISTING RULES AS CORNERSTONE INVESTOR

Rules 10.04 of the Listing Rules provides that a person who is an existing shareholder of the issuer may only subscribe for or purchase securities for which listing is sought which are being marketed by or on behalf of a new applicant either in his or its own name or through nominees if the following conditions are fulfilled: (i) no securities are to be offered to the existing shareholders on a preferential basis and no preferential treatment is given to them in the allocation of the securities; and (ii) the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Listing Rules is achieved.

Paragraph 5(2) of Appendix 6 to the Listing Rules provides, among other matters, that unless with the prior written consent of the Hong Kong Stock Exchange, no allocations will be permitted to directors or existing shareholders of the applicant or their close associates, whether in their own names or through nominees unless the conditions set out in Rules 10.03 and 10.04 of the Listing Rules are fulfilled.

According to HKEX-GL85-16, the Existing Shareholder Conditions (as defined therein) are not applicable to close associates of existing shareholders who are PRC governmental bodies under Rule 19A.04 if the existing shareholders have no direct influence over the allocation process, and the close associates (a) are genuine investors who operate independently of the PRC governmental bodies; and (b) have no access to material non-public information regarding an initial public

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES
AND EXEMPTION FROM STRICT COMPLIANCE WITH THE
COMPANIES (WUMP) ORDINANCE**

offering and no influence over the allocation process of the initial public offering. The Stock Exchange will look into the relationship between the close associates and the listing applicant and will assess whether to recommend consent to them on a case-by-case basis.

Qingdao Haifa Holding Development Co., Ltd.* (青島海發控股發展有限公司) (“**Haifa Holdings**”) has entered into a cornerstone investment agreement with us to subscribe for, as cornerstone investor, USD\$19.5 million worth of Offer Shares at the Offer Price (equivalent to 6,099,900 Offer Shares, assuming an Offer Price of HK\$25.03 (being the mid-point of the indicative Offer Price range)). For details, please refer to the section headed “Cornerstone Investors — The Cornerstone Investors — Qingdao Haifa Holding Development Co., Ltd.” in this prospectus. Haifa Holding was established under the laws of the PRC and is indirect wholly-owned by the State-owned Assets Supervision & Administration Commission of Qingdao City (“**Qingdao SASAC**”). As an independent legal entity, Haifa Holding enjoys autonomous operation and has the right to independently decide its foreign investment activities pursuant to its internal procedures. As its controlling shareholder, Qingdao SASAC would supervise, review and provide approval for Haifa Holdings upon the occurrence of certain major corporate decisions such as mergers, bankruptcy and dissolution.

As at the Latest Practicable Date, SHIG, our indirect Controlling Shareholder, holds 86.055% equity interest in our Company. SHIG is owned as to 70% by Shandong SASAC, 20% by Shandong Guohui Investment Co., Ltd., a company wholly-owned by Shandong SASAC, and 10% by the Shandong Provincial Council for Social Security Fund. Since Shandong SASAC has certain supervisory power over Qingdao SASAC according to the central government administrative system, Haifa Holding is a close associate of Shandong SASAC, who is our Company’s existing shareholder, pursuant to the Listing Rules.

Notwithstanding Shandong SASAC’s indirect ownership in our Company, the control and influence asserted by Shandong SASAC or its fellow companies over the affairs or governance of our Company are substantially limited and shall be differentiated from other state-owned enterprises listed on the Stock Exchange in certain aspects. We are an Italian company with global operations and has been independent from Shandong SASAC all along. Shandong SASAC has no direct influence over the day-to-day operations, management, and key personnel appointment and therefore the allocation process of the Offer Shares to Haifa Holding.

Since SHIG’s acquisition of a controlling stake in our Company (through FIH) in 2012, we were engaged in several major corporate actions, all of which were conducted independently and did not require any approval from Shandong SASAC. These include, without limitation, (i) the

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM STRICT COMPLIANCE WITH THE COMPANIES (WUMP) ORDINANCE

acquisition of 75% interest in the Wally Trademark; and (ii) acquisition of land for shipyard expansion. No administrative filings were required to be made to Shandong SASAC in respect of the corporate actions conducted by our Company.

Furthermore, although Shandong SASAC administers and supervises Qingdao SASAC, the *Provisional Regulations on the Supervision and Administration of State-owned Assets of Enterprises* (企業國有資產監督管理暫行條例) issued by the State Council on 2 March 2019, *Guidance and Supervision Rules on Supervision of Local SASAC* (地方國有資產監督工作指導監督辦法) issued by SASAC on 31 March 2011 and *Provisional Regulations on the Supervision and Administration of State-owned Assets of Enterprises for Qingdao City* (《青島市企業國有資產監督管理暫行辦法》) issued by Qingdao SASAC on 16 March 2006 states that Shandong SASAC only provides guideline and supervision to Qingdao SASAC in respect of its compliance regime, in particular the formulation and improvement of regulations and protocols with respect to the management of the relevant enterprises, but does not participate in any decision making by Qingdao SASAC specific to enterprises it controls, including Haifa Holding's cornerstone investment. Haifa Holding is not obliged to follow instructions from Shandong SASAC in respect of its cornerstone investment.

In addition, Qingdao City has been granted the provincial level management authority over economic issues as set out in the *Reply to the Implementation of Qingdao City as a Municipality Specifically Designated in the National Plan* (國務院關於對青島市實行計劃單列的批覆) issued by the State Council of the PRC on 15 October 1986 (“**MSD Reply**”), which is equal to the level of such authority of Shandong Province, and Qingdao City's fiscal policy is directly linked to and supervised by the Central People's Government of the PRC notwithstanding Qingdao City is geographically located in Shandong Province. Qingdao City has been designated as a municipality specifically designated in the national plan by the State Council of the PRC (計劃單列市) pursuant to the MSD Reply and the administrative level for Qingdao City is sub-provincial administrative municipality (副省級城市) according to the *Notice to the Opinions regarding Sub-provincial Administrative Municipality* issued by State Commission Office for Public Sector Reform (中央機構編制委員會印發關於副省級市若干問題的意見的通知) on 19 February 1995. This empowers Qingdao City with a provincial level of economic management authority as it directly reports to the State Council (instead of Shandong Provincial People's Government) and its relevant ministries and commissions, such as submitting various economic development indicators and statistical economic plan of Qingdao City.

By virtue of the above, Haifa Holding enjoys autonomous operation and has the right to independently decide its investment activities (including the cornerstone investment) pursuant to its internal procedures and board approval, provided key corporate transactions shall be reported

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES
AND EXEMPTION FROM STRICT COMPLIANCE WITH THE
COMPANIES (WUMP) ORDINANCE**

and filed with the Qingdao SASAC within five days upon the board's approval as set out in the *Qingdao SASAC Authorization and Delegation Filing List (2019 Edition)* (青島市國資委授權放權備案清單(2019年版)).

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 10.04 of the Listing Rules, and its consent under Paragraph 5(2) of Appendix 6 to the Listing Rules to permit the allocation of Shares to Haifa Holding to subscribe for, and for us to place to it, Shares as cornerstone investor, subject to the following conditions:

- (i) we operate independently from Shandong SASAC and Shandong SASAC does not have any direct influence over the day-to-day operations, management, and key personnel appointment of our Company. As such, Shandong SASAC has no direct influence over the allocation process of the Global Offering;
- (ii) Haifa Holding is a genuine investor who operates independently of PRC governmental bodies;
- (iii) Haifa Holding does not have access to material non-public information in respect of our Company or the Global Offering and has no influence over the allocation process of the Global Offering;
- (iv) allocation to Haifa Holding will not affect our ability to satisfy the public float requirement;
- (v) we have confirmed to the Hong Kong Stock Exchange that, (i) no preferential treatment has been, nor will be, given to Haifa Holding by virtue of its relationship with our Company other than the preferential treatment of assured entitlement under a cornerstone investment following the principles set out in HKEx-GL51-13; and (ii) the cornerstone investment agreement entered into between the Company and Haifa Holding does not contain any material terms which are more favourable to Haifa Holding than those in other cornerstone investment agreements;
- (vi) based on the Company's confirmation above and the discussions with the Company and the Joint Bookrunners, the Sole Sponsor, to its best knowledge and belief, has no reason to believe that Haifa Holdings has received or will receive any preferential treatment in the allocation in the Global Offering as a cornerstone investor by virtue of its

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES
AND EXEMPTION FROM STRICT COMPLIANCE WITH THE
COMPANIES (WUMP) ORDINANCE**

relationship with the Company other than the preferential treatment of assured entitlement under a cornerstone investment following the principles set out in HKEx-GL51-13; and

- (vii) details of the allocation will be disclosed in this prospectus and/or the allotment results announcement of the Company, including (i) the name of, the number of Shares allocated to, and the percentage of Offer Shares and/or total issued share capital taken up by Haifa Holding, and (ii) lock-up arrangement.

WAIVER IN RELATION TO ALLOCATION OF SHARES TO AN EXISTING SHAREHOLDER AND ITS CLOSE ASSOCIATES UNDER RULE 10.04 AND PARAGRAPH 5(2) OF APPENDIX 6 TO THE LISTING RULES

Rule 10.04 of the Listing Rules provides that a person who is an existing shareholder of the issuer may only subscribe for or purchase securities for which listing is sought which are being marketed by or on behalf of a new applicant either in his or its own name or through nominees if the following conditions are fulfilled: (i) no securities are to be offered to the existing shareholders on a preferential basis and no preferential treatment is given to them in the allocation of the securities; and (ii) the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Listing Rules is achieved.

Paragraph 5(2) of Appendix 6 to the Listing Rules provides, among other matters, that unless with the prior written consent of the Hong Kong Stock Exchange, no allocations will be permitted to existing shareholders of the applicant or their close associates, whether in their own names or through nominees unless the conditions set out in Rule 10.04 of the Listing Rules are fulfilled.

Adtech, an existing Shareholder of the Company, is a company organized and existing under the laws of Switzerland. The principal business of Adtech is to provide technical consultancy and engineering services of all kinds, in particular for new technologies in the field of aerospace and electronics. As at the Latest Practicable Date, the ultimate beneficial owner of Adtech is Stiftung Internationale Kooperations-Unterstützung IKU, a holding foundation established in 2007 under the laws of Switzerland, the funds of which were injected by Mr. Julius G. Kiss, controlled by its foundation board and the competent supervisory authority. Stiftung Internationale Kooperations-Unterstützung IKU is a holding foundation in Switzerland and does not have any ultimate beneficial owner pursuant to the laws of Switzerland.

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES
AND EXEMPTION FROM STRICT COMPLIANCE WITH THE
COMPANIES (WUMP) ORDINANCE**

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 10.04 of the Listing Rules, and its consent under Paragraph 5(2) of Appendix 6 to the Listing Rules to permit the Company to allocate Shares in the International Offering to Adtech and its close associates, subject to the following conditions:

- (i) Adtech and/or its close associates, to whom our Company may allocate Shares in the Global Offering, is interested in less than 5% of the voting rights in our Company prior to Listing;
- (ii) Adtech and/or its close associates are not core connected persons (as defined under the Listing Rules) of our Company or any close associate (as defined under the Listing Rules) of any such core connected person under the Listing Rules;
- (iii) Adtech does not have the power to appoint directors of our Company and do not have other special rights in our Company;
- (iv) allocation to Adtech and/or its associates will not affect our Company's ability to satisfy the public float requirement under Rule 8.08 of the Listing Rules;
- (v) each of the Company, the Sole Sponsor and the Joint Bookrunners will provide the Hong Kong Stock Exchange written confirmations in accordance with HKEX-GL85-16; and
- (vi) the relevant information in respect of the allocation to Adtech and/or its close associates will be disclosed in the allotment results announcement.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors (including any proposed director who is named as such in this prospectus) collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (WUMP) Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purpose of giving information to the public with regard to the Group. Our Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this prospectus misleading.

UNDERWRITING AND INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. The Global Offering comprises the Hong Kong Public Offering of initially 8,358,000 Offer Shares and the International Offering of initially 75,222,000 Offer Shares (subject to, in each case, reallocation on the basis referred to in “Structure of the Global Offering” and, in case of the International Offering, to any exercise of the Over-allotment Option).

The listing of our Shares on the Stock Exchange is sponsored by the Sole Sponsor and the Global Offering is managed by the Sole Global Coordinator. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Offering is expected to be entered into on or around March 25, 2022. Further information regarding the Underwriters and the Underwriting Agreements are set out in the “Underwriting.”

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the **GREEN** Application Form and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus and the **GREEN** Application Form, and any information or representation not contained herein and therein must not be relied upon as having been authorized by the Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, partners, agents, employees or advisers or any other party involved in the Global Offering.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Further information regarding the structure of the Global Offering, including its conditions, are set out in the “Structure of the Global Offering”, and the procedures for applying for our Hong Kong Offer Shares are set out in the “How to Apply for the Hong Kong Offer Shares” and in the **GREEN** Application Form.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of the Hong Kong Offer Shares to, confirm that he is aware of the restrictions on offers and sales of the Shares described in this prospectus and the **GREEN** Application Form.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Hong Kong Offer Shares have not been publicly offered or sold, directly or indirectly, in Italy or the United States.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue, the Offer Shares to be issued by us pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option).

Dealings in the Shares on the Stock Exchange are expected to commence on Thursday, March 31, 2022. Save as disclosed in this prospectus, no part of our Shares or loan capital is listed or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought on any other stock exchange as of the date of this prospectus. All the Offer Shares will be registered on the Hong Kong register of members of the Company in order to enable them to be traded on the Stock Exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, our Shares on the Stock Exchange is refused before the expiration of three

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to the Company by or on behalf of the Stock Exchange

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the Offer Shares or exercising rights attached to them. None of us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, partners, agents, advisers or representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchasing, holding, disposition of, or dealing in, the Offer Shares or exercising any rights attached to them.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set out in the “Underwriting” and “Structure of the Global Offering”.

HONG KONG REGISTER OF MEMBERS AND HONG KONG STAMP DUTY

Our Company’s principal register of members will be kept in Italy and maintained by our Company or by an appointed consultant for the account of our Company. All of the Offer Shares issued pursuant to the Global Offering will be registered on the Company’s Hong Kong register of members to be maintained in Hong Kong by its Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited. Dealings in the Shares registered in the Company’s Hong Kong register of members will be subject to Hong Kong stamp duty.

Unless determined otherwise by the Company, dividends payable in Hong Kong dollars in respect of Shares will be paid to the Shareholders listed on the Hong Kong Share Registrar of the Company, by ordinary post, at the Shareholders’ risk, to the registered address of each Shareholder.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

Investors should seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangements as such arrangements may affect their rights and interests.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for Hong Kong Offer Shares are set out in the “How to Apply for the Hong Kong Offer Shares” and on the **GREEN** Application Form.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the “Structure of the Global Offering”.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translation of certain “EUR” amounts into “HK\$” and “U.S. dollars” amounts into “HK\$” at a specified rate. Unless we indicate otherwise, the translations of EUR into HK\$ and vice versa have been made at the rate of EUR1 to HK\$8.5815 and the translations of U.S. dollars into HK\$ and vice versa have been made at the rate of U.S. dollar 1 into HK\$7.8298 in this prospectus.

No representation is made that any amount in EUR or HK\$ can be, or could be, or have been converted at the above rate or any other rate at all.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. If there is any inconsistency between the names of any of the entities mentioned in this prospectus which are not in the English language and their English translations, the names in their respective original languages shall prevail.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
<i>Executive Director</i>		
Mr. Alberto Galassi	Largo Giuseppe Garibaldi 11i.4 Modena, Italy	Italian
<i>Non-executive Directors</i>		
Mr. Tan Xuguang	Room 301, Unit 5 Building 1, 10 Zhongxue Street Kuiwen District, Weifang City Shandong Province, PRC	Chinese
Mr. Piero Ferrari	Via Sinistra Guerro 18, 41014, Castelvetro di Modena, Italy	Italian
Mr. Xu Xinyu	Room 602, Unit 3 Building 8, 4th Lane of East Minsheng Street Kuiwen District, Weifang City Shandong Province, PRC	Chinese
Mr. Li Xinghao	Room 6, 2/F, Unit 1 Building 6, No. 89 of Fengcheng 5th Lane Weiyang District, Xi'an Shaanxi Province, PRC	Chinese
<i>Independent Non-executive Directors</i>		
Mr. Hua Fengmao	Flat A 55/F Tower 2, The Legend 23 Tai Hang Drive Tai Hang Hong Kong	Chinese (Hong Kong)
Mr. Stefano Domenicali	8 Eaton Mansions, Cliveden Place SW1W 8HE London, United Kingdom	Italian

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
Mr. Patrick Sun	Apt. A1, 3/F 41A Stubbs Road Hong Kong	Chinese (Hong Kong)

See “Directors and Senior Management” for further details.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor

China International Capital Corporation Hong Kong Securities Limited
29th Floor, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Sole Global Coordinator

China International Capital Corporation Hong Kong Securities Limited
29th Floor, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Joint Bookrunners

China International Capital Corporation Hong Kong Securities Limited
29th Floor, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

BNP Paribas Securities (Asia) Limited
60/F-63/F Two International Finance Centre
8 Finance Street
Central
Hong Kong

Zhongtai International Securities Limited
19/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Lead Managers

China International Capital Corporation Hong Kong Securities Limited

29th Floor, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

BNP Paribas Securities (Asia) Limited

60/F-63/F Two International Finance Centre
8 Finance Street
Central
Hong Kong

Zhongtai International Securities Limited

19/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Legal Advisors to the Company

as to Hong Kong and U.S. laws:

Baker & McKenzie

14th Floor, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

as to Italian laws:

Pedersoli Studio Legale

via Monte di Pietà, 15, 20121
Milan, Italy

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Legal Advisors to the Sole Sponsor and
the Underwriters**

as to Hong Kong and U.S. laws:

King & Wood Mallesons

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

as to Italian laws:

King & Wood Mallesons Italy

Largo Augusto 1
20122 Milan
Italy

Joint Reporting Accountants

Ernst & Young

Certified Public Accountants

27/F, One Taikoo Place
979 King's Road, Quarry Bay
Hong Kong

EY S.p.A.

*Independent Auditor registered in the Register held
by MEF (Italian Ministry of Economy and
Finance) and Recognised PIE Auditor under the
Financial Reporting Council Ordinance (Cap. 588)*
Via Meravigli, 12
20123 Milan
Italy

Industry Consultant

China Insights Industry Consultancy Limited

10/F, Block B
Jing'an International Center
88 Puji Road
Jing'an District
Shanghai, PRC

Receiving Bank

**Industrial and Commercial Bank of China
(Asia) Limited**

33/F, ICBC Tower
3 Garden Road
Central
Hong Kong

CORPORATE INFORMATION

Registered Office and Headquarter Office	Via Irma Bandiera 62, 47841 Cattolica (RN), Italy
Place of Business in Hong Kong Registered under Part 16 of the Companies Ordinance	31/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong
Company Website	<u>www.ferrettigroup.com</u> <i>(This website and the information contained on this website do not form part of this prospectus)</i>
Joint Company Secretaries	Mr. Niccolò Pallesi Via Manzoni 41, 20121 Milan, Italy Ms. Wong Hoi Ting <i>(a member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)</i> 31/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong
Authorized Representatives	Mr. Alberto Galassi Largo Giuseppe Garibaldi 11i.4 Modena, Italy <i>(Mr. Niccolò Pallesi is an alternate authorized representative to Mr. Alberto Galassi)</i> Ms. Wong Hoi Ting 31/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong

CORPORATE INFORMATION

Audit Committee

Mr. Patrick Sun (*Chairman*)
Mr. Stefano Domenicali
Mr. Hua Fengmao
Mr. Li Xinghao

Nomination Committee

Mr. Tan Xuguang (*Chairman*)
Mr. Patrick Sun
Mr. Stefano Domenicali
Mr. Hua Fengmao
Mr. Alberto Galassi

Remuneration Committee

Mr. Stefano Domenicali (*Chairman*)
Mr. Patrick Sun
Mr. Hua Fengmao
Mr. Piero Ferrari
Mr. Xu Xinyu

ESG Committee

Mr. Tan Xuguang (*Chairman*)
Mr. Piero Ferrari
Mr. Xu Xinyu
Mr. Alberto Galassi
Mr. Hua Fengmao

Compliance Advisor

Gram Capital Limited
Room 1209
12th Floor, Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Central
Hong Kong

Hong Kong Share Registrar

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

CORPORATE INFORMATION

Principal Banks

Intesa Sanpaolo S.p.A.

via Manzoni, 4, 20121

Milan, Italy

BNP Paribas Succursale Italia

Piazza Lina Bo Bardi, 3, 20124

Milan, Italy

Credit Agricole Italia S.p.A.

Via Università 1/A, 43121

Parma (PR), Italy

Banco BPM S.p.A.

Piazza Meda, 4, 20121

Milan, Italy

Barclays Bank Ireland PLC — Milan Branch

Via della Moscova, 18, 20135

Milano, Italy

UniCredit S.p.A.

Piazza Gae Aulenti, 4, 20154

Milano, Italy

INDUSTRY OVERVIEW

The information and statistics set out in this section and other sections of this prospectus were extracted from official government publications, public market research and independent research. In addition, we engaged China Insights Consultancy or CIC, an independent market research and consulting company, for the Global Offering. The information from official sources has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, Joint Bookrunners, Joint Lead Managers, any of the Underwriters, any of their respective directors and advisers, or any other persons or parties involved, in the Global Offering, and no representation is given as to its accuracy. Accordingly, the information from official sources contained herein may not be accurate and should not be unduly relied upon.

SOURCES OF INDUSTRY INFORMATION

We commissioned CIC to conduct research, provide an analysis of, and to produce the CIC Report on the markets in which we operate. CIC is an independent market research and consulting company that provides industry consulting services, commercial due diligence, and strategic consulting services to both institutional investors and corporations. We incurred a total of RMB550,000 in fees and expenses for the preparation of the CIC Report.

CIC conducted both primary and secondary research using a variety of resources. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analyzing data from various publicly available data sources, such as the Boat International, European Boating Industry, International Monetary Fund, Marine Industries Association, Maritime Safety Administration of Sanya, National Marine Manufacturers Association, SuperYacht Times, The Superyacht Group, etc.

CIC's projection on the size of each of the related markets takes into consideration various factors, including (i) that the overall global social, economic, and political environment is expected to remain stable over the next decade; (ii) that related key drivers are likely to continue driving growth in the global yacht industry during the forecast period; and, (iii) that there is no extreme *force majeure* or industry regulations by which the market situation may be affected either dramatically or fundamentally. Unless otherwise specified, all data and forecasts contained in this section are derived from the CIC Report. Our Directors, upon acting with reasonable prudence, confirmed that there has been no occurrence of adverse change in the overall market information that would subject the data to significant restrictions, contradiction or negative effects since the date of the CIC Report.

OVERVIEW OF GLOBAL MACROECONOMICS AND LUXURY GOODS INDUSTRY

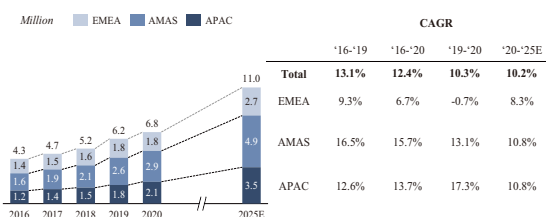
Global wealthy populations

The total population of VHNWIs¹ and UHNWIs² continued to increase to 6.8 million and 0.2 million in 2020, respectively, despite the impact of the COVID-19 pandemic. EMEA's VHNWI and UHNWI population is expected to grow to approximately 2.7 million and 0.1 million in 2025 while AMAS is expected to have approximately 4.9 million VHNWIs and 0.2 million UHNWIs at that time. APAC is expected to show great potential in the increase of VHNWI and UHNWI population between 2020 and 2025, reaching approximately 3.5 million VHNWIs and 0.1 million UHNWIs in 2025, indicating a CAGR of 10.8% and 11.6%, respectively.

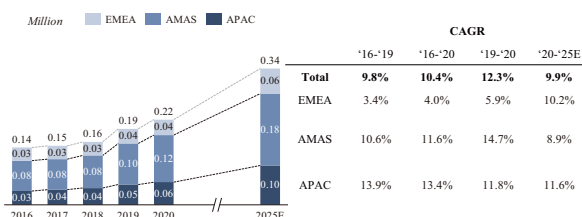
INDUSTRY OVERVIEW

The following charts illustrate the VHNWI and UHNWI population in EMEA, AMAS and APAC:

VHNWI population, EMEA, AMAS & APAC, 2016-2025E



UHNWI population, EMEA, AMAS & APAC, 2016-2025E



Note:

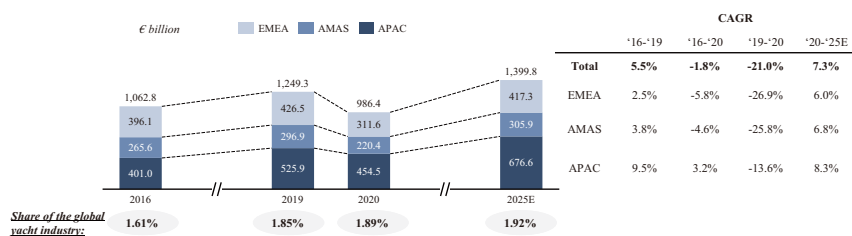
1. Very high net-worth individual (VHNWI) has a high net-worth with investable and liquid assets of US\$5 to US\$50 million.
2. Ultra-high-net-worth individual (UHNWI) has a high net-worth with investable and liquid assets in excess of US\$50 million.

Source: Credit Suisse Global Wealth Databook 2021, CIC Report

Global luxury industry

The luxury industry in all regions continued to grow steadily between 2016 and 2019 and underwent a temporary decline under the impact of the COVID-19 pandemic in 2020. The share of the yacht market in the global luxury industry has kept increasing from 2016, and reached 1.89% in 2020 and is estimated to account for 1.92% of the global luxury industry by 2025. In the near future, the EMEA, AMAS and APAC regions are expected to recover from the pandemic and grow at a projected CAGR of 6.0%, 6.8% and 8.3%, respectively, during the years from 2020 to 2025. The following chart illustrates the market size of the luxury goods industry by region between 2016 and 2025:

The luxury industry¹ market size, EMEA, AMAS & APAC, 2016-2025E



Source: CIC Report

1. The luxury industry include (i) personal luxury goods; (ii) experience-based goods, include fine art, luxury cars, private jets and yachts, fine wines & spirits and gourmet food; (iii) experiences, include luxury hospitality, cruises and fine dining.

OVERVIEW OF THE GLOBAL YACHT INDUSTRY

Definition and categorization of yachts

A yacht is a sailing or power vessel used for leisure and recreation in the water. The introduction of yachts can be traced back to the mid-1600s while the modern global yacht industry emerged in the 1950s. The industry experienced rapid growth in the 1970s and entered into a mature period of development in the 1990s. At present, the purchase of yachts is concentrated in developed countries in EMEA and/or AMAS.

INDUSTRY OVERVIEW

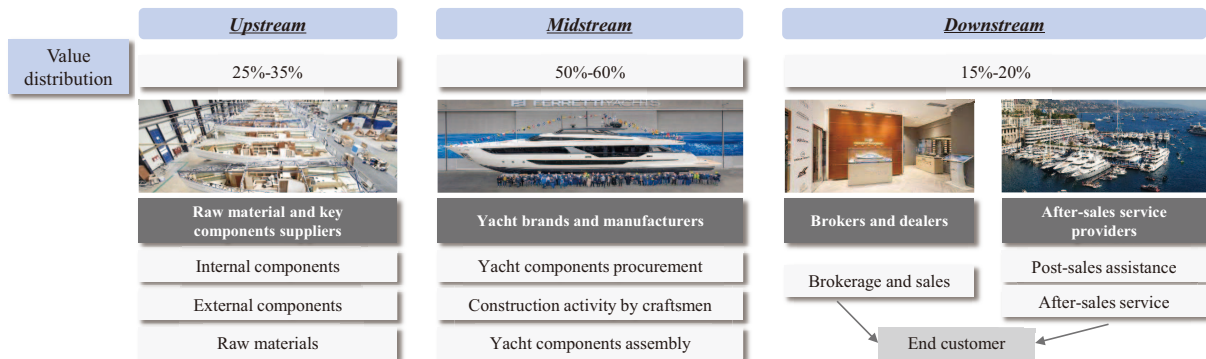
Yachts can be categorized into the following categories by propulsion means:

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

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

- **Composite yachts (<100 ft):** composite-hulled products with a pre-determined set of features, which vary according to the models. Degree of customization is limited to the configurations available for each model.
- **Made-to-measure yachts (100 ft and above):** yachts starting from pre-defined hulls and models, whose internal layout and fittings can be completely adapted and customized. Composite hulls are mainly used in their production.
- **Super yachts (100 ft and above):** Custom-made creations fully designed and tailored to the specifications required by the customers. Metal hulls are mainly used in their production.

Value chain analysis of the yacht industry



Source: CIC Report

Upstream: The upstream segment is represented by suppliers, which primarily provide raw materials, internal and external components to yacht manufacturers. In order to ensure that suppliers are fully capable of meeting their distinctive requirements, yacht manufacturers will select them according to technical skills, reputation, and production capacity. Yacht manufacturers often seek to develop synergistic relationships with key suppliers to improve the output quality and the overall reliability of their “partners”.

INDUSTRY OVERVIEW

Midstream: The midstream segment, as it involves yacht manufacturers, is where most of the value-added process is conducted, typically producing 50%-60% incremental value of a yacht. Building a yacht is an extremely complex business, involving many parties and a substantial investment. The number of components to build a modern luxury yacht is approximately over 700,000, which is only lower than that used to build a private jet and nearly ten times the number of components to build a luxury car. Yacht manufacturing starts with model design. Once finished, yacht manufacturers proceed to the procurement of needed components from suppliers and the construction of the hull and the superstructure. After that, yacht manufacturers begin the assembly phase. Given the intrinsic complexity and challenges of yacht manufacturing, midstream yacht brands and manufacturers leverage the expertise of specialized operators and craftsmen. For this reason, they tend to locate their shipyards in districts that can provide all the skills needed for yacht manufacturing. Most of these districts are in Europe. In particular, Italy stands out for the globally recognized excellence of its nautical district located in the northern part of the country.

Downstream: The downstream segment includes yacht sales and after-sales services. Yacht sales is mainly entrusted to dealers and brokers. Dealers typically carry out sales of yachts smaller than 100 ft, while brokers assist customers in purchasing higher-footage yachts (100 ft and above). Customers can also approach yacht brands directly. After completing the sale, the after-sales service providers, who could be the yacht manufacturer itself or a professional third-party company, can provide after-sales assistance and offer maintenance, refitting, and trade-in services, as well as chartering and crew management services to the end customers.

Sales channel analysis of the global yacht industry

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

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

Brokers: Professional brokers work either for a brokerage house or independently and earn a commission for handling detailed sales process of the yacht (including selecting the suitable yacht, negotiating prices, and documentation). MYBA (“**Mediterranean Yacht Brokers Association**”), the leading yacht broker association in the world, counts around 600 registered brokers. Yacht companies usually cooperate with brokers for the sale of larger footage yachts (100 ft and above).

Direct salesforce: Direct sales, without the support from dealers or brokers, is relatively rare in the industry as end customers normally require support from external experts during the purchasing process.

Market size of the global yacht industry

The global yacht market saw stable growth between 2016 and 2019 and declined in 2020 due to the COVID-19 pandemic. As VHNWIs and the UHNWIs are projected to maintain steady growth in the future, coupled with their fast-growing demands for yachts during the post-pandemic period, the global yacht market is expected to rebound between 2020 and 2025, reaching €26.8 billion in 2025, indicating a CAGR of 7.3% between 2020 and 2025. The global pandemic brought most outdoor activities to a halt, thereby changing the way VHNWIs and UHNWIs live and increased their willingness to spend on yachts. During the ongoing pandemic period, more VHNWIs and UHNWIs are keen to experience yachting lifestyles since social distancing is encouraged and yachts can offer a more private and comfortable place to spend time than other

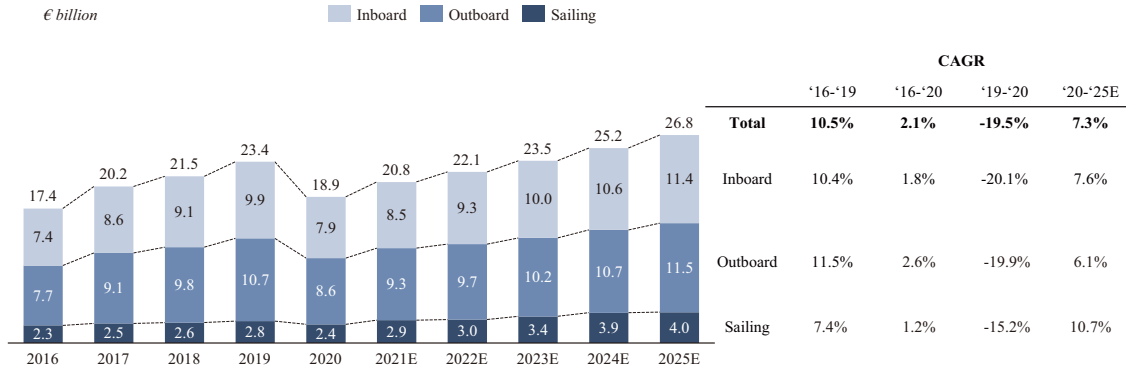
INDUSTRY OVERVIEW

places. Besides, the impact and aftermath of the pandemic has caused VHNWIs and UHNWIs to make the most of the present time, thereby spend more on luxury as one of the forms of enjoyment.

Yachts can be categorized, by propulsion means, into inboard, outboard and sailing yachts. The global inboard market size increased from €7.4 billion in 2016 to €7.9 billion in 2020, indicating a CAGR of 1.8% over the period. It is forecasted to grow at a CAGR of 7.6% between 2020 and 2025, reaching €11.4 billion in 2025. The global outboard yacht market size grew at a CAGR of 2.6% between 2016 and 2020 and is expected to grow at a projected CAGR of 6.1% between 2020 and 2025, reaching €11.5 billion in 2025. The global sailing yacht market grew steadily from 2016 to 2020. It increased from €2.3 billion in 2016 to €2.4 billion in 2020, indicating a CAGR of 1.2% over the period. With the growing demand for eco-friendly yachting, the global sailing yacht market is forecasted to continue grow at a higher CAGR of 10.7% between 2020 and 2025, reaching €4.0 billion in 2025.

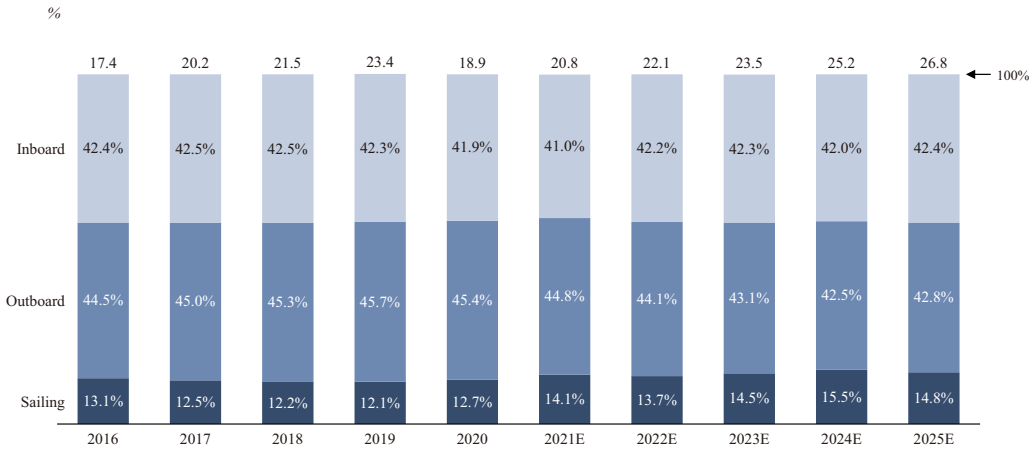
The following chart illustrates the global yacht market size in terms of revenue by propulsion means:

Global yacht market size, in terms of revenue, by propulsion means, 2016-2025E



Source: Allied Market Research, CIC Report

Breakdown of global yacht industry, by propulsion means, 2016-2025E



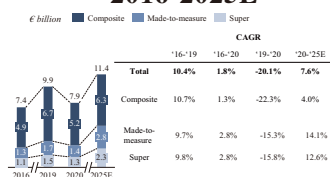
Source: Allied Market Research, CIC Report

INDUSTRY OVERVIEW

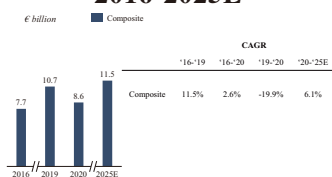
Based on the level of customization yachts can be further categorized into composite, made-to-measure, and super yachts. Made-to-measure and super yachts are expected to become more popular in the coming years given the growing portion of young generation millionaires showing interest in customized yachts.

The composite yacht has occupied the largest share in inboard yacht market, outboard yacht market, and sailing yacht market, followed by the made-to-measure yacht. The composite inboard yachts generated €5.2 billion revenue in 2020, representing approximately 65.6% of the global inboard yacht market. It is forecasted to maintain continuous expansion at a CAGR of 4.0% from 2020 to 2025 and reach €6.3 billion in 2025. The composite outboard market generated €7.7 billion revenue in 2016, and increased to €8.6 billion in 2020 at a CAGR of 2.6%. It is expected to reach €11.5 billion in 2025, indicating a CAGR of 6.1% over 2020 to 2025. The composite sailing market size increased to €1.4 billion in 2020, indicating a CAGR of 1.0% between 2016 and 2020. It is forecasted to expand at a CAGR of 13.7% from 2020 to 2025 and reach €2.7 billion in 2025.

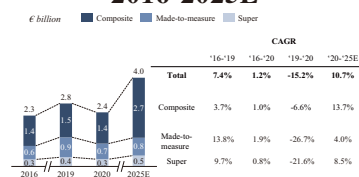
Market size of inboard yacht, in terms of revenue, by customization level, 2016-2025E



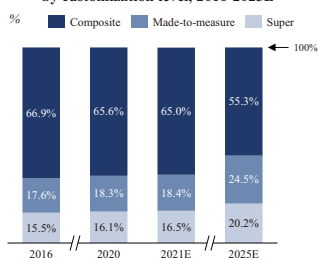
Market size of outboard yacht, in terms of revenue, by customization level, 2016-2025E



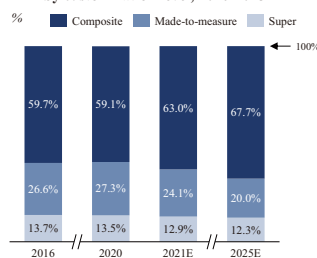
Market size of sailing yacht, in terms of revenue, by customization level, 2016-2025E



Breakdown of global inboard yacht industry, by customization level, 2016-2025E



Breakdown of global sailing yacht industry, by customization level, 2016-2025E



Source: SuperYacht Times, Allied Market Research, CIC Report

Key market drivers of the global yacht industry

According to the CIC Report, the following key drivers are contributing to the sustainable growth of the global yacht industry:

- Growing customer base:** The VHNWI and UHNWI population, main target customers of the luxury yacht market, has continuously increased in recent years despite challenging times and is expected to continue increase in upcoming years. With a growing customer base, the yacht industry, whose performance highly depends on the participation of these customer profiles, is also expected to experience a steady expansion in the future.
- Increasing willingness to spend on yachts after COVID-19:** COVID-19 has changed the way our target customers live and provided a potential impetus to drive yacht demand in the future. New emerging needs to invest in the quality of life, alongside

INDUSTRY OVERVIEW

with families and friends, are fully reflected in the way of living inside a yacht, which allows target customers to travel privately and safely, whilst providing many choices for leisure activities. It is expected that such purchase of yachts will not fade away post-pandemic, forming a “new normal”.

- ***Increasing use of yachts for high-end events:*** Yachts are more than a “private island” for relaxation, they can also represent unique attributes such as personal symbolism or status, hedonism and quality of life. In recent years, yachts have increasingly been used for high-end business meetings and luxurious parties, with yachts adding value to the event. This trend is expected to continue in the future, which will ultimately increase the popularity of yachting lifestyles and drive the demand of yachts.
- ***High growth potential in the emerging market:*** Emerging markets, are expected to substantially impact industry growth with their huge client base and low penetration rate of yachting. Indeed, even if they have low penetration rate of yachting compared to developed countries, it is expected to improve since yachting lifestyles have just started to develop in emerging markets. For example, China, the second-largest country for number of UHNWIs, showed a 21.6% growth rate between 2019 and 2020.
- ***Supportive policies presented by major countries in APAC region:*** In APAC, many countries such as China have released multiple policies supporting the development of the yacht industry. For example, yachts registered in Hainan Free Trade Port and with independent legal person status (aviation enterprises shall take Hainan Free Trade Port as the main operating base) shall be exempt from import tariffs, import value-added tax (“VAT”) and consumption tax. These policies are expected to encourage more yacht ownership and foreign enterprises to set up yacht servicing, chartering and even manufacturing in the future.

Supportive policies presented by PRC government for yacht industry

In recent years, PRC government had presented series of supportive policies, aiming to upgrade the infrastructure construction for the yacht industry, which promote the demand for yachts and the sustainable development of the yacht industry. These policies are expected to encourage more yacht ownership in China and foreign enterprises to set up yacht servicing, chartering and even manufacturing in the future. Below are series of different policies presented by PRC government:

Policy	Issue date	Issue entity	Major content
14th Five-Year Development Plan of Tourism Industry (《“十四五”旅遊業發展規劃》)	January 2022	State Council of the PRC	<ul style="list-style-type: none"> • To promote the improvement and innovation of cruise and yacht industry and support domestic manufacturing. • To further support the innovative development of yacht industry by establishing pilot yacht projects in coastal cities such as Dalian, Qingdao, Weihai, Zhuhai, Xiamen, Sanya. • To further emphasize on the development of infrastructure in yacht industry.

INDUSTRY OVERVIEW

Policy	Issue date	Issue entity	Major content
14th Five-Year Development Plan of Development of Ocean Economy in Hainan Province (《海南省海洋經濟發展“十四五”規劃》)	June 2021	Department of Natural Resources and Planning of Hainan Province	<ul style="list-style-type: none"> To improve the yacht industry in Hainan Province to world-class level and establish pilot zone for the transform, development and innovation of yacht industry and Hainan international trade center for yacht. Further complete and port infrastructure of yacht industry in Hainan and aim to establish complete industry cluster of yacht in Hainan with annual production value of over RMB20 billion.
The Overall Plan for the Construction of Hainan Free Trade Port (《海南自由貿易港建設總體方案》) and The Implementation plan of “Zero Tariff” and yacht in Hainan Free Trade Port (《海南自由貿易港“零關稅”及遊艇管理辦法》)	June 2020, December 2020	The People’s Government of Hainan Province	<ul style="list-style-type: none"> To establish a policy framework for Hainan Free Trade Port, backed by free, orderly, secure and convenient cross-border flows of various production factors and the modern industrial system by the implementation of “Zero Tariffs”. To reduce the overall tax rate by maximum of approximately 63.2% on import yacht to be registered in Hainan Free Trade Port.
The Qingdao Special Planning of Cruise, Yacht and Sailboat Docks (《青島市郵輪遊艇帆船碼頭專項規劃》)	October 2020	The People’s Government of Qingdao	<ul style="list-style-type: none"> In order to further promote the development of Qingdao’s marine culture, marine infrastructure, and coastal tourism, propose the development of a total of four cruise docks, 55 yacht and sailboat docks and 13 sailboat launching points.
Sanya International Yacht Port Planning and Yacht Management Regulations in Hainan Province (《三亞國際遊艇港規劃》)	2020	The People’s Government of Sanya	<ul style="list-style-type: none"> To provide planning basis for cruise and yacht project construction and further emphasize the importance of the establishment of a world-class yacht port to be planned and built in Sanya for the promotion of yacht industry development in China.
Guangdong-Hong Kong-Macao Greater Bay Area Planning Outline (《粵港澳大灣區發展規劃綱要》)	2019	State Council of the PRC	<ul style="list-style-type: none"> To better coordinate sea and shore in region, which will lead to better development of new islands and creation of yacht tourism destinations and increase in the total number of yacht sightseeing tourists accordingly.
The Implementation Plan of Shenzhen for Promoting the Cruise Economy and Development of Maritime Tourism in the Guangdong — Hong Kong — Macao Greater Bay Area (2019-2022) (《深圳市促進郵輪經濟及粵港澳大灣區海上旅遊發展實施方案(2019-2022年)》)	2019	The People’s Government of Shenzhen	<ul style="list-style-type: none"> To strengthen the infrastructure construction of an international yacht tourism free port and to concentrate on the construction of a public yacht marina, which will be a public facility owned and priced by the PRC government. Policies that encourage the infrastructure construction for the yacht industry in China.

INDUSTRY OVERVIEW

Policy	Issue date	Issue entity	Major content
The Proposals for Promoting the Construction of Yacht Characteristic Towns (《推進遊艇特色小鎮建設建議》)	2018	The Hainan Provincial Coast Defence and Port Office	<ul style="list-style-type: none"> Propose the development of eight distinctive and interconnected yacht towns thereby increasing the number of yacht clubs by 2025.
The China (Guangdong) Pilot Free Trade Zones, Hong Kong and Macau Yacht Free Navigation Plan (《中國(廣東)自由貿易試驗區粵港澳遊艇自由行實施方案》).	2017	The People’s Government of Guangdong Province	<ul style="list-style-type: none"> To facilitate the improvement in business environment to facilitate cross-border trade, which highlight the simplifying clearance procedures of yachts and improving yacht entry and exit guarantee between Guangdong Province and Hong Kong and Macau.
The Outline of Action for “Made in China 2025” by various provincial government (各地方政府頒布《中國製造2025》行動綱要)	2015	Various provincial government including Guangdong, Shandong and Hainan Province	<ul style="list-style-type: none"> State the development of the innovation and manufacturing of large luxury yacht to be one of the major strategic objects of oceanographic engineering equipment and high technology boating manufacturing industry.

Key market trends of the global yacht industry

According to the CIC Report, key market trends of the global yacht industry include:

- Increasing industry concentration:** With the advancement of technology and the steady increase in brand influence, the level of concentration in the yacht industry has continued to follow an upward trend. Indeed, the market is witnessing a gradual consolidation in favor of large players benefiting from a well-recognized brand image. As a matter of fact, the market share of the top five yacht companies in the composite and made-to-measure yacht segment increased from approximately 30% in 2018 to 43% in 2021 based on the elaboration of Phil Draper Associates’ “New Build Estimate Database”.
- Research of innovative technologies and eco-friendly solutions:** Besides the sailing market, which is growing as an eco-friendly solution as it is mainly powered by wind energy, the inboard and outboard segments are also undergoing technological innovations, such as the introduction of high performance and ultra-light materials (e.g., carbon-fiber , epoxy) and the development of hybrid propulsion engines, to reduce their environmental impact and target a growing portion of environmentally-conscious customers. It is an industry trend that more yacht owners are becoming aware of environmental pollution caused by traditional yachts and major brands are beginning to launch new-energy yacht models powered by hybrid or electric motors. Leading players are currently declaring they are investing into the R&D of such yacht model and thus there will be no material risk to established yacht companies.
- Quest for higher customization:** the VHNWIs’ and UHNWIs’ pursuit of highly differentiated products to better represent their individuality and personal tastes, has become one of the most important trends of the global yacht industry and it is expected to remain a major trend in the future.
- Increasing demand for “one-stop” solutions:** The ownership of a yacht requires a lot of services, such as yacht maintenance, repair, refitting, and crew management. As most of the owners are VHNWIs and UHNWIs, they demand convenient “one-stop” solutions and consider it to be an important purchasing criterion when they choose the brand. Indeed, a growing number of yacht companies are providing such “one-stop” solutions to their customers.

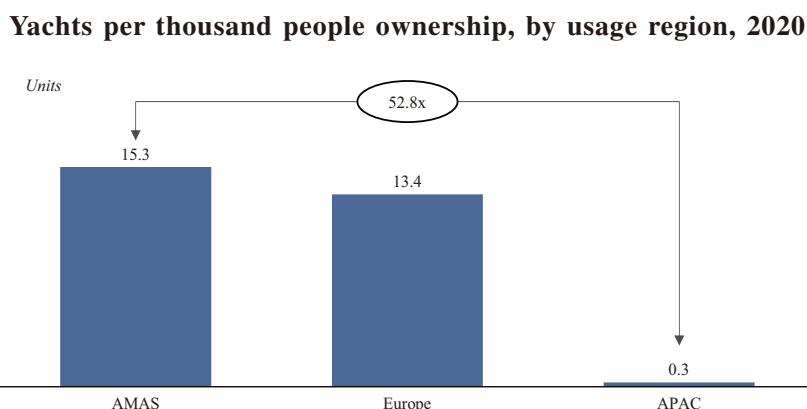
INDUSTRY OVERVIEW

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

In 2020, Europe recorded approximately 13.4 units per thousand people ownership of yachts. AMAS recorded the highest figure, approximately 15.3 units per thousand people, 52.8 times the figure of APAC.

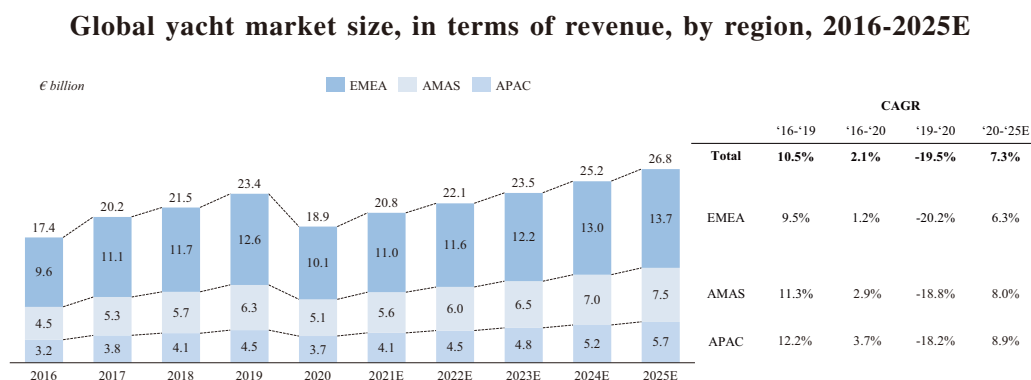
The APAC market is still at its initial stage with approximately 0.3 unit owned per thousand people. VHNWIs and UHNWIs in APAC are expected to possess more yachts in the future as they show increasing interests in luxury goods in the post-pandemic period.

The following chart illustrates the per thousand people ownership of yachts in Europe, AMAS and APAC:



Source: European Boating Industry, National Marine Manufacturers Association, Marine Industries Association, Ministry of Sustainable Infrastructure and Mobility, SweBoat, Ministry of Ocean and Fisheries, Maritime Safety Administration of Sanya, International Monetary Fund, CIC Report

The following chart illustrates the global yacht market size in terms of revenue by production region:



Source: Allied Market Research, CIC Report

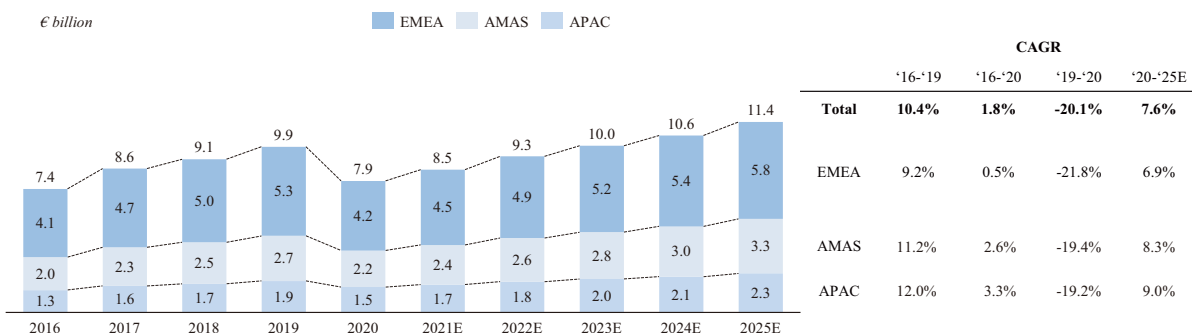
EMEA is the major yacht production region in the world, and it occupied 53.4% of the global yacht market in terms of revenue in 2020. The market size in EMEA increased from €9.6 billion in 2016 to €10.1 billion in 2020, indicating a CAGR of 1.2%. It is expected to maintain an upward trend over the period of 2020 to 2025 with a CAGR of 6.3%, reaching €13.7 billion in 2025. Yacht manufacturers in AMAS generated €4.5 billion revenue in 2016, and it further increased to €5.1 billion in 2020 with a CAGR of 2.9% during this period. It is also forecasted to reach €7.5

INDUSTRY OVERVIEW

billion in 2025, indicating a CAGR of 8.0% over the period of 2020 to 2025. Yacht manufacturers in APAC generated €3.7 billion revenue in 2020, approximately €0.5 billion higher than the figure in 2016, representing a CAGR of 3.7% between 2016 and 2020. It is also expected to maintain continuous growth from 2020 to 2025 and reach €5.7 billion in 2025 with a CAGR of 8.9%.

The following charts illustrate the market size in terms of revenue for inboard yachts, outboard yachts and sailing yachts based on geographical production region:

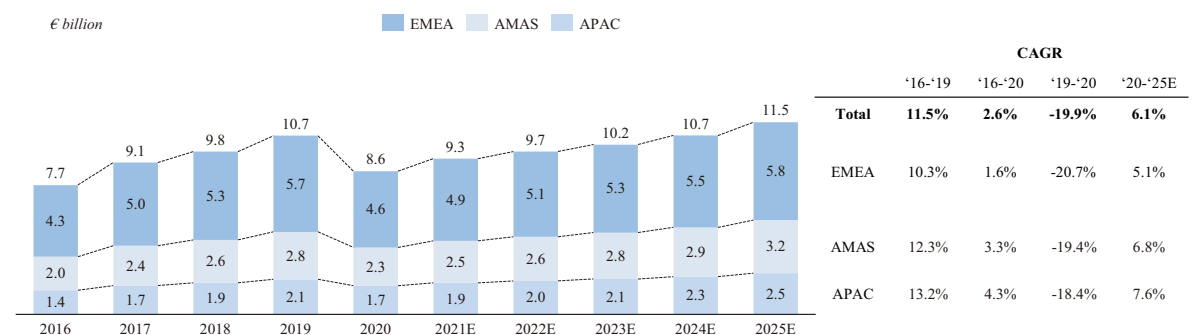
Global inboard yacht market size, in terms of revenue, by region, 2016-2025E



Source: Allied Market Research, CIC Report

The inboard yachts built in EMEA generated €4.2 billion in 2020 with a CAGR of 0.5% during 2016 and 2020. It is expected to expand further and reach €5.8 billion in 2025, indicating a CAGR of 6.9% from 2020 to 2025. Inboard yachts produced in AMAS increased from €2.0 billion in 2016 to €2.2 billion in 2020, representing a CAGR of 2.6% during the same period. It is forecasted to maintain continuous growth in 2020 to 2025 with a CAGR of 8.3%. Inboard yachts built in the APAC region generated €1.5 billion in 2020, approximately €0.2 billion more than the figure of 2016. It is further expected to reach €2.3 billion in 2025 with a CAGR of 9.0% in the period of 2020 to 2025.

Global outboard yacht market size, in terms of revenue, by region, 2016-2025E



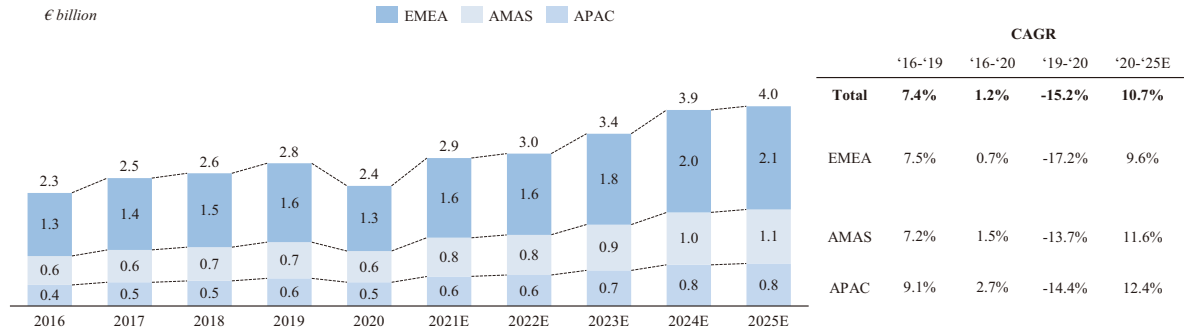
Source: Allied Market Research, CIC Report

The EMEA region generated €4.6 billion revenue of outboard yachts in 2020, approximately €0.3 billion higher than the figure in 2016, indicating a CAGR of 1.6% in this period. It is forecasted to grow at a CAGR of 5.1% from 2020 to 2025, reaching €5.8 billion in 2025. Outboard yachts built in AMAS generated €2.0 billion in 2016, and it expanded to €2.3 billion in 2020, indicating a CAGR of 3.3%. It is forecasted to further grow to €3.2 billion in 2025 with a

INDUSTRY OVERVIEW

CAGR of 6.8%. Outboard yachts built in APAC increased from €1.4 billion in 2016 to €1.7 billion in 2020 with a CAGR of 4.3%. It is expected to maintain constant growth with a CAGR of 7.6% from 2020 to 2025, reaching €2.5 billion in 2025.

Global sailing yacht market size, in terms of revenue, by region, 2016-2025E



Source: Allied Market Research, CIC Report

EMEA is the major production region of the global sailing yacht market in terms of revenue, and it reached €1.3 billion in 2020, at a CAGR of 0.7% between 2016 and 2020. It is expected to maintain robust growth from 2020 to 2025 at a CAGR of 9.6% and reach €2.1 billion in 2025. Sailing yachts built in AMAS generated €0.6 billion revenue in 2020. It is forecasted to reach €1.1 billion in 2025, indicating a CAGR of 11.6% from 2020 to 2025. APAC sailing yachts' figure increased from €0.4 billion in 2016 to €0.5 billion in 2020, indicating a CAGR of 2.7%. It is estimated to reach €0.8 billion revenue in 2025, representing a CAGR of 12.4% from 2020 to 2025.

Given the different geographical features and yachting cultures of each region, customers' purchasing criteria vary across three regions.

	EMEA	AMAS	APAC
Purchasing criteria.	<p>There are many high-end boat shows in EMEA, educating people about Italian craftsmanship and increasing their enthusiasm for sophisticated yachts. EMEA offers the perfect environment for marine enthusiasts participating in recreational marine activities. The EMEA region has deep water seas suitable for large yachts. In addition, a favorable environment and advanced infrastructure also make the Mediterranean a perfect place for luxurious vacations.</p> <p>Customers in EMEA are more likely to place orders in advance because they enjoy getting involved in the production process and prefer a higher level of customization.</p>	<p>AMAS has a long coastline, attracting many yacht owners every year. Furthermore, in the U.S. there is an increasing popularity of outboard yachts thanks to the significant number of people interested in lake boating and the shallower depth of the surrounding sea compared to EMEA.</p> <p>Considering composite yacht segment, customers in the AMAS region prefer to purchase in stock products to avoid long waiting time.</p>	<p>Although in APAC yachting is still in its infancy due to the lack of infrastructure, thanks to the considerable growth of VHNWI and UHNWI, the demand for yachts in the future is expected to reach remarkable heights.</p> <p>Customers in the APAC region are just beginning to develop interest in the yachting lifestyle. Considering composite yacht segment, customers in the APAC region prefer to purchase in stock products to avoid long waiting time.</p>

Source: CIC Report

INDUSTRY OVERVIEW

Price analysis of the global yacht industry

The pricing of yachts from the luxury brand is usually much higher than non-luxury brands considering the quality and brand premium. The price of yachts is determined by their size, the level of customization, technology used, and supply-demand relationship. In recent years, the price of yachts is rising due to higher costs of raw material and components. With a trend towards higher requirements on customization and technology, the price of yachts is expected to continue to increase in the future.

In general, the manufacturing cost of a yacht is composed of four elements ordered by their relative weight on total costs: (i) direct materials, (ii) labor, (iii) design and (iv) management expenses and other costs. Labour, compared to other industries, covers a significant portion due to the high level of complexity and craftsmanship required in the manufacturing process.

The prices of the raw materials, such as metals (aluminum, steel), composite materials and wood, are positively correlated with the overall cost of production. However, thanks to the high bargain power with suppliers and customers, yacht companies, especially leading players, usually have limited exposure to the risk of cost fluctuations in raw materials.

COMPETITIVE LANDSCAPE OF THE GLOBAL YACHT INDUSTRY

Competitive landscape overview of global yacht industry

The competitive landscape of global yacht industry varies based on the types of yacht. In each segment of the yacht industry, there are various different leading players. We are one of the world leading players in the global yacht industry. Specifically, we are an established leader in the inboard composite and made-to-measure yacht markets with a growing presence in larger footage yacht and we are expanding our presence in the inboard super yacht market. Started from 2019 and 2021 respectively, we are also tapping into the outboard and sailing markets, which are in a rapid growing phase now.

Regional competitive landscape analysis of global yacht industry

The competitive landscape by region of yacht industry is similar to overall global yacht industry for each type of yacht, while customers in each of AMAS, EMEA and APAC region may have various unique demands and preferences for yachts type. Global leading yacht companies all enjoy strong market share and brand awareness across all the major regions of global yacht industry.

Based on the very limited information publicly available, when comparing with other leading competitors, our Group currently has a relatively higher proportion of sales in EMEA and AMAS regions than our competitors. However, leveraging our strategic worldwide presence and resources provided by Weichai Group, one of our Controlling Shareholders, along with the Listing, we are in a strong position to achieve continuous growth in APAC.

Rankings of the global yacht industry

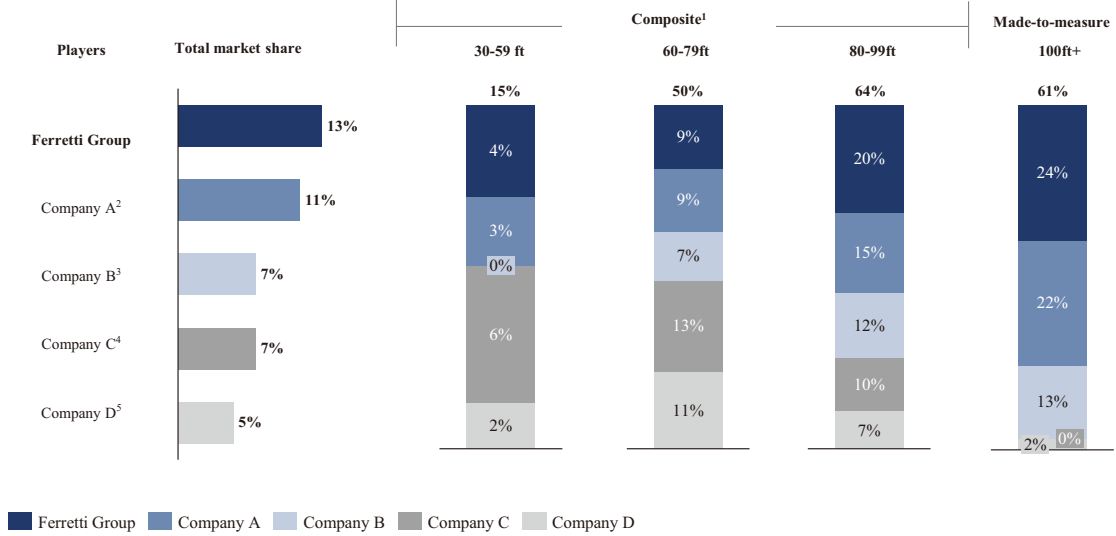
Inboard composite and made-to-measure¹ yacht market

Our market share increased from 10% in 2018 to 13% in 2021 based on value of production declared by boating companies to Phil Draper Associates, and we are an undisputed leader in inboard composite and made-to-measure yacht market.

INDUSTRY OVERVIEW

The following chart illustrates top five players in inboard composite and made-to-measure yacht market in 2021:

Market share of top five yacht companies in composite and made-to-measure inboard yacht market⁶, by footage, 2021



Source: Phil Draper Associates “New Build Estimate Database”

1. Composite yachts above refers to the yachts with footage between 30 feet and 99 feet, and made-to-measure yachts are larger than 100 ft with fiberglass hulls
2. Company A is an Italian luxury yacht manufacturer founded in late 1960s.
3. Company B is an Italian luxury yacht manufacturer founded in late 1950s.
4. Company C is a British luxury yacht manufacturer founded in the 1960s.
5. Company D is a British luxury yacht manufacturer founded in the 1960s.
6. Ranking data refers to Industry Consultant’s view on 2021 market shares with data based on the elaboration of Phil Draper Associates’ “New Build Estimate Database”.

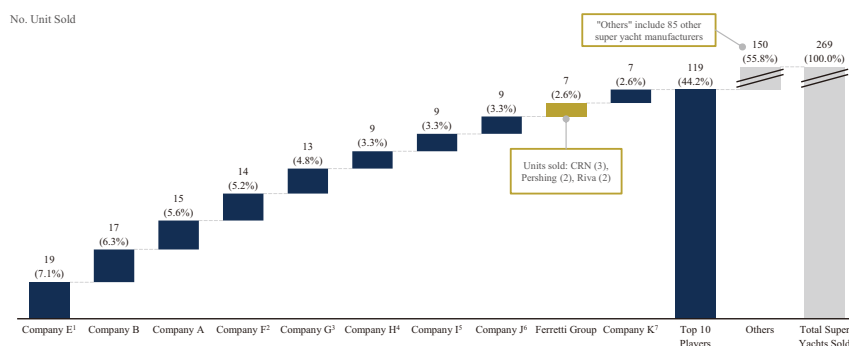
Super yachts market

The global market for super yachts larger than 100 feet with steel or aluminum hulls is extremely exclusive and is characterized by a limited number of units sold every year. In addition, it is highly fragmented, with 95 players having sold at least one yacht in this market segment in the period of 2018 to 2021.

INDUSTRY OVERVIEW

The following chart illustrates cumulative number of super yachts sold between 2018 and 2021:

Cumulative number of super yachts sold by top ten player⁸, 2018-2021



Source: SuperYacht Times, Companies websites

1. Company E is a Dutch luxury yacht manufacturer founded in late 1840s.
2. Company F is a Dutch luxury yacht manufacturer founded in late 1970s.
3. Company G is a Dutch luxury yacht manufacturer founded in the 1910s.
4. Company H is an Italian luxury yacht manufacturer founded in the 2010s.
5. Company I is a German luxury yacht manufacturer founded in the 1870s.
6. Company J is an Italian luxury yacht manufacturer founded in the 1980s.
7. Company K is a Dutch luxury yacht manufacturer founded in the 1910s.
8. Considered sold units of super motor yachts with steel/aluminum hulls in 2018-2021 timespan by SuperYacht Times IQ as per March 3, 2022.

In this context, we are among the Top 10 players with 7 yachts sold between 2018 and 2021, out of which 3 with our CRN brand and the remaining 4 with Pershing (2) and Riva (2) brands.

The highly fragmented nature of the super yacht market segment, combined with our strategy to improve our penetration in this market leveraging our Riva, Pershing and Wally brands, entails for us a great chance to increase our market share and strengthen our presence in this segment over time.

ENTRY BARRIERS OF THE GLOBAL YACHT INDUSTRY

According to the CIC Report, the entry barriers for the global yacht industry include:

- **Capital and technology barrier:** The initial investment to enter the yacht industry is significant when considering the cost of purchasing shipyards, employing skilled craftsmen, and investing in correlated activities (e.g., R&D, marketing, etc.). As a yacht is composed of highly complex machinery, yacht construction requires the use of constantly cutting-edge technology and materials, as well as specific know-how accumulated through years of experience. In addition, the production of fiberglass, requires additional investments to make production molds. New entrants must invest a significant amount of capital and go through a long process to catch up with the existing companies.

INDUSTRY OVERVIEW

- **Strong relationships with suppliers:** Major yacht manufacturers have established strong relationships and partnerships with suppliers through years of business operations. Existing businesses are more likely to get better prices or services than new entrants due to better reputation and higher purchasing power.
- **Established premium sales channels:** As most yacht brands focus on VHNWIs and UHNWIs, it is necessary to establish premium sales channels for a better customer reach. Existing companies have gone through decades of business operations to develop strong relationships with their entrusted dealers and brokers. Since dealers usually entail exclusive relationships and overall, the number of dealers and brokers is limited, new entrants face barriers to build their own network.
- **Brand heritage:** Customers of luxury goods, and in particular those of yachts, associate a brand with its value. For this reason, each brand invests significant amounts of resources in advertising and marketing the brand “culture” and to distinguish itself within the competitive arena. Well-recognition comes with consumer loyalty which takes years to accumulate. Without a “strong” brand, new entrants would potentially face years of investments before starting to reap real benefits.

GLOBAL COASTAL PATROL AND RESCUE VESSEL INDUSTRY

Market size of the coastal patrol and rescue vessel industry

A coastal patrol and rescue vessel is a relatively small naval vessel generally designed for coastal defense and surveillance, border protection, law enforcement and search and rescue duties. The vessel may be operated by a country’s police force, coast guard or navy.

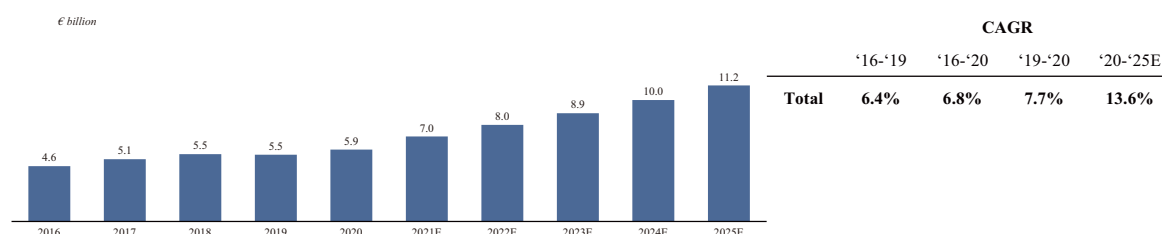
Coastal patrol vessels are small and fast. They are designed for the challenging conditions during operations to guarantee the security, patrol and defense of the coastline and international and territorial waters. With their small crews and high speeds, these versatile ships are an effective and important category of vessel in the Navy’s arsenal.

Rescue vessels are responsible to support stricken vessels. Their general mission capabilities include salvage, lifting, towing, retraction of grounded vessels and manned diving operations.

The coastal patrol and rescue vessel market experienced an upward trend from 2016 to 2020 and increased from €4.6 billion in 2016 to €5.9 billion in 2020, indicating a CAGR of 6.8%. The global coastal patrol vessel and rescue vessel market is expected to experience constant growth from 2020 to 2025 and to reach €11.2 billion in 2025, indicating a CAGR of 13.6% over the period.

The following chart illustrates the market size of global coastal patrol and rescue vessel industry in terms of revenue:

Global coastal patrol and rescue vessel market size, in terms of revenue, 2016-2025E



Source: CIC Report

INDUSTRY OVERVIEW

Main market drivers and trend of the coastal patrol and rescue vessel market

According to CIC, key market drivers and trends of the global coastal patrol and rescue vessel market include:

- ***Increasing spending on national defence:*** With the growing importance of maritime safety in national defense strategies, most countries are expanding their military expenditures. Such increase will have a direct drive on coastal patrol vessel demand.
- ***Quest for high-tech vessels:*** To improve efficiency and strengthen the nation's ability to deal with maritime disputes, countries require vessels with the most innovative technologies and solutions. As a matter of fact, the coastal patrol market has undergone numerous technological innovation cycles (e.g., the introduction of heading sensors, autopilot systems, high-definition sonar imaging, HD digital radar system, etc.). For this reason, manufacturers closely work with suppliers to continuously improve degree of innovation.
- ***Increasing need to stop illegal immigration in the Mediterranean area:*** Border crossing via the Mediterranean is surging, creating new demand for coastal patrol and rescue vessels. The Navy, the Coast Guard and the Police are becoming increasingly involved in the monitoring and control of coastlines, taking an active part in patrol, search and rescue missions, as well as having to deal with emergencies linked with migrants, trafficking, and marine safety.

REGULATORY OVERVIEW

This section provides a brief description of the principal laws and regulations that currently govern our activities and may materially affect the Group and its operations.

Although it contains the information concerning such laws and regulations that we consider material, this summary does not purport to be a comprehensive description of all the laws and regulations applicable to the business and operations of the Group and/or which may be important to potential investors. The principal objective of this summary is to provide potential investors with an overview of the key laws and regulations applicable to the Group. References to laws, regulations and other administrative and regulatory documents are qualified in their entirety by the full text of such documents. See, in addition, “Risk Factors — Changes to and uncertainties in laws and regulation applicable to our business operations, including those relating to environmental protection, occupational health and safety, anti-corruption, anti-money laundering, export control and economic sanctions, may negatively affect our results of operations”. Investors should note that the following summary is based on the laws and regulations in force as at the date of this prospectus, which may be subject to change.

HEALTH AND SAFETY

At all of our locations, we are subject to national laws, regulations and practices concerning employee health and safety. While each site is responsible for monitoring compliance with local regulations, we have a health and safety network that operates across all of our manufacturing facilities in order to share and promote best practices. Each of our manufacturing facilities is regularly audited and any corrective action required to maintain our global standards is implemented. To date, we have not been subject to any significant fines, penalties or other liabilities under the laws and regulations relating to employee health and safety. However, there can be no assurance that we will not be subject to fines, penalties or other liabilities in the future or that changes in such laws and regulations, or interpretations thereof, will not have an adverse impact on our business.

ENVIRONMENTAL

Our business is subject to a number of European, national and local environmental laws and regulations relating to the protection of the environment and natural resources. These include laws and regulations relating, *inter alia*, to air and noise emissions and the impact made on air quality through gas and particle emissions, and recycling and packaging waste reduction and prevention.

With specific reference to the environmental field we obtained the Environmental Single Authorization (AUA — *Autorizzazione Unica Ambientale*) by the competent authorities in accordance with the applicable Italian laws and regulations.

REGULATORY OVERVIEW

The Environmental Single Authorization, ruled under Presidential Decree No. 59/2013, replaces up to seven different authorization procedures and is addressed to all the small and medium companies that are not subject to the Integrated Environmental Authorization (IEA) and the Environmental Impact Assessment (EIA), but which must obtain or renew at least one of the following titles:

- (a) authorization to discharge waste water pursuant to Legislative Decree No. 152/2006 (the “**Consolidated Environmental Text**”);
- (b) prior notification regarding the agronomic use of livestock manure and waste water referred to in article 112 of the Consolidated Environmental Text;
- (c) ordinary authorization for emissions into the atmosphere as per article 269 of the Consolidated Environmental Text;
- (d) general authorization for emissions into the atmosphere as per article 272 of the Consolidated Environmental Text;
- (e) documentation for forecasting environmental acoustic impact pursuant to Law No. 447/1995;
- (f) authorization concerning the use of mud deriving from agricultural depuration processes;
- (g) communications in the field of wastes according to articles 215 and 216 of the Consolidated Environmental Text.

The AUA is valid for 15 years and a request of renewal has to be submitted to the competent authority at least 6 months before the said terms expires.

Furthermore, compliance with the above-mentioned laws and regulations is monitored by local and national authorities and competent agencies and non-compliance with these laws can result in administrative orders, substantial fines and criminal penalties, temporary or permanent plant closures and criminal convictions. Our current and past business, including our historical waste disposal sites, could also expose us to liability to third parties for property damage, personal injury and clean-up obligations. We believe that our production facilities currently comply, in all material respects, with the applicable material environmental regulations at each of our locations, and as of the date hereof, we are not aware of any environmental issues requiring investigation or remediation on our behalf. However, there can be no assurance that changes in such laws and regulations, or interpretations thereof, will not require us to incur significant costs, which could have an adverse impact on our business.

REGULATORY OVERVIEW

DECREE 231

Decree 231 requires Italian companies to implement compliance procedures and provides for corporate liability for offences committed on their behalf or for their benefit by affiliated individuals (such as employees, directors and representatives). Decree 231 provides companies with a defense from such corporate liability to the extent that they implement 231 Models and appoint an independent officer or body, known as an *Organismo di Vigilanza* (Supervisory Body), to supervise the operation of such 231 Models. As required by Decree 231, our Board adopted a 231 Model with a view to preventing violations of law by our employees, contractors and other outsourcing service providers. Some of our subsidiaries are still implementing their Decree 231 compliance programs.

ITALIAN REGULATIONS APPLICABLE TO WEAPONS MANUFACTURING

Pursuant to the provisions of article 28 of Royal Decree of 18 June 1931 no. 773 (the Consolidated Law on Public Safety — *Testo unico delle leggi di pubblica sicurezza*, “**T.U.L.P.S.**”), the collection, manufacture, possession and sale of weapons and similar national or foreign weapons, or parts thereof, ammunition, military uniforms or other items intended for the equipment of national or foreign armed forces, are subject to specific “Licences” released — upon an audit process and for 2 years validity — by the competent Prefect (“*Prefetto*”) *i.e.* the central Government Representative distributed over the whole Italian territory.

The License is also required for, *inter alia*, the manufacture, import, export, collection, possession and sale of self-defense tools specifically intended for the armament of armed forces or police.

Pursuant to the provisions of article 8 of the T.U.L.P.S., the holders of such authorizations may only be natural persons; therefore, when the activity is organized as a company, the License must be registered in the name of a natural person, who must have the “technical ability” and the authority to organically represent the company.

In order to allow our FSD to pursue its business, our Company has obtained and kept in due course of validity, the necessary Licences for Forlì, Mondolfo and Ancona shipyards.

Furthermore, the export, import, shipment and brokerage of armaments is subject to Law of 9 July 1990 no. 185 and Ministerial Decree of 7 January 2013 no. 19 promulgated thereunder by the Italian Ministry of Defense and the Italian Ministry of Foreign Affairs.

In general terms, Law no. 185/1990 requires Italian companies to obtain certain authorizations from the Italian Ministry of Defense and the Italian Ministry of Foreign Affairs before they may export, import, ship or brokerage armaments. These include, *inter alia*, the

REGULATORY OVERVIEW

authorization to engage in contractual negotiations (issued by the Italian Ministry of Foreign Affairs and the Italian Ministry of Defense as contemplated in Articles 9 and 10 of Law no. 185/1990) and any additional authorizations that may be required as contemplated in Articles 10-bis and 13 of Law no. 185/1990.

Pursuant to this regulatory regime, as a precondition to the issuance of the authorizations required under Law no. 185/90, our Company must be registered in good standing with the *Registro Nazionale delle Imprese* (“**R.N.I.**”), which is the official register of Italian companies authorized to manufacture and sell armaments as per the list of armaments each company communicates to the Ministry of Defense, and to obtain certain permits for the import and export of armaments from the Italian Ministry of Defense and the Italian Ministry of Foreign Affairs. The R.N.I. was established by Article 44 of Legislative Decree no. 15 March 2010 no. 66 and is maintained by the “*Segretariato Generale della Difesa*” of the Italian Ministry of Defense.

The requirements for registration in the R.N.I. are set out in Article 127 of the Decree of the President of the Republic of 15 March 2010 no. 90/2010 (the *Testo Unico delle Disposizioni Regolamentari in Materia di Ordinamento Militare*, or the “**Consolidated Military Law**”).

In particular, Article 127 of the Consolidated Military Law requires us (by virtue of our being registered with the R.N.I.) defines which data our Company has to file when asking/renewing its registration in the R.N.I. and, among these data, the list of its shareholders (owning more than 3% of our share capital). Throughout the three-year term of validity of the registration, the same Article 127 of the Consolidated Military Law requires our Company to promptly to communicate to the R.N.I. any changes to our legal representatives or corporate purpose, any change in the location of our registered office or establishment of new offices, and any transformation or cessation of our business. This provision also obligates us promptly to communicate any changes in our shareholding structure, which requires — when our Shares will be listed on the Stock Exchange — notification to the R.N.I. in the event a shareholder comes to own at least 3% of our share capital of all changes to shareholdings greater than 3%.

In addition, we are obligated to attest that:

- (i) none of our legal representatives and none of the holders of more than 1% (3% upon Listing) of our share capital are:
 - a. persons associated with organized crime (as per Law no. 55/1990);
 - b. persons associated with secret societies (as per Law no. 17/1982); or
 - c. persons who have been convicted for engaging in illegal trade in armaments;

REGULATORY OVERVIEW

- (ii) that none of our Directors, managers or consultants were, during the preceding three years, public officials involved in administering the regulatory regime established by Law no. 185/1990.

In order to comply, in particular, with the obligations under items a., b. and c. of point (i) above (which lie, exclusively, on our Company), we require from the legal representatives (*i.e.* persons empowered by the respective companies, according to applicable laws and/or constitutional documents, to represent them) of all relevant shareholders (*i.e.*, owning more than 3% of our share capital) the so called “declarations in lieu of certification” (“*dichiarazioni sostitutive di certificazioni*”) covering items a., b. and c. of point (i) above, as provided by Article 127 of the Consolidated Military Law. The duty to collect and transmit to the R.N.I. the “declarations in lieu of certification” lies exclusively on us. Any liability in relation to the content of the declarations lies on the persons issuing them (not on us), who are personally responsible under Italian criminal law for mendacious declarations, false statements and use of false documents.

Any shareholder has to issue, and deliver to our Company, the “declaration in lieu of certification” at the time he/she/it gets to own at least 3% of our share capital. In this regard, all shareholders owning more than 3% of our Company’s share capital will receive a notice by our Company to sign, within 15 days from the date of the notice receipt, the “declarations in lieu of certification” as per the template enclosed to the notice (and reported at the bottom of this paragraph). The template of “declaration in lieu of certification” will include the following statements as per the indicated wording:

- not to be in the conditions of non-enrolment provided for by article 67 of the Legislative Decree of 6 September 2011, no. 159 (the Code of anti-mafia laws and preventive measures — *Codice delle leggi antimafia e delle misure di prevenzione, nonché nuove disposizioni in material di documentazione antimafia, a norma degli artt. 1 e 2 della legge 13 agosto 2010, n. 136*);
- not to have been definitively recognized as belonging or as having belonged to secret associations pursuant to article 1 of the Law of 25 January 1982, no. 17;
- not to have been convicted with a final judgment for the offenses of illegal arms trade.

In accordance with Article 46 of the Decree of the President of the Republic of 28 December 2000, no. 45, the Ministry of Defence of Italy has prepared standard forms for the “declarations in lieu of certifications”, which include the above reported statements and which the ultimate beneficial owner shall use.”

REGULATORY OVERVIEW

The signature of the “declarations in lieu of certification” is to be made:

- (i) in case the shareholder is a physical person, by the shareholder her/himself, joining the signed color copy of his/her valid identity document or passport, or by a shareholder’s duly appointed proxy;
- (ii) in case the shareholder is a legal entity, by the person acting as legal representative of the legal entity, enclosing the legal entity document (power of attorney, certificate of corporate register, statutes, etc.) attesting the power of the signing person to legally represent the legal entity for these kind of declarations.

The signature on the “Declarations in lieu of Certification” must be affixed in original or digital form and sent to the following address:

- a. If signed in original, by registered mail to:

FERRETTI S.p.A.
Via Ansaldo 7 — 47122 — Forlì (FC) — Italy
Attn.: LEGAL DEPARTMENT

- b. If signed in digital form, by E-mail to:

officeofthegeneralcounsel@ferrettigroup.com

There is no obligation on the shareholders to sign and submit the “declarations in lieu of certification”.

If a shareholder does not sign and submit such a declaration, our Company will communicate this circumstance to the R.N.I. Our Company may offer to the R.N.I. publicly available certificates that are obtained and released — as the case may be — by the competent Authorities of the place of residence of the shareholder, certifying the facts included in the “declarations in lieu of certification” standard form below (e.g., criminal records certificates), which will be available on the Company’s website after the Listing.

Furthermore, the R.N.I. is also empowered to proceed with requests to the competent Authorities in order to ascertain the facts included in the “declarations in lieu of certification”.

REGULATORY OVERVIEW

DECLARATION SUBSTITUTING THE CERTIFICATE

(art. 46 of D.P.R. 28 December 2000 no. 445)

The undersigned _____, fiscal code _____, aware of the responsibilities and criminal sanctions provided under art. 76 of DPR 28 December 2000 no. 445, for the untrue statements, the false declarations and the use of false documents,

DECLARES UNDER THE OWN RESPONSIBILITY

- that he/she was born on _____ in _____ ;
- that he/she is resident in _____ at _____ no _____ ;
- that he/she is (*owner/shareholder (percentage)*) of (*company/individual firm/consortium*), or in case of legal entities (*companies, banks, holding etc.*) *owner/shareholder* that he/she is the legal representative, with the office as (*Chairman, Vice Chairman, Managing Director, Sole Director, etc.*), of (*company/individual firm/consortium*), which controls (*percentage*) of (*company/individual firm/consortium*);
- that he/she is not in the conditions of non-enrolment provided for by article 67 of the Legislative Decree of 6 September 2011, no. 159 (the Code of anti-mafia laws and preventive measures — *Codice delle leggi antimafia e delle misure di prevenzione, nonché nuove disposizioni in materia di documentazione antimafia, a norma degli artt. 1 e 2 della legge 13 agosto 2010, n. 136*);
- that he/she is not definitively recognized as belonging or as having belonged to secret associations pursuant to article 1 of the Law of 25 January 1982, no. 17;
- that he/she is not convicted with a final judgment for the offenses of illegal arms trade.

Place and Date

THE LEGAL REPRESENTATIVE

or the attorney-in-fact as per law 185/90

(*Surname and Name*) _____

(*signature*) _____

<p><i>Note:</i> To fill-in the document a clear and readable copy (in colour, if possible) of an identity document is necessary, where the signature of the declarant is clearly visible.</p>

REGULATORY OVERVIEW

As of the date of this prospectus, we are duly registered with the R.N.I. and hold all of the Licenses needed to manufacture, market and sell the products of the FSD in accordance with the applicable laws.

Furthermore, pursuant to the provisions of article 28 of Royal Decree No. 773/1931 (the Consolidated Law on Public Safety — *T.U.L.P.S. Testo unico delle leggi di pubblica sicurezza*), licenses for the collection, manufacture, possession and sale of war weapons and similar national or foreign weapons, or parts thereof, ammunition, military uniforms or other items intended for the equipment of national or foreign armed forces, are necessary. Such licenses are issued by the Prefect (“*Prefetto*”) and are valid for two years.

The license is also required for, *inter alia*, the manufacture, import, export, collection, possession and sale of self-defense tools specifically intended for the armament of armed forces or police.

Pursuant to the provisions of article 8 of the T.U.L.P.S., the holders of such authorizations may only be natural persons; therefore, when the activity is organized as a company, the license must still be registered in the name of a natural person, who must have the authority to organically represent the company.

MARITIME STATE CONCESSION

In order to carry out our business we use six properties pursuant to public maritime state concessions (*concessioni demaniali marittime*) issued by the Italian State government and other public entities, which are mainly used for shipyard, floating dock, slipway, pier and parking.

The granting of the maritime state concessions is divided into three phases: (i) submission of the application to the relevant authority, accompanied by appropriate technical documentation; (ii) subsequent publication of the application in accordance with article 18 of Presidential Decree No. 328/1952 (the “**Navigation Code Regulation**”); (iii) obtainment of the opinions provided for by the relevant rules and regulations, where appropriate, both from the internal offices of the administration and from external bodies. Once the investigation has been successfully completed, the license is issued.

ITALIAN FOREIGN INVESTMENT CONTROL REGIME (“GOLDEN POWER REGIME”)

Pursuant to Legislative Decree of 15 March 2012 no. 21/2012, converted with amendments by Law of 11 May 2012 no. 56, as subsequently amended (the “**Golden Power Law**”), the Presidency of the Council of Ministers (“*Presidenza del Consiglio dei Ministri*”) has the power to

REGULATORY OVERVIEW

review — and possibly prohibit or impose conditions — transactions/acts/resolutions relating to certain sectors that qualify as “strategic”, such as (i) defense and national security, (ii) energy, transport and communication, and (iii) those listed in Art. 4(1) of EU Regulation No. 2019/452.

With specific reference to defense and national security, Prime Minister Decree No. 108/2014, implementing the Golden Power Law, lists the assets and activities that qualify as “strategic” and fall within the scope of applicability of the Golden Power Law.

The FSD division of the Company manufactures and sells surveillance systems installed on naval units operating for the protection of public order, public safety and civil defense. For this reason, a stretched interpretation of the Golden Power Law could envisage the possibility that the activities carried out by FSD could be qualified to have a “strategic importance” in the Italian defense and national security system and, thus, entailing the applicability of the Golden Power Law to the Company.

Should it be the case, the Golden Power Law requires to file with the Presidency of the Council of Ministers certain extraordinary corporate decisions (e.g., mergers and acquisitions), acts and resolutions (e.g., concerning assets disposals/divestures). In this case, the notification would be an obligation of our Company adopting the defined transaction. The Golden Power law also requires to file with the Presidency of the Council of Ministers changes in the shareholding structure of companies active in — or holding assets relating to — defense and national security. Pursuant to Art. 1(5) of the Golden Power Law, if the acquisition concerns a public listed company active in the defense and national security, the notification duty applies in case of acquisition of an interest in excess of 3%, as well as subsequent shareholding acquisitions exceeding the 5%, 10%, 15%, 20%, 25% and 50% thresholds. In this case, the notification would be an obligation of the shareholders exceeding the said thresholds.

From a procedural standpoint, the Golden Power Law requires that the notification to the Presidency of the Council of Ministers is filed (i) for extraordinary corporate decisions within 10 days from their signing/adoption (and before their execution) and (ii) for shares acquisition, within 10 days from the date of the purchase of the shares entailing the overcome of the thresholds defined by the law.

Proceedings before the Presidency of the Council of Ministers have a forty-five-business day duration (the “**Review Period**”). For extraordinary corporate decisions (e.g., mergers and acquisitions), acts and resolutions (e.g., concerning assets disposals/divestures) there is a standstill obligation and the transaction/acts/resolutions can be executed only after the clearance decision is adopted. For shares acquisition involving the exceeding of a shareholder participation over the thresholds defined by the law, the voting rights connected to the shares object of the notification are suspended until the Review Period is elapsed or a decision is issued. If the Presidency of the

REGULATORY OVERVIEW

Council of Ministers does not issue a decision within the statutory deadline, the transaction/act/resolution or shares acquisition is deemed tacitly cleared and can be implemented/executed or considered approved. In the event that the Presidency of the Council of Ministers requests additional information, the Review Period may be suspended only once for a maximum of 10 business days (20 business days if the Presidency of the Council of Ministers requests additional information from a third party).

Failure to notify a transaction/act/resolution falling within the Golden Power Law to the Presidency of the Council of Ministers can be subject to an administrative fine equal to twice the value of the transaction and in any case not lower than 1% of the aggregate global turnover realized by the involved companies.

At the end of the Review Period, if the Presidency of the Council of Ministers concludes that the transaction/act/resolution constitutes a threat of serious damage to defense and national security interests, it can:

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

Pursuant to Art. 1(3) of the Golden Power Law, in case of shareholding acquisitions set out in letters (a) and (c) above, in the assessment of the existence of a threat of serious damage to defense and national security interests, the Presidency of the Council of Ministers considers:

- the adequacy of the acquirer's economic, financial, technical and organizational characteristics, as well as of its business plan, with a view to guaranteeing the continuity of the business activities of the "strategic company", safeguarding its

REGULATORY OVERVIEW

technological portfolios (including key strategic assets, the security and continuity of procurements) as well as honoring existing contractual commitments that the “strategic company” entered into with public and governmental entities (whether directly or indirectly) with specific reference to obligations concerning national defense, public order and national security; and

- the existence of objective reasons (also taking into account official positions of the European Union) that suggest the existence of links between the acquirer and third countries which: (a) do not respect principles of democracy and of rule of law; (b) do not observe international law rules; (c) have engaged in conduct threatening the international community; or (d) maintain relations with criminal terrorist organizations or with persons or entities related to the latter.

Pursuant to Art. 1(2) of the Golden Power Law, in case of transactions/acts/resolutions set out in letter (b) above, in addition to the two above-mentioned factors, the Presidency of the Council of Ministers considers: (i) the strategic relevance of the assets or companies being transferred; (ii) the adequacy of the corporate structure resulting from the transaction/act/resolution to guarantee the integrity of the national defence and security system; (iii) the security of military defense information; (iv) the State’s international interests; and (v) the protection of the national territory, of critical and strategic infrastructures and of the borders.

Furthermore, pursuant to Art. 1(3-*bis*) of the Golden Power Law, if the shareholding acquisition set out in letters (a) and (c) above is carried out by a non-EU entity, in its substantive assessment, the Presidency of the Council of Ministers may also consider if: (i) the acquirer is directly or indirectly controlled by a public administration, including state bodies or armed forces, of a non-EU country; (ii) the acquirer has previously been involved in activities affecting security or public order in a EU Member State; and (iii) there is a serious risk that the acquirer undertakes illegal or criminal activities.

As said, in case the Presidency of the Council of Ministers considers the notified transaction as being a threat of serious danger to the essential interests of Italian defense and national security, it may decide to exercise the special powers under letters (a), (b) and (c) above.

Failure to comply with (i) the specific conditions to which a clearance decision is subject or (ii) a veto decision, exposes the notifying party (*i.e.*, the acquiring entity or the company adopting the resolution/act), *inter alia*, to an administrative fine equal to twice the value of the transaction and in any case not lower than 1% of the aggregate global turnover realized by the involved companies.

REGULATORY OVERVIEW

In particular, in case of exercise by the Presidency of the Council of Ministers, as per Article 1(5) of the Golden Power Law, to exercise the opposition/blockage power of a transaction concerning the acquisition of shares by a shareholder entailing the overcoming of the above-mentioned thresholds, the involved shareholder:

- (i) cannot exercise the voting rights connected to the shares object of the notified transaction which exceed the thresholds set forth by the Golden Power Law (i.e., the shares triggering the duty to notify); and
- (ii) must sell the same shares within one year. In case of non-compliance by the shareholder, the Court, at the request of the Presidency of the Council of Ministers, orders the sale of the aforementioned shares.

According to the Golden Power Law, the powers which the Presidency of the Council of Ministers is entitled to exercise following the notification of a relevant acquisition only concern — and are thus limited to — the portion of the shareholding exceeding the thresholds set forth by Article 1(5) of the Golden Power Law and triggering the notification duty. This means that, in the event that the Presidency of the Council of Ministers, at the end of the Review Period following the notification, opposes the transaction, the effects of such decision will only concern the amount of shares exceeding the threshold already legitimately detained by the shareholder. It is confirmed that the shares exceeding the thresholds set forth by Article 1(5) of the Golden Power Law can be settled and traded normally. The (i) transfer of shares; and (ii) sale of shares are allowed during the Review Period.

The Golden Power Law expressly prescribes that, following the settlement of a relevant share acquisition and pending the subsequent Review Period, the voting rights pertaining to the shares object of the notified transaction are suspended. No reference is made to the counting of such shares in respect of the quorums of the general shareholders' meeting possibly convened while the concerned voting rights are suspended. Thus, there is no legal ground upon which it should be considered that such shareholding should not be counted in respect of the calculation of the relevant quorums, since two major Italian law principles would come into play: right of shareholders to attend and learn about Company's agenda matters (even if the vote is suspended) and to allow other shareholders capable to vote to validly hold the meeting. By way of example, Italian company law prescribes that, while the voting rights pertaining to "treasury shares" are suspended, they still continue to be counted in respect of shareholders' meeting quorums.

Resolutions possibly adopted by our shareholders' general meeting with the decisive vote of the shares blocked by the decision of the Presidency of the Council of Ministers would be deemed null and void.

REGULATORY OVERVIEW

Decisions adopted by the Presidency of the Council of Ministers are not published/publicly available. They can be appealed before the Administrative Regional Court for Latium (“*TAR Lazio*”) and then before the Supreme Administrative Court (“*Consiglio di Stato*”). In this regard, it is deemed that the possibility that the decisions adopted by the Presidency of the Council of Ministers may be appealed/challenged before the said judicial authorities is low.

Although we believed that the Listing would not be relevant for the purposes of the Golden Power Law, on October 15, 2021, we nevertheless submitted to the Presidency of the Council of Ministers a notification explaining the pursued transaction with a view to transparency with the Italian authorities and on a precautionary basis. Further to the information provided by us to explain the pursued Listing, we also added, with specific reference to the FSD, that, (i) the turnover volume generated by FSD is not material; (ii) the Company does not own, treat or manages any “classified” information (“*riservatissimo*”; “*segreto*”; “*segretissimo*”) under Italian law as the information on the FSD products are qualified as Not Classified (“*Non Classificati*”); (iii) FSD is not a party to any military technology research program nor it benefits from any financing for the development of military technologies; (iv) in financial year 2020 the vessels sold from FSD were not equipped with weapons systems. On October 27, 2021, the Italian Prime Minister, after having reviewed the notification, formally communicated to us, in writing, that the pursued transaction does not fall within the scope of the Golden Power Law.

Based on the above considerations, the decision of the Presidency of the Council of Ministers is not subject to any future changes as to the Proposed Listing and, also as advised by our Italian legal advisors, the possibility that the Golden Power Law will apply to our Company in the future is considered remotely low given that our Company, the Controlling Shareholders and the management undertake not to change the business drivers of our Company nor to involve it in new business area which will be deemed as of strategic importance for Italy’s defense national security system.

That said, it cannot be excluded that the Company, in case:

- (i) of future transactions that are beyond the scope of the current Proposed Listing and entail a change of control of the Company; and
- (ii) the Company, even including its FSD, qualifies as of “strategic importance” in the defense and national security,

would be required to file a new notification to the Presidency of the Council of Ministers.

REGULATORY OVERVIEW

DATA PROTECTION LAWS

We are required to comply with applicable EU and Italian data protection laws and regulations. In particular, the European Union's Regulation (EU) 2016/679 of the European Parliament and of the Council of April 27, 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation), or the GDPR, which became effective in May 2018, as supplemented by national laws (i.e. Legislative Decree no. 196/2003, as amended by Legislative Decree no. 101/2018), impose strict requirements on controllers and processors of personal data in the European Economic Area, including, for example, higher standards for obtaining consent from individuals to process their personal data, more robust disclosures to individuals and a strengthened individual data rights regime and shortened timelines for data breach notifications. Applicable data protection laws create new compliance obligations and increase financial penalties for non-compliance (including possible fines of up to 4% of global annual revenues for the preceding financial year or €20 million (whichever is higher), for the most serious violations).

We have implemented the Italian (Legislative Decree no. 196/2003, as amended by Legislative Decree no. 101/2018) and European regulation 2016/679 on the processing of personal data by adopting, inter alia, internal measures:

- formalization of the privacy roles within the company, as follows:
- appointment of a person delegated by the data controller ("*Soggetto Delegato del Titolare del Trattamento*"), who has powers of representation and administration of our Company in order to comply with the applicable data protection legislation;
- creation of a data protection committee, responsible for the direction and governance of our data protection model;
- appointment of an internal data protection manager ("*Referente Interno Privacy*") with functions of coordination and contact between the person delegated by the data controller, the data protection committee, the privacy designates and the DPO;
- appointment of subjects of the first lines as privacy designates ("*Soggetti Designati*"), who cover specific tasks and functions related to the processing of personal data within the office they lead;

REGULATORY OVERVIEW

- appointment of individuals of the second and third lines (depending on the function) as “*Soggetti Designati Delegati*”, who are assigned specific tasks and functions related to the processing of personal data within the office and/or area they head/manage and who operate under the direct control of the privacy designates; and
- appointment of employees who, in the performance of their duties, process personal data, as authorized subjects.

We have also appointed an external consultant as DPO and the third parties who process data on its behalf, as data processors pursuant to article 28 GDPR.

In addition, we have adopted procedures for: (i) the management of personal data violations (*i.e.* data breaches), (ii) the arrangement of impact assessments pursuant to article 35 GDPR, (iii) the selection and management of suppliers who process personal data our behalf, (iv) the management of data subjects’ rights, (v) the transfer of personal data to third countries or international organizations, and (vi) all our initiatives involving new processing of personal data or substantial changes to the existing ones.

LABOR LAW

Italian labor law system consists of a significant number of sources that are affected by the influence of the regulatory provisions of “supranational” sources (such as, for example, European Regulations and Directives, international conventions, regulatory provisions on discriminatory behavior and gender equality, etc.).

As a way of general overview, the Italian labor law system, in addition to the above mentioned international and EU sources, is regulated by a series of domestic provisions set forth in particular:

- (i) in the Italian Constitution (*e.g.*, article 36 on fair and reasonable remuneration, article 40 on the right to strike and article 41 on freedom of private economic initiative);
- (ii) in the Italian Civil Code;
- (iii) in Italian national laws (among which one of the most important is Law no. 300/70 — the so-called “Workers’ Statute”);
- (iv) in sector collective bargaining agreements, operating at national and (possibly) company level;
- (v) in individual employment contracts;

REGULATORY OVERVIEW

(vi) (in the presence of certain requirements) in practice (the so-called “corporate uses”).

In addition to the above, certain aspects connected to labor law are often dealt with by regulatory sources dedicated to other sectors (*e.g.*, the job protection regime provided for in the presence of an employer affected by an insolvency procedure).

The collective bargaining agreements supplement the law and, under certain conditions, may also derogate from it. The collective bargaining agreements usually contain provisions that cover many aspects of employment relationships in the specific sector, such as, by way of example, the worker’s rights regarding: (i) the form and minimum content of the employment letter; (ii) maximum length of the trial period; (iii) holidays, working hours and overtime; (iv) sick leave and maternity leave; (v) disciplinary procedures in the event of violations by employees; (vi) minimum wage and other employment-related benefits; (vii) notice period and notice; (viii) severance indemnity; (ix) trade union relations (*e.g.*, exercise of the right of assembly, exercise of the right to strike, terms and conditions of union leave periods). We apply a collective bargaining agreement.

The above mentioned sources composing the Italian labor law system are also affected by the interpretative work of the judges. Quite often, indeed, the latter are substantially called to “replace” the Italian legislator in the regulation of certain legal institutions. It follows that, although the Italian legal tradition does not apply the Anglo-Saxon principle of the “binding precedent”, it is however undeniable that, for the purposes of identifying the regulation of certain legal institutions, the orientation of the judges must necessarily be taken into consideration.

In light of the breadth and complexity of the applicable legislation, any further indication can only be made in the light of the specific needs, and actual implications, of each individual case (*e.g.*, information on legislation and practice to follow in the event of collective dismissal, or in case of transfer of going concern).

TAXATION OF THE COMPANY

Overview

According to Italian tax law, joint-stock companies resident for tax purposes in Italy are subject to corporate income tax (“**IRES**”) on their worldwide income.

A company is considered resident in Italy if its legal office, place of effective management or main business is in Italy for the greater part of the financial year.

The taxable period for corporate income tax purposes is the financial year of the company, as determined by law or the by-laws.

REGULATORY OVERVIEW

In principle, taxable business income is determined under the accrual principle, with certain exceptions (e.g. directors' fees). The taxable base is the worldwide income shown on the profit and loss account prepared for the relevant financial year according to company law rules and adjusted according to the tax law provisions concerning business income.

For companies adopting the IAS/IFRS, the accounting treatment under IAS/IFRS is fully relevant for corporate income tax purposes, i.e. the criteria set forth by IAS/IFRS for the qualification, timing accrual and classification of items of income and cost are also applicable for corporate income tax purposes and prevail over any provisions contained in the Italian Income Tax Code.

Deduction of interest, depreciation and tax treatment of capital gains upon disposal of shares and of dividends

Certain rules governing the deduction of interest and depreciation and the tax treatment of capital gains upon disposal of shares are as follows:

Generally, interest expense is fully tax deductible up to the amount of interest income. Thereafter, excess interest expense is deductible at up to 30% of the gross EBITDA (interest deduction capacity) (non-IFRS measure) relevant for tax purposes. Gross operating margin is defined as the difference between operating revenues and expenses excluding depreciation of tangible and intangible assets and charges for leased assets based on their tax value.

Net interest expense in excess of the yearly limitation is carried forward in the following fiscal years. Hence, net interest expense not deducted in previous years can be deducted in the future fiscal years as long as total interest in that year does not exceed 30% of gross operating margin. If net interest expense is lower than the annual limit (i.e. 30% of gross operating margin), this difference can be carried over to increase the company's interest deduction capacity in the future five years.

Interest income exceeding interest expenses can be carried forward to offset future interest expenses in any following FYs.

Fixed assets that are not financial fixed assets may be depreciated using the straight-line method. Depreciation may be taken in every financial year, regardless of whether the taxpayer incurred losses or made profits.

REGULATORY OVERVIEW

A 95% exemption (the ‘Participation exemption’ regime) applies to gains from the disposal of shares where the following conditions are met:

- (a) the participation has been held continuously from the first day of the 12th month prior to that of the disposal;
- (b) the participation was classified as a financial fixed asset in the first balance sheet closed after the acquisition (in the case of companies adopting IAS/IFRS shareholdings are deemed to be fixed financial assets if they are not held for trading);
- (c) the subsidiary is resident in a ‘white list’ country; and
- (d) the subsidiary carries on a commercial activity.

The last two conditions must have been met since the beginning of the third year preceding the year of disposal and, in the case of shares held in a holding company, they must be tested with reference to its subsidiaries. Where the above conditions are not met, capital gains are fully taxable at the ordinary rate.

The holding of participations qualifying for the ‘Participation exemption’ triggers limitations in the deductibility of capital losses.

In general, 95% of dividends paid by a company to corporate shareholders resident in Italy should be exempted from tax. A special tax regime applies to shares and similar financial instruments held by companies preparing their financial statements according to IAS/IFRS. Such regime differs, depending on whether the shares are accounted for as ‘held for trading’ under IAS/IFRS. For shares that are not accounted for as ‘held for trading’ under IAS/IFRS, the 95% exemption regime on dividend distributions remains applicable and the unrealized gains and losses resulting from the mark-to-market valuation of the shares in the profit and loss account of the company according to IAS/IFRS are not relevant for income tax purposes.

The taxable base (if positive) is subject to IRES (currently at the rate of 24%).

Tax losses can be carried forward for IRES purposes and used to offset income in the following tax periods without any time limitation. Tax losses can only be offset with taxable income for an amount not exceeding 80% of the taxable income. Note that losses arising in the first three years of activity can be offset with 100% of taxable income.

REGULATORY OVERVIEW

In addition to IRES, companies are also subject to a regional tax on productive activities (“**IRAP**”). The taxable base for IRAP is the net value of the production derived in each Italian region. The standard rate is 3.9% (which may be increased or decreased by regional authorities, to a certain extent).

Special rules for groups

A domestic tax consolidation regime is available both for direct taxation and VAT.

Italy also enforces transfer pricing rules which provide that items of income derived from transactions with related, non-resident companies are to be valued on arm’s length basis.

Official transfer pricing documentation requirements have been recently updated which are in line with the ones contained in the ‘OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations’, as well as in the ‘Code of Conduct on Transfer Pricing Documentation for Associated Enterprises in the European Union’.

INTELLECTUAL PROPERTY RIGHTS

Our portfolio of intellectual property rights includes trademarks, patents, registered designs and copyrights. Trademarks are the largest part of the portfolio. IP rights follow what is called the ‘territoriality principle’. Each single trademark registration follows the law of the country in which the trademark is registered. In Europe, all trademark laws of the 27 EU countries have been harmonized under the Directive (EU) 2015/2436 of the European Parliament and of the Council dated 16 December 2015 to approximate the laws of the Member States relating to trademarks. As of the date of this prospectus, the Regulation (EU) 2017/1001 of the European Parliament and of the Council, dated 14 June 2017, applies to European trademarks. In Italy, all industrial property laws have been unified under the Legislative Decree No. 30/2005 (*Codice della Proprietà Industriale*) (the “**Industrial Property Law**”). The Industrial Property Law governs trademark rights, patent rights and registered design rights.

Much of our trademarks portfolio has been registered through international conventions. The most important one is the Madrid System for the International Registration of Marks. This Convention is governed by the Madrid Agreement, concluded in 1981, and the Protocol relating to the Madrid Agreement, concluded in 1989. The system makes it possible to protect a mark in a large number of countries by obtaining an international registration that has effect in each of the designated contracting parties of the Madrid Agreement.

REGULATORY OVERVIEW

Copyrights are governed by the Berne Convention for the Protection of Literary and Artistic Works, usually known as the Berne Convention. The Berne Convention has 179 contracting parties and it introduced, worldwide, the concept that a copyright exists in the moment a work is “fixed”, rather than requiring registration. It also enforces a requirement that countries recognize copyrights held by the citizens of all other parties to the convention.

WITHDRAWAL RIGHTS AND NOTIFICATION/DISCLOSURE OF SHAREHOLDERS’ AGREEMENT

For details of withdrawal rights, see “Appendix IV — Summary of the By-laws of Our Company and Italian Companies Laws and Taxation — Summary of the By-laws of our Company — Withdrawal right”. For details of notification/disclosure of shareholders’ agreement under Italian law, see “Appendix IV — Summary of the By-laws of Our Company and Italian Companies Laws and Taxation — Certain Disclosure of Interest and Other Shareholding Requirements under Italian Law Do Not Apply to Our Shareholders”

POTENTIAL REQUIREMENT TO DEMATERIALIZE OUR SHARES

DEMATERIALIZATION

Dematerialization means that title to shares is no longer evidenced by way of share certificates, *i.e.* represented in certificated (also known as “materialized” or “physical”) form. Under Italian law, where the shares of a company are dematerialized, title to the shares is evidenced by recording the shareholder’s name in the account held by the authorized Intermediary (defined below) with whom the shares are deposited and the legitimate attendance to shareholders’ meetings and the exercise of voting rights are confirmed by a statement to the issuer from the intermediary on behalf of the shareholder.

RELEVANT ITALIAN LAW AND REGULATIONS

Under the Italian Legislative Decree no. 58 of February 24, 1998 (as subsequently amended, the “TUF”), financial instruments governed by Italian law of an Italian company which are, or are to be, traded on Italian and European Union trade venues must be fully dematerialized. Since our Shares will not be traded on Italian and European Union trade venues, we are not required under Italian primary regulation to dematerialize our Shares.

However, under the TUF, Consob, the Italian public authority responsible for regulating the Italian securities market, has been granted the power to extend, under secondary legislation and in agreement with the Bank of Italy, this requirement to other financial instruments.

On the basis of this power, on August 13, 2018, Consob and the Bank of Italy have issued a regulation modifying the former provisions relating to the functioning of the centralized system (“*Disciplina delle controparti centrali, dei depositari centrali e dell’attività di gestione accentrata*”) (the “**Regulation on Dematerialization**”). Article 34 of the Regulation on Dematerialization provides that financial instruments of an issuer having shares widely spread among the public are also required to be held in a dematerialized form.

POTENTIAL REQUIREMENT TO DEMATERIALIZE OUR SHARES

Under Regulation n.11971/99 adopted by Consob (the “**Issuers Regulation**”), Italian issuers, having more than 500 shareholders (other than the controlling shareholder(s)) owning in the aggregate more than 5% of their share capital¹, are deemed to be issuers of shares widely spread among the public if the shares issued by them:

- (a) have been the subject, in the 24 months preceding the date on which the said thresholds were exceeded, of a public offering or have been tendered as consideration in an exchange tender offer, which became effective, or of a placement, in whatever form, even if addressed only to qualified investors; or
- (b) having the said thresholds been exceeded, have been the subject of a public offering or have been tendered as consideration in an exchange tender offer, which became effective, or have been the subject of a placement, in whatever form, even if addressed only to qualified investors; or
- (c) are or have been traded on multilateral trading systems with the agreement of the issuer or the controlling shareholder, or have been admitted to trading on regulated markets and have been subsequently been subject of revocation; or
- (d) are issued by banks and purchased and sold or subscribed to in the head or branch offices of the issuer.

However, the issuer would have, under the relevant Italian regulations, until the start of the next financial year after the one in which the conditions for the duty to dematerialize, if any, are satisfied in order to implement a dematerialized structure for its shares.

Our Company has been advised that, based on our Italian legal advisors’ analysis of the applicable Italian laws as at the date of this prospectus, the requirement for the dematerialization of shares set forth above should not apply to our Company. The rationale for the duty to dematerialize is to simplify the transfer of financial instruments held by the public and, in particular, to protect those who invest in the financial markets by ensuring that the trading of financial instruments taking place therein is performed in a safe, efficient and timely manner.

¹ There is a second requirement relating to the size of the issuer in terms of total assets, revenues and number of employees which is not relevant in our case since our Company clearly passes the relevant thresholds (namely, it has total assets exceeding €4.4 million, revenues exceeding €8.8 million and a number of employees exceeding 50).

POTENTIAL REQUIREMENT TO DEMATERIALIZE OUR SHARES

In the case of our Company, we are of the view that the need for shareholder protection in this respect is satisfied by the application of the Listing Rules and the clearing and trading rules of the Hong Kong Stock Exchange and HKSCC which, among other things, are designed to ensure an open market for the efficient trading of securities in a regulated environment. In addition, the Shares listed on the Hong Kong Stock Exchange and traded through CCASS, although deposited in paper form with the latter, are *de facto* dematerialized since their trading would be conducted by means of bookkeeping entries and not by endorsement of share certificates and, hence, the very gist of the protection warranted by the dematerialization system is safeguarded and achieved. Based on our Italian legal advisors' analysis of the applicable Italian laws as at the date of this prospectus, we are of the view that the obligation to dematerialize should therefore not apply where our Shares are listed on the Hong Kong Stock Exchange and held through CCASS; this conclusion is supported both by certain Italian Authors who affirmed that the duty to dematerialize does not arise where the financial instruments are traded on a foreign regulated market and by notable precedents of Italian companies listed on stock exchanges outside Italy and the European Union, including one listed on the Hong Kong Stock Exchange which, based on the information made available to the public, has obtained a written confirmation from Consob that it is not required to dematerialize its Shares under the Italian legislation currently in force.

We further believe that, even if, for any reason, the relevant Italian authorities do not accept the above reasoning, there are further arguments that enable us to maintain that a duty to dematerialize should not arise with respect to our Shares.

More specifically:

- (i) the secondary legislation must be construed consistently with the primary one. Since the primary regulation, as indicated above, refers only to financial instruments traded, or to be traded, on Italian and European Union trade venues, we consider it appropriate to interpret the secondary regulation with the same geographic scope. It follows that the requisites contemplated in points (a) to (d) above (the “**Requisites**”) as alternative and exclusive requisites to be met for an issuer to be regarded as having shares widely spread among the public, should be construed as events taking place within the Italian and European Union financial markets. Further, the notion of “public” should be interpreted as including the public of investors having their registered offices in Italy and European Union as the relevant Italian legislation is not aimed at protecting foreign investors. We believe that the listing of our Shares, being intended solely on the Hong Kong Stock Exchange, does not give rise to the occurrence of any such events within the Italian and European Union financial markets, so that, even if, as a consequence thereof, we were to have more than 500 shareholders, we should not be deemed to be an issuer having shares widely spread among the Italian and European Union public for the purposes of the Issuers Regulation;

POTENTIAL REQUIREMENT TO DEMATERIALIZE OUR SHARES

- (ii) in addition, each of the Requisites consists of a wilful action of the issuer or its controlling shareholder(s) directed to place, or facilitate the trading of, the issuer's shares in the Italian and European Union financial markets. We believe that an issuer should not be deemed to have shares widely spread among the public as a result of events outside of its control or the control of its controlling shareholder(s). Given that, as indicated in sub-paragraph (i) above, the listing of our Shares on the Hong Kong Stock Exchange does not give rise to any of the Requisites, it follows that our Company should not be deemed to have shares widely spread among the Italian public by virtue, or as a result, of such listing.

Based on this interpretation of the relevant Italian regulations in force as at the date of this prospectus, our Company has concluded that the obligation to dematerialize will not apply to us as a result of our Shares being listed on the Hong Kong Stock Exchange.

Our Company is, therefore, proceeding with the Global Offering on the basis that our Shares are to be issued to shareholders in materialized form, i.e. in accordance with the procedures that are normally adopted for initial public offerings in Hong Kong.

However, despite our belief that the duty to dematerialize should not apply to our Company, there remains a possibility, which cannot be ruled out, that a different interpretation of the relevant Italian regulations might be adopted by Italian regulators (namely Consob and the Bank of Italy), as a result of which we may be required to dematerialize our Shares in order to comply with Italian requirements. Should this be the case, (i) our Company would not (in any event) be required to complete the dematerialization of our Shares until the start of the next financial year, i.e. January 1, 2023; and (ii) the actions to be taken by our Company and our shareholders are set out below.

HOW DEMATERIALIZATION WOULD BE IMPLEMENTED

In the case of our Company, dematerialization would mean that we will cease to issue share certificates and any existing share certificates issued in respect of our Shares will also cease to have effect as evidence of a shareholder's entitlement to exercise certain rights pertaining to the shares (as explained in sub-paragraphs (ii) to (v) of the paragraph headed "Consequences of dematerialization for shareholders" of this section).

Dematerialization would involve, based on the existing Italian model for the deposit and registration of shares and Italian law and regulations in force as at the date of this prospectus (and in the absence of specific arrangements between Monte Titoli S.p.A. ("**Monte Titoli**"), the Italian central securities depository, and CCASS), our Shares being dematerialized and registered with Monte Titoli (or another central clearing depository authorized by Consob in agreement with the Bank of Italy).

POTENTIAL REQUIREMENT TO DEMATERIALIZE OUR SHARES

Under the Italian system, shareholders hold dematerialized shares of an issuer by establishing an account with an intermediary qualified at Monte Titoli (“**Intermediary**”) (typically being commercial banks or stockbrokers). The ownership of Shares registered with Monte Titoli is represented by an electronic entry (in the name of the shareholder) in the accounts of an Intermediary.

In a dematerialized structure, we envisage that: (i) the legal ownership of our Shares which are traded on the Hong Kong Stock Exchange would be represented with Monte Titoli by an electronic entry in the name of HKSCC Nominees; and (ii) investors whose Shares are held in CCASS and registered in the name of HKSCC Nominees would continue to hold beneficial title to the Shares and remain unaffected by dematerialization. However, shareholders who hold Shares physically outside of CCASS would be required, if our Shares are to be dematerialized, to take action as described in the paragraph headed “Consequences of dematerialization for shareholders” below.

In the event that our Company is required to dematerialize our Shares, our Company will publish an announcement on the Hong Kong Stock Exchange’s website in accordance with the Listing Rules and on the Company’s website and will dispatch a circular to inform shareholders of the action required to be taken by them in connection with the dematerialization of our Shares and the latest date by which such action must be taken (the “**Record Date**”).

CONSEQUENCES OF DEMATERIALIZATION FOR SHAREHOLDERS

As a consequence of the dematerialization of our Shares, based on the existing model for the holding and registration of securities in the Hong Kong market and the Italian regulations currently in force:

- (i) a shareholder holding Shares in his own name (e.g. a shareholder who has applied for Shares online through the **White Form eIPO** service at www.eipo.com.hk and who has not subsequently transferred his Shares or deposited them into CCASS via an account established with a CCASS Participant) would be required to, at his own expense and by the Record Date, either:
 - (a) if he intends to have his shares capable of being traded on the Hong Kong Stock Exchange:
 - (1) deliver the share certificate(s) held by him to his broker or custodian to deposit into the CCASS Participant account maintained by such broker or custodian; or

POTENTIAL REQUIREMENT TO DEMATERIALIZE OUR SHARES

- (2) open a stock account with a broker or custodian who maintains a CCASS Participant account and deliver the share certificate(s) held by him in accordance with sub-paragraph (1) above; or
- (3) fill in and sign a form of agreement with the Hong Kong Share Registrar appointing the Hong Kong Share Registrar as his nominee and instructing the Hong Kong Share Registrar to deposit the share certificate(s) held by him into the CCASS Participant account maintained by an agent of the Hong Kong Share Registrar; and

in each case, transfer his legal ownership of the Shares to HKSCC Nominees for the latter to hold as his nominee in CCASS through the CCASS Participant account maintained by his broker or custodian or his nominee; or

- (b) if he intends to retain legal ownership of the Shares in his own name or has created a pledge (or wishes to create a pledge) over the Shares owned by him which is valid under Italian law, at his own expense, establish an account with an Intermediary and to have his shareholding recorded through such Intermediary. If a shareholder adopts this approach, his Shares shall not be capable of being traded on the Hong Kong Stock Exchange unless he transfers such Shares to HKSCC Nominees and deposits them in CCASS in accordance with point (a) above.

If a shareholder does not undertake the actions set out in sub-paragraph (i) above by the Record Date:

- (ii) he will cease to be able to exercise his shareholder rights in respect of the Shares held by him, including the right to attend, vote and speak at shareholder meetings;
- (iii) our Company will continue to send cheques payable to him to his last known address for any dividends declared and paid by our Company;
- (iv) corporate communications will continue to be sent to his last known address; and
- (v) he will not be able to transfer his Shares,**

in each case, until he takes the actions set out in sub-paragraph (i) above.

Shareholders should note that under Italian law, right to dividends not collected within five years of the day on which they become payable will be forfeited in favour of our Company and those dividends will be allocated to reserves.

POTENTIAL REQUIREMENT TO DEMATERIALIZE OUR SHARES

SHAREHOLDERS WHO DO NOT TAKE ACTION BY THE RECORD DATE

Shareholders holding Shares in physical form may, at any time after the Record Date, dematerialize their Shares in accordance with the procedures set out in sub-paragraph (i) above. Upon completion of the dematerialization process for the Shares owned by them (by taking the action set out in sub-paragraph (i) above), the relevant shareholders will be able to exercise their rights with effect from the dematerialization.

The legal title to Shares held by shareholders who have not undertaken the actions set out in sub-paragraph (i) above will continue to be reflected in the Company's register of shareholders in the name of those shareholders.

However, shareholders should be aware of the consequences of a failure to dematerialize the Shares held by them by taking the action set out in sub-paragraph (i) above, which are set out in sub-paragraphs (ii) to (v) above.

Investors whose Shares are held in CCASS and registered in the name of HKSCC Nominees are not required to take any action in respect of the dematerialization of our Shares should our Company be required to do so, and the consequences set out in sub-paragraphs (iv) to (v) shall not apply to such investors.

DIFFERENCE BETWEEN HOLDING SHARES PHYSICALLY AND IN CCASS

Under the current scrip system operating in Hong Kong (which applies to and will be adopted by our Company for so long as our Company is not required to dematerialize our Shares), investors in Hong Kong can hold their interest in shares in one of two ways — in physical form outside CCASS or in electronic form within CCASS. Investors who hold shares in physical form outside CCASS, and in their own names, hold them as registered or legal owners and their names appear on the register of shareholders. Investors who hold shares in electronic form inside CCASS hold only a beneficial interest in the shares and legal title remains with HKSCC Nominees. The register of shareholders therefore shows HKSCC Nominees (and not the investor) as the shareholder.

Holders of physical shares outside CCASS are served by the issuer's share registrar, who provides corporate communications directly to, and processes corporate actions directly with, these investors. As shareholders, these investors receive information regarding shareholders' meetings from the share registrar directly and are able to attend the meeting and vote in person or by proxy.

For investors who hold their shares inside CCASS, HKSCC Nominees, as registered shareholder of the shares, would receive information on corporate action events. Investors who wish to exercise corporate actions rights attaching to the shares (for example, to attend and vote at meetings) must provide instructions to HKSCC Nominees and exercise corporate action rights via

POTENTIAL REQUIREMENT TO DEMATERIALIZE OUR SHARES

their CCASS Participants. Alternatively in the case of shareholders' meetings, such investors would have the right to be appointed as a corporate representative or proxy of HKSCC Nominees in order to attend the meetings and vote in person.

IMPORTANT INFORMATION FOR APPLICANTS FOR OUR SHARES

Investors whose Shares were, prior to our Company being required to dematerialize our Shares, already registered in the name of HKSCC Nominees and deposited into CCASS (e.g. investors who have applied for Shares through **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on their behalf and who have not subsequently transferred such Shares or withdrawn them from CCASS to be held in certificated form) will not be required to take any action in connection with the dematerialization of our Shares. The Shares owned by them will continue to be deposited in CCASS and registered in the name of HKSCC Nominees.

Investors who intend to apply for Shares online through the White Form eIPO service at www.eipo.com.hk should note that, in the event that our Company is required to dematerialize our Shares, holders of physical Shares will be required to, at their own expense, take the action set out under sub-paragraph (i) of the paragraph headed "Consequences of dematerialization for shareholders" in order to continue to exercise their shareholder rights. The fees chargeable by the service providers referred to in sub-paragraphs (i)(a) and (b) of the paragraph headed "Consequences of dematerialization for shareholders" will therefore be borne entirely by the relevant shareholder.

Investors should note that the information provided in this section is based on our expectation of what will be required to implement a dematerialized system for the holding of our Shares assuming, among other things, that the current systems for the deposit, custody, clearing and settlement in operation in Hong Kong and Italy and the relevant rules and regulations in force as of the date of this prospectus remain unchanged. As there are currently no definitive plans on how to address all issues arising out of the potential requirement to dematerialize our Shares, and as the steps described in sub-paragraph (i) of the paragraph headed "Consequences of dematerialization for shareholders" above may be subject to change, if our Company is required to dematerialize our Shares, we will consult, work and cooperate with HKSCC, the Hong Kong Stock Exchange and the SFC to agree on a viable model for the dematerialization of our Shares which is in compliance with applicable laws and regulations. In order for our Shares to continue to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS, our Shares will need to continue to meet the eligibility criteria in accordance with the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. We will also, at the appropriate time, publish an announcement on the Hong Kong Stock Exchange's website in accordance with the Listing Rules and on our website and will dispatch a circular to inform shareholders of the action required to be taken by them in connection with the dematerialization of our Shares and the latest date by which such action must be taken.

HISTORY AND CORPORATE STRUCTURE

OVERVIEW

We are among the world’s leading designers, producers and marketers of luxury inboard motor yachts and pleasure boats. Our history can be traced back to 1968, when the Ferretti family created a nautical division in the family business until then dedicated only to the automotive business. We presented our first Ferretti boat — a 10-meter wooden “motor sailer” (a boat with both a sail and an engine) at the Genova Boat Show in 1971 and the company Ferretti Craft S.r.l. was incorporated in 1974. We began producing motor yachts, specializing in open, flybridge and sport fisherman models since 1982 and opened our first shipyard in Forlì in 1987.

Over the years, we have grown our business through strategic acquisitions of high-end producers of motor yachts to expand our brand portfolio. Currently, we have a portfolio of seven iconic “Made in Italy” brands that are globally recognized in the luxury yachting sector.

KEY MILESTONES

The table below sets forth our major business development milestones since our inception and up to the Latest Practicable Date:

<u>Year</u>	<u>Event</u>
1968	Establishment of the nautical division of the family business of the Ferretti family.
1971	The first Ferretti boat — a 10-meter wooden “motor sailer” was presented at the Genova Boat Show.
1974	Founding of Ferretti Craft S.r.l., our predecessor.
1987	Opening of the first shipyard in Forlì producing motor yachts, specializing in open, flybridge and sport fisherman models.
1989	Establishment of the Engineering Division for new boats designing and material studies and entering the offshore racing sector.
1994-1997	Winning of two World Offshore Class 1 Championships and one European Championship by Ferretti team.
1996	Launch of Custom Line brand as an evolution of the Ferretti Flybridge line to produce fiberglass flybridge yachts in a larger size class.

HISTORY AND CORPORATE STRUCTURE

<u>Year</u>	<u>Event</u>
1998	Acquisition of the Pershing brand as a result of our acquisition of Cantieri Navali dell'Adriatico — CNA S.r.l.
1999	Acquisition of C.R.N. S.p.A., a shipyard based in Ancona specializing in manufacturing super yachts with steel and aluminum hulls.
2000	Acquisition of the famous Riva shipyard located in Sarnico on the Iseo lake.
2001	Acquisition of a shipyard in La Spezia where the new Riva production area would later be built.
2003	Acquisition of 60% of the share capital of Zago S.p.A., an Italian company specialized in manufacturing high-quality wooden furnishing and fittings.
2004	Acquisition of the Itama brand. Founding of a new company under the corporate name of Loppi S.r.l.
2005	Merger by incorporation into Loppi S.r.l. which changed its corporate name first to Ferretti S.r.l. and then to Ferretti S.p.A.
2008	Acquisition of Allied Marine Inc. in North America.
2012	Weichai Group acquired a 75% stake in FIH and Mr. Tan Xuguang became the Chairman of the Group.
2014	A new management team was appointed under the leadership of our Chief Executive Officer, Mr. Alberto Galassi.
2016	Our Group established the Ferretti Security Division to design, develop and manufacture models with features and mission profiles intended to meet specific security and patrolling needs, as well as those related to search and rescue missions.
2019	Our Group acquired 75% economic interest in the Wally trademark. Launch of the Wallytender 48 at the Cannes Yachting Festival — the first yacht produced under our newly acquired Wally brand.
2020-2021	Continue development of new models across all brands.

HISTORY AND CORPORATE STRUCTURE

CORPORATE DEVELOPMENTS

Incorporation of our Company

Our Company was incorporated in Italy under the laws of Italy as a limited liability company (“*società a responsabilità limitata*”) on July 16, 2004 under the name “Loppi S.r.l.” with authorized share capital of EUR10,000, and then converted into a joint stock company (“*società per azioni*”) on July 11, 2006.

Major changes in the shareholdings of our Company

After several rounds of changes in the shareholders of our Company, FIH became the sole shareholder of our Company on July 3, 2012. Immediately before that, the Company was wholly owned by Ferretti Holding S.p.A., where Ferretti Holding S.p.A. was owned as to approximately 80.9% by Yacht Participation S.p.A., a special purpose vehicle company controlled by the Ferretti family.

Motivated by the then government policies and national economic strategies encouraging the development of marine industry, Weichai Group actively sought for potential overseas acquisition targets from 2011 in order to enhance its manufacturing competitiveness and to make strategic investment in emerging industry. With the recommendation and introduction of financial consultants, Weichai Group looked into a couple of internationally renowned yacht companies, including the Company. In light of the Company’s leadership position in the global luxury yacht industry, Weichai Group, upon due diligence and thorough assessment, decided to acquire 75% equity interest of the Company at a consideration of €177.94 million through FIH. Immediately upon the completion of the acquisition on July 3, 2012, the Company became a direct wholly-owned subsidiary of FIH where Weichai Group indirectly held 75% equity interest of the Company through FIH, and the Ferretti family ceased to own any of the Company’s equity interest directly or indirectly. As at July 3, 2012, FIH was owned as to 75% by Weichai Group, 16.63% by Royal Bank of Scotland, 7.52% by a series of investment funds attributable to a group of funds managed by Strategic Value Partner, 0.83% by Contrarian Capital Management LLC and 0.02% by Butler. In 2016, F Investments acquired the shares of FIH from other shareholders. From 2016 to September 2019, FIH was owned as to 86.8% by Weichai Group, 13.2% by F Investments and 0.02% by Butler. F Investments is controlled by Mr. Piero Ferrari, a Director of our Company. See “Substantial Shareholders” and “Directors and Senior Management” for background of F Investments and Mr. Piero Ferrari. Butler is a private limited liability company incorporated in the United Kingdom, whose chairman is Mr. Walter Butler and whose ultimate beneficial owner is Butler Industries SA. Butler Industries SA is a global industrial investor founded by Mr. Walter Butler, a famous investor with profound experience in financial management and investment. As at

HISTORY AND CORPORATE STRUCTURE

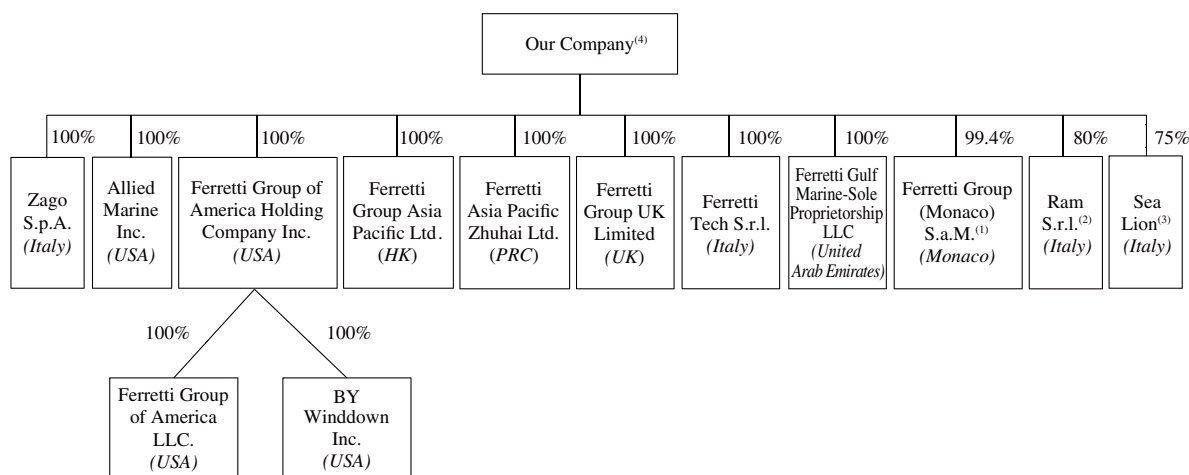
the Latest Practicable Date, FIH was a wholly-owned subsidiary of Weichai Group. Weichai Group is a wholly-owned subsidiary of SHIG, which is ultimately controlled by Shandong SASAC. See “Relationship with the Controlling Shareholders” and “Substantial Shareholders” for details.

On September 2, 2019, FIH transferred 23,725,086 Shares and 36,158 Shares from the total 180,239,156 Shares to F Investments and Butler, respectively, in consideration of cancelling the shares held by F Investments and Butler in FIH. Upon completion, our Company was owned directly as to 86.82% by FIH, 13.16% by F Investments and 0.02% by Butler, and F Investments and Butler ceased to hold any shares in FIH. Since then, Weichai Group has held the entire share capital in FIH.

On September 3, 2019, FIH extinguished its shareholder’s loan in the entire principal amount of €211,670,000 to our Company in exchange for 59,291,317 newly issued Shares at a price of €3.57 per Share. On the same date, F Investments and Adtech agreed to subscribe for 4,201,680 and 7,002,801 newly issued Shares at a price of €3.57 per Share, respectively. For details of the investment by Adtech, see “— Pre-IPO Investment”. Upon consummation of these transactions, FIH, F Investments, Bulter and Adtech held 215,769,229 Shares, 27,926,766 Shares, 36,158 Shares and 7,002,801 Shares, respectively, representing 86.055%, 11.138%, 0.014% and 2.793% in the total share capital of our Company.

OUR SUBSIDIARIES

As at the Latest Practicable Date, we had a total of 13 subsidiaries, of which 10 were wholly-owned subsidiaries. Our corporate structure is as follows:



HISTORY AND CORPORATE STRUCTURE

Notes:

- (1) The 0.6% minority interest in Ferretti Group (Monaco) S.a.M. is owned by Messrs. Giuliano Felten, Marco Piccinini and Stefano De Vivo, all of whom are directors of Ferretti Group (Monaco) S.a.M.
- (2) Mr. Anselmo Vigani, Ms. Liana Riva and Ms. Maria Pia Riva own 10%, 5% and 5% interests in Ram S.r.l., respectively, all of whom are Independent Third Parties.
- (3) The 25% minority interest in Sea Lion is owned by Mr. Luca Bassani Antivari, who is the chairman of Sea Lion.
- (4) Apart from the subsidiaries set out in the above corporate chart, our Company owned two wholly-owned subsidiaries in Italy, namely Michelini and CRN S.p.A., which were merged by incorporation into the Company with legal effect from December 31, 2021 and with effect for accounting and tax purposes from January 1, 2021.

For details of all of our subsidiaries as at the Latest Practicable Date, see “Appendix V — Statutory and General Information — Further Information about our Group — Subsidiaries” and Note 1 to “Appendix I — Accountants’ Report.”

PRIOR LISTING, PRIVATIZATION AND LISTING ATTEMPTS

Prior Listing on Borsa Italiana and Privatization

On June 23, 2000, following completion of an initial public offering on Borsa Italiana, the trading of our shares began at an offer price of €2.4657 per share and the then market capitalization was €383 million. Subsequently, in 2002, we were taken private by Permira, an experienced international investment firm, by a tender offer (the “**Privatization**”). The main reason for the Privatization was to pursue a growth program by means of investments, mergers and acquisitions, aimed at strengthening, *inter alia*, our Company’s international presence and, at the time, such program was believed to be more practically achievable by a company with a concentrated shareholding.

To the best knowledge and belief of our Directors, during the period when we were listed on Borsa Italiana and up to the Privatization, we had complied in all material aspects with the applicable requirements of the Italian securities laws and regulations as well as rules and regulations of Borsa Italiana.

Listing Attempts

In 2008, our Company attempted to execute a public offering in order to list the Shares once again on Borsa Italiana (the “**2008 Listing Attempt**”). On June 24, 2008, our Company submitted an application for authorization to publish a registration document to Consob. On the same date, our Company submitted an application for admission for listing of the Shares to Borsa Italiana.

HISTORY AND CORPORATE STRUCTURE

However, in view of the onset of the global financial crisis and the downturn of financial market in September 2008, our Company did not proceed with the 2008 Listing Attempt during the review process of Consob and Borsa Italiana in 2008.

On September 25, 2019, the Company submitted an application for admission for listing of the Shares to Borsa Italiana and applied to list the Shares on the Mercato Telematico Azionario, the Italian screen-based trading system managed by Borsa Italiana. On September 30, 2019, the Company submitted an application for authorization to publish a registration document to Consob (the “**2019 Listing Attempt**”, together with the 2008 Listing Attempt as the “**Listing Attempts**”). We had addressed all of the comments raised by Consob and Borsa Italiana in relation to the 2019 Listing Attempt, and obtained the listing approval. Our Company voluntarily withdrew the listing application in October 2019 after having successfully closed the order book, as the offering price was not considered in line with our Group’s results and growth potential.

To the best knowledge of our Directors, our Directors are not aware of any material adverse finding about our Group, nor are there any material adverse impacts of the Listing Attempts on our Company’s listing application in Hong Kong. Based on the due diligence steps undertaken by the Sole Sponsor and the information and representation given to the Sole Sponsor, nothing has come to the Sole Sponsor’s attention that could cast doubts on the Directors’ views set out above.

REASONS FOR LISTING IN HONG KONG

Our Company is seeking listing on the Stock Exchange based on the following reasons:

- firstly, we aim to become a real international company, leveraging one of the largest and most visible stock exchange markets in the world;
- secondly, we aim at further expanding our business worldwide, especially in the Asian market and we believe that being listed on the Stock Exchange can better support this strategy;
- thirdly, we aim to increase diversity of our investor base by opening up to a wide range of private and institutional international investors that operate in Hong Kong and have more liquidity in our Shares that will be traded on a reputable stock exchange; and
- finally, we wish to enhance our Company’s profile and reputation as well as visibility, and further improve our level of corporate governance and transparency.

HISTORY AND CORPORATE STRUCTURE

MAJOR ACQUISITIONS

Acquisition of 75% Interest in the Wally Trademark

On August 3, 2018, our Company, Munsmann S.à r.l. (“**Munsmann**”) and Mr. Luca Bassani Antivari (“**Mr. Bassani**”) entered into an agreement for the sale and purchase of the Wally trademark in a multi-step transaction (as subsequently amended on September 4, 2018, November 13, 2018 and April 5, 2019, the “**Wally Trademark Purchase Agreement**”). Pursuant to the Wally Trademark Purchase Agreement, among others, our Company agreed to purchase and Munsmann agreed to sell the Wally trademark at a consideration of €22 million. Mr. Bassani is the founder of the Wally brand, and currently serves as the chairman of Sea Lion.

At the time of entering into the Wally Trademark Purchase Agreement, Munsmann was in the process of attempting to acquire the Wally trademark from its previous owner, Wally Yacht SA, a Luxembourg company that was subject to bankruptcy proceedings under Luxembourg law. Pursuant to the Wally Trademark Purchase Agreement, (i) prior to the completion by Munsmann of its acquisition of the Wally trademark, Munsmann and Mr. Bassani would cause Wally S.A.M., the exclusive licensee of the Wally trademark, to sub-license the Wally trademark to a company controlled by us; and (ii) after Munsmann’s completion of this acquisition, Munsmann would transfer all of its rights in the Wally trademark and all of the other intellectual property rights owned by Wally S.A.M. to Sea Lion, our subsidiary which is owned as to 75% by us and 25% by Mr. Bassani.

On April 5, 2019, Sea Lion completed the acquisition of the Wally trademark and its associated intellectual property rights from Munsmann at a consideration of €22 million, which had acquired the same assets in the context of a Luxembourg bankruptcy proceeding pertaining to Wally Yachts S.A. On the same date, our Company entered into a license agreement with Sea Lion granting us the exclusive worldwide rights to the Wally brand and other intellectual property rights until April 5, 2069. As part of the acquisition, our Company made a shareholder loan to Sea Lion of €22 million secured by, *inter alia*: (a) a lien on the Wally trademark; and (b) the transfer of any indemnities potentially payable to Sea Lion by Munsmann and Mr. Bassani under the Wally Trademark Purchase Agreement.

The consideration of the acquisition of the Wally trademark was determined based on arm’s length negotiations among the parties, with reference to the valuation of the trademark prepared by an independent audit company. The trademark valuation was performed using the relief from royalty method (an income approach method), pursuant to which, an asset can be valued as the present value of the cost savings that originate from having the asset itself. The valuation was based on the following key assumptions: (a) the acquisition of the Wally trademark was an important opportunity for the Group to develop new products and enter new markets or niches

HISTORY AND CORPORATE STRUCTURE

where the Group was not present (mainly sailing, hi-tech outboard and inboard boats); (b) the Wally brand is well known in the nautical sector as a leader in the production of sailing and high-tech boats; (c) connection of the heritage of the Wally brand with the technical structure and production capacity of the Group would be a success factor; and (d) the Wally trademark was transacted in an open market between the buyer and the seller negotiating on arm's length basis. A market-based royalty rate was applied to the revenue stream attributable to the Wally trademark, on the basis of a business plan prepared by the management of the Company and the sum of all future cash flows determining the Wally trademark's fair value. The Group only acquired the Wally trademark as Wally Yachts S.A. was subject to a Luxembourg bankruptcy proceeding. The acquisition has been properly and legally completed and settled with all applicable regulatory approvals having been obtained. We believe that the acquisition of the Wally trademark could further improve our position in the motor and sailing yacht market thereby also enabling us to target the outboard and sailboat markets over time.

Acquisition of Michelini

On June 19, 2019, our Company entered into a framework agreement with Ms. Deborah Biasi, pursuant to which our Company agreed to purchase from Ms. Deborah Biasi the entire share capital of Michelini at a total consideration of €3,100,000 (the "**Michelini Acquisition**"). Michelini is a shipbuilding and ship repair company located adjacent to our existing La Spezia shipyard. To the best knowledge of our Directors, Ms. Deborah Biasi is an Independent Third Party.

Our Company satisfied the consideration of the Michelini Acquisition of €3,100,000 on October 13, 2020. The consideration of the Michelini Acquisition was determined based on arm's length negotiations between the parties, with reference to, among others, the existing debt of Michelini, the estimated value of the land in light of the real estate and yacht market. The Michelini Acquisition has been properly and legally completed and settled with all applicable regulatory approvals having been obtained. We are able to expand the production capacity of our La Spezia shipyard through the Michelini Acquisition, which in turn is expected to help us to increase our sales of Riva-branded yachts.

HISTORY AND CORPORATE STRUCTURE

PRE-IPO INVESTMENT

Overview

On September 3, 2019, Adtech entered into a pre-IPO investment agreement with our Company and FIH, pursuant to which, Adtech agreed to subscribe for newly-issued Shares (the “2019 Pre-IPO Investment”).

Number of Shares subscribed	7,002,801
Consideration	€25 million
Settlement date	September 12, 2019
Price per Share	€3.57
Premium over the Offer Price ⁽¹⁾	22.4%
Basis of determining the consideration	The basis of determination for the consideration for the 2019 Pre-IPO Investment was arm’s length negotiations among us, Adtech and FIH after taking into consideration of the business operations and future development of the Group and the issue price per Share of conversion of intercompany loan by FIH on the same date.
Use of proceeds	We utilized all of the proceeds in general working capital.
Strategic benefits	In addition to providing working capital for our Company’s continued growth, our Company could benefit from the Pre-IPO Investment as Adtech’s investment demonstrated its confidence in the operation of our Company and served as an endorsement of our Company’s performance, strengths and prospects.

The Shares held by Adtech are not subject to any lock-up period after the Listing. Adtech has not been granted any special rights by our Company. Pursuant to the terms and conditions of such pre-IPO investment agreement, Adtech is entitled to a tag-along right granted by FIH, and FIH is entitled to a right of first refusal and drag-along right granted by Adtech, and such rights will not lapse upon Listing. As such rights are private arrangements between our Shareholders, the survival of such rights after Listing does not contravene the Guidance Letter HKEX-GL43-12 issued by the Stock Exchange.

Note:

- (1) The premium over the Offer Price is calculated based on the assumption that the Offer Price is HK\$25.03 per Share (being the mid-point of the indicative Offer Price range of HK\$21.82 to HK\$28.24).

HISTORY AND CORPORATE STRUCTURE

Adtech

Adtech Advanced Technologies AG is a company organized and existing under the laws of Switzerland. The principal business of Adtech is to provide technical consultancy and engineering services of all kinds, in particular for new technologies in the field of aerospace and electronics. The founder of Adtech, the late Mr. Julius G. Kiss, had cooperated with Weichai Group for over 20 years and had invested in certain businesses/subsidiaries of Weichai Group, such as Weichai Power Co., Ltd., a company listed on the Stock Exchange and the Shenzhen Stock Exchange. Prior to the Company's 2019 Listing Attempt, Weichai Group introduced Adtech the opportunity to invest in the Company. As a recognition to Weichai Group's outstanding global industry consolidation experience and having confidence in the Company's future prospect, Adtech participated in the 2019 Pre-IPO Investment with the aim to enjoy investment returns in future. As at the Latest Practicable Date, the ultimate beneficial owner of Adtech is Stiftung Internationale Kooperations-Unterstützung IKU, a holding foundation established in 2007 under the laws of Switzerland, the funds of which were injected by Mr. Julius G. Kiss, controlled by its foundation board and the competent supervisory authority. The main purpose of Stiftung Internationale Kooperations-Unterstützung IKU is to preserve the management and control, support the business expansion of Adtech and its affiliated companies, support scientific research projects in the fields of activity of Adtech and its affiliated companies and the welfare of employees of Adtech and its affiliated companies in need of support and the welfare of relatives of such employees in emergency situations. Stiftung Internationale Kooperations-Unterstützung IKU is a holding foundation in Switzerland and does not have any ultimate beneficial owner pursuant to the laws of Switzerland.

Adtech is independent from the Group and our connected persons, and after Listing, the Shares held by it will be counted towards the public float of our Company.

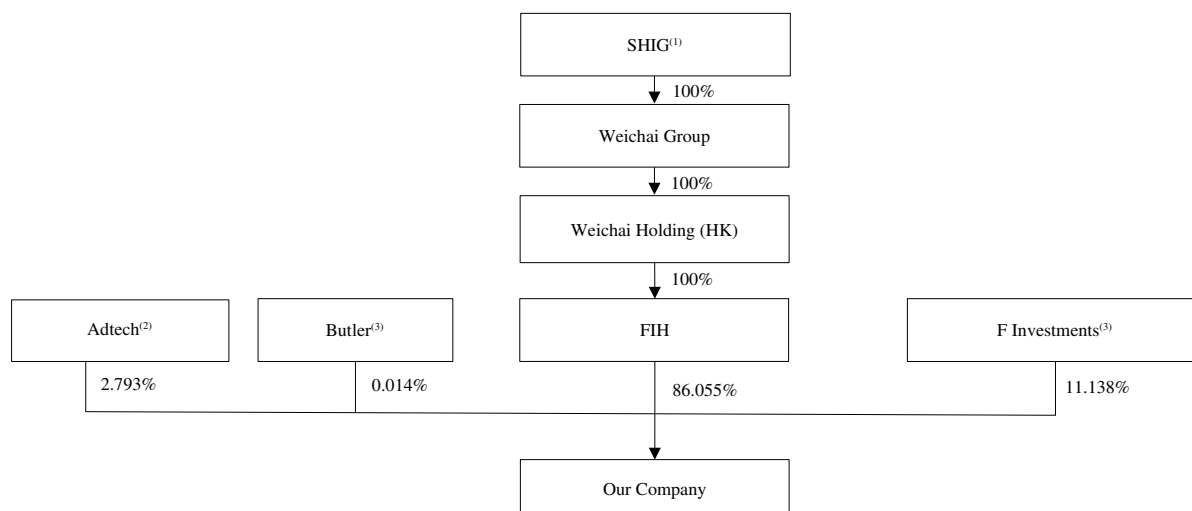
Confirmation of the Sole Sponsor

The Sole Sponsor has confirmed that the 2019 Pre-IPO Investment is in compliance with the Interim Guidance on Pre-IPO Investments issued by the Stock Exchange on January 2012, as updated in March 2017, the Guidance Letter HKEX-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017. The Guidance Letter HKEX-GL44-12 issued by the Stock Exchange in October 2012 and as updated in March 2017 is not applicable to the 2019 Pre-IPO Investment as no convertible instrument was issued.

HISTORY AND CORPORATE STRUCTURE

SHAREHOLDING STRUCTURE OF OUR COMPANY

Shareholding Structure Immediately Prior to the Global Offering

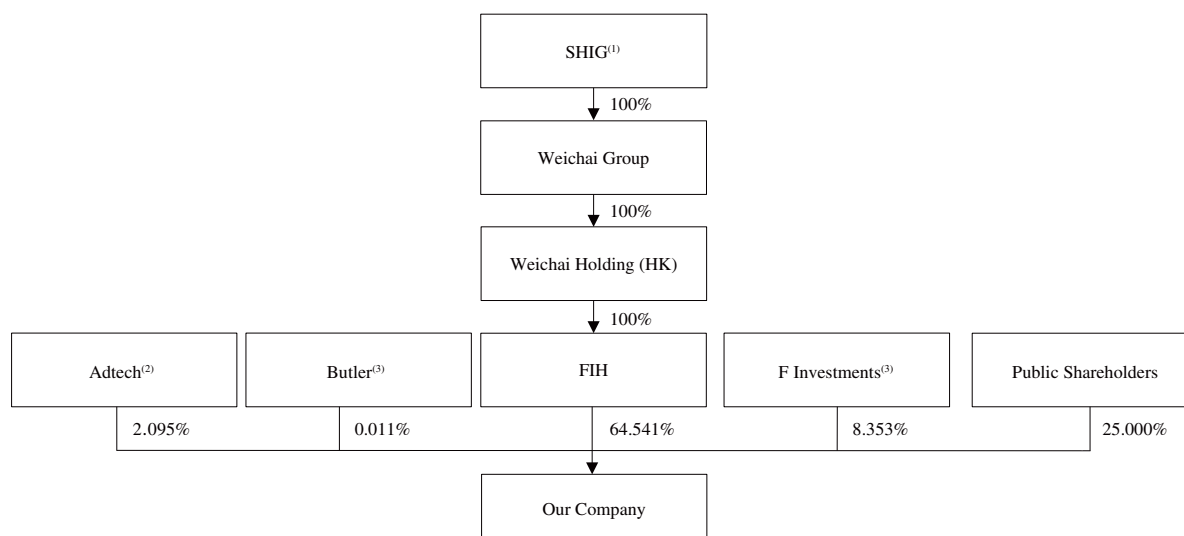


Notes:

- (1) SHIG's share capital is owned by Shandong SASAC (70%), Shandong Guohui Investment Co., Ltd. (20%, a company wholly owned by Shandong SASAC) and the Shandong Provincial Council for Social Security Fund (10%).
- (2) see "— Pre-IPO Investment".
- (3) see "— Corporate Developments — Major changes in the shareholdings of our Company".
- (4) the Shares held by Adtech and Butler will be counted into the public float of the Company immediately following completion of the Global Offering.

HISTORY AND CORPORATE STRUCTURE

Shareholding Structure Immediately Following the Completion of the Global Offering (Assuming the Over-allotment Option is Not Exercised)



Notes:

- (1) SHIG's share capital is owned by Shandong SASAC (70%), Shandong Guohui Investment Co., Ltd. (20%, a company wholly owned by Shandong SASAC) and the Shandong Provincial Council for Social Security Fund (10%).
- (2) see “— Pre-IPO Investment”.
- (3) see “— Corporate Developments — Major changes in the shareholdings of our Company”.
- (4) the Shares held by Adtech, Butler and other public Shareholders will be counted into the public float of the Company immediately following completion of the Global Offering.

OVERVIEW

We are an established leader in the global luxury yacht industry with a portfolio of iconic brands with a long heritage and outstanding high-end manufacturing capabilities. As one of the oldest Italian luxury yacht producers, we have 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 our business in 1968. Our 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. We design, produce and sell luxury composite yachts, made-to-measure yachts and super yachts from eight to 95 meters, offering the full spectrum of functionalities and an increasing range of ancillary services, catering to the personalized tastes and requirements of our clientele. With our market leadership, rich history and iconic brand portfolio, we are positioned as the trend-setter of the global luxury yachting industry and the ambassador of Italian nautical excellence to the world.

According to the Industry Consultant, throughout the Track Record Period, we consistently ranked among the top players worldwide in terms of value of production of inboard composite and made-to-measure yachts above 30 feet (approximately nine meters), consolidating our leading market share from approximately 10% in 2018 to 13% in 2021. Moreover, as a testament of our focus on higher value market segments, in 2021, our inboard composite yachts between 80 and 99 feet and inboard made-to-measure yachts of over 30 meters (approximately 100 feet) and up to 43 meters achieved higher market shares of approximately 20% and 24%, respectively.

Each of our brands is associated with exclusivity and differs in style and technical performance characteristics with distinctive features and precise identities. This iconic and complementary brand portfolio allows us to comprehensively cover the high-end luxury segments of our addressable market and targeted client profiles. Our multi-brand business model relies on independent teams dedicated to each brand that carry out product development, and formulate and manage sales and communication strategies to unlock the commercial potential of each brand, thus nurturing their unique identity. Meanwhile, we can benefit from enhanced operational efficiency from the centralized functions at the Group level, such as procurement and engineering. Such a competitive business model would enable us to safeguard and promote the distinctiveness of each brand, while ensuring the sharing of operational best practices across the Group, de-risking our business, and enabling fast reactions to any changes in customer tastes, preferences and behaviors.

Over the years, we have cultivated a premium and loyal clientele of highly sophisticated VHNWIs and UHNWIs, empowered by our effective sales model. We have established a sales presence in more than 70 countries and regions in EMEA, AMAS and APAC, enabling us to reach customers globally. In particular, we maintain our in-house sales team through a network of sales

BUSINESS

offices strategically located in (i) Milan, London, Monaco and Palma de Mallorca (covering the EMEA market); (ii) Fort Lauderdale, Palm Beach, Naples and Sag Harbor (covering the AMAS market); and (iii) Hong Kong and Shanghai (covering the APAC market). As of September 30, 2021, our sales network consisted of our in-house sales team comprising 96 employees, 52 dealers and more than 300 brokers. We pride ourselves in how we directly engage and serve our end customers with personalized product offerings and services, laying the foundations for long-lasting relationships and great customer satisfaction. Moreover, we believe that our dedicated brand promotion campaigns such as our participation in renowned boat shows, our branded lounges in exquisite locations in Italy, Monaco, Greece, Croatia, Spain and France, and our various sponsorship arrangements, have enhanced the high-end positioning of our brands. This helped us to grow our high-value clientele, cultivate an exclusive community of luxury yacht customers, and nurture a stronger sense of belonging.

We own and operate six shipyards, and a production plant for interior fittings and customized furnishings, all located at the heart of the world-famous Italian nautical district. This strategic choice allows us to continuously enhance our production process, while ensuring an uncompromised focus on product quality and technical performance by leveraging the proximity of our network of suppliers and contractors. We design and manufacture luxury interior fittings and customized furnishings for our yachts on a vertically integrated basis, as part of our ongoing efforts to meet the demands for high-end customization and to further increase our competitiveness. Each element inside our luxury yachts is carefully selected and tailor-made by professional nautical craftsmen, following techniques that were handed down over generations, blending tradition, modernity and our relentless dedication to customization. The attention we put to the design and to every single technical detail, we believe, is a core strength in delivering an item that is viewed as irreplaceable and unique. We also operate a refitting facility in Fort Lauderdale, with the view to further expanding the offering of our after-sales and refitting services and strengthening our positioning in the U.S. market. In addition, in order to reinforce a stable supply of high-quality key inputs, we are currently in the process of internalizing a strategic portion of our GRP and carbon-fiber hull production.

The comprehensive yachting ecosystem that we created, which encompasses luxury yachts and ancillary services, enables us to enhance customer satisfaction and loyalty. Our ancillary businesses provide synergies with our core business with an all-encapsulating portfolio, comprising: (i) yacht brokerage, chartering and management services; (ii) after-sales and refitting services; (iii) brand extension activities, such as our lifestyle merchandise collection; and (iv) manufacturing and installation of wooden furnishings for nautical interiors. In certain instances, we also offer trade-in opportunities to our customers as a complementary service and a lever to facilitate the sales of new yachts. In addition, we have tapped into the global coastal patrol and rescue vessel industry with the launch of FSD (Ferretti Security Division), our security vessel

BUSINESS

business division. By leveraging our accumulated know-how and resources and by exploiting already existing product platforms, we are well-positioned to seize the growing opportunities in this flourishing market.

As of December 31, 2018, 2019 and 2020 and September 30, 2020 and 2021, our order backlog was €708.5 million, €751.9 million, €691.6 million, €586.1 million and €984.0 million, respectively. Despite the short-term adverse impact of the COVID-19 lock-down restrictions in 2020, for the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2020 and 2021, we recorded a net revenue of €615.4 million, €649.3 million, €611.4 million, €399.6 million and €669.3 million, respectively; and a net profit of €30.7 million, €26.6 million, €22.0 million, €5.7 million and €32.1 million, respectively.

Our financial track record was underpinned by the substantial industrial and R&D investments that we have made ahead of the industry. The former provided the production capacity needed to sustain growth, while the latter was key to align our product offering to the emerging customer needs and market trends. Moreover, our past investments in model renovation and industrial facilities have given us an edge over our peers, representing a strong competitive advantage and a visible pillar to drive future growth. They have enabled our strong order intake of €821.8 million for the nine months ended September 30, 2021 and order backlog of €984.0 million as of September 30, 2021 (as compared to order intake of €325.1 million for the nine months ended September 30, 2020 and order backlog of €586.1 million as of September 30, 2020).

Moving forward, we intend to meet the evolving demands in the luxury yacht industry, especially towards larger and more profitable yachts. We will adjust our product mix to strengthen our market positioning while preserving the exclusivity of our brands with a relentless focus on quality and innovation. We aim to continue to further consolidate our leading position in EMEA, extend our presence in AMAS and fully unleash our potential in APAC, along with the Listing, thus strengthening our leadership in the global luxury yacht industry.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths are critical to our current success and crucial to our future growth:

We are an established leader in the global luxury yacht industry with a portfolio of iconic brands with a long heritage, positioning us as the industry trend-setter and ambassador of Italian nautical excellence to the world.

We are an established leader in the global luxury yacht industry. We design, produce and sell luxury composite yachts, made-to-measure-yachts and super yachts from approximately eight to 95 meters, offering the full spectrum of functionalities and an increasing range of ancillary services, catering to the personalized tastes and requirements of our clientele.

According to the Industry Consultant, throughout the Track Record Period, we consistently ranked among the top players worldwide in terms of value of production of inboard composite and made-to-measure yachts above 30 feet (approximately nine meters), consolidating our leading market share from approximately 10% in 2018 to approximately 13% in 2021. Moreover, as a testament of our focus on higher value market segments, in 2021, our inboard composite yachts between 80 and 99 feet and inboard made-to-measure yachts of over 30 meters (approximately 100 feet) and up to 43 meters achieved higher market shares of approximately 20% and 24%, respectively. In addition, we were among the top 10 industry players in terms of the number of super yachts sold in 2021, according to the Industry Consultant.

We are one of the oldest Italian luxury yacht producers in the world, with the establishment of our business dating back to 1968. We also possess a portfolio of iconic brands with a long heritage, globally recognized as symbols of luxury, exclusivity, Italian design, quality, craftsmanship, innovation and performance. Riva, the world's most iconic yacht brand, is a synonym with elegance, tradition and luxury, attributable to its 180-year-long history as well as its embodiment of the "Dolce Vita" lifestyle concept of the 1960s. Wally is considered a front-runner and pioneer in both motor and sailing yachting innovation with growing acceptance by younger generations. Our brand portfolio also comprises other long-standing brands, including Ferretti Yachts, our namesake brand that was established in 1968, as well as CRN, Itama, Pershing and Custom Line, which were founded in 1963, 1969, 1985 and in 1996, respectively. Leveraging our iconic brands, we have opened Riva and Pershing lounges and *privée* spaces in exquisite locations in Italy, Monaco, Greece, Croatia, Spain and France to cultivate a loyal customer following by providing a sense of exclusiveness and luxury. In addition, we have launched a lifestyle merchandise collection exclusively for our Riva brand, featuring high-quality and luxury clothing items, accessories, furnishings, and collectors' items that bring Riva's values to life for luxury yacht enthusiasts.

BUSINESS

We have been globally and consistently recognized for the strength of our brand value, our excellence in technical performance and the uniqueness and distinctiveness of our designs. Since 2015, we have received more than 80 awards from prestigious and well-known luxury lifestyle publishing companies. For example, in 2021, our Pershing 140 was awarded the “Design & Innovation Awards” by Boat International in the “*Best Naval Architecture category*”, and our Riva 88 Folgore received the same award in the “*Best New Series category*.” In 2020, our CL 106 was awarded the “World Superyachts Awards” by Boat International Media in the “*Best Semi-Displacement Motor Yacht 30m — 34.9m category*.” In 2019, our FY 720 was awarded the “World Yacht Trophies” by Yachts France in the “*Best Exterior Design Trophy 64—80 feet category*.” See “ — Awards and Recognitions” for more details.

With our market leadership, rich history and iconic brand portfolio, we are positioned as the trend-setter of the global luxury yachting industry and the ambassador of Italian nautical excellence to the world.

We offer a unique and complementary brand portfolio, enabling us to comprehensively cover the high-end luxury segments of our addressable market and targeted client profiles.

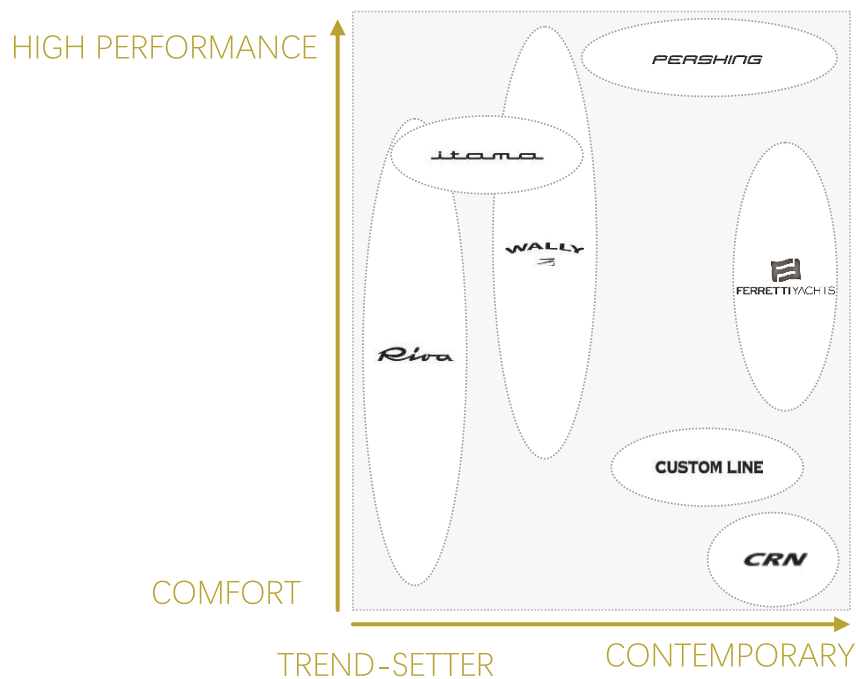
With our seven iconic, prestigious and heritage brands — Riva, Wally, Ferretti Yachts, Pershing, Itama, CRN and Custom Line — our portfolio is one of the most exclusive, and also the broadest and diversified in the global luxury yacht industry.

We design, produce, and sell composite yachts ranging from 27 to 100 feet, made-to-measure yachts ranging from 28 to 43 meters and alloy super yachts ranging from 39 to 95 meters. While historically we have mainly targeted the inboard motor yacht segment, we entered the fast-growing outboard motor and sailing yacht segments with the acquisition of Wally in 2019. As of the Latest Practicable Date, our composite and made-to-measure yacht portfolio comprised 45 models, which were differentiated by size, degree of customization, design and price positioning. Our super yacht offering features (i) fully-customizable yachts each of which is a one-off creation, designed and built to comply with the customer requirements for both exterior and interior designs; and (ii) branded super yacht flagship models with fully-customizable interiors, but reflecting the distinctive exterior design of the respective brands. Everything can be decided by our customers, which reveals their personalities, tastes and sense of elegance. As of the Latest Practicable Date, our super yacht product portfolio comprised two flagship models. In light of the superiority of our brands and the quality of our products, we benefit from a premium pricing strategy with the price range of composite yachts and made-to-measure yachts being €0.3 million to €10.0 million and €9.0 million to €22.0 million, respectively, as of the Latest Practicable Date.

BUSINESS

Each of our brands is associated with exclusivity and differs in style and technical performance characteristics with distinctive features and precise identities. With a relentless commitment to high performance, Riva perfectly combines contemporary and modern design elements with attention to details and the essence of taste. Wally matches the latest technology with contemporary design, constantly looking at ways of improving the on-the-water enjoyment with performance, comfort and style. Ferretti Yachts are characterized by luxurious cabins with spacious and elegantly designed interior layouts, making them suitable for family cruises. Pershing is associated with perfect lines and shapes coupled with supreme nautical engine power to guarantee the highest speed without sacrificing comfort. Itama is the leading brand for those looking for elegant open yachts featuring high performance. Custom Line and CRN are committed to meeting the demands for a high degree of customization or completely personalized yachts.

The diagram below illustrates the positioning of each of our brands:



By striking a balance across innovation, craftsmanship, performance and style, our differentiated brand portfolio covers the entire spectrum of the luxury yacht industry and enables us to appeal to a global and highly sophisticated clientele of VHNWIs and UHNWIs.

Our multi-brand business model relies on independent teams dedicated to each brand that carry out product development, and formulate and manage sales and communication strategies to unlock the commercial potential of each brand, thus nurturing their unique identity. Meanwhile, we can benefit from enhanced operational efficiency from the centralized functions at the Group level,

BUSINESS

such as procurement and engineering. Such a competitive business model would enable us to safeguard and promote the distinctiveness of each brand, while ensuring the sharing of operational best practices across the Group, de-risking our business, and enabling fast reactions to any changes in customer tastes, preferences and behaviors.

With our financial track record consistently outperforming the market, we are well-positioned to capture the opportunities arising in the sizable and fast-growing global yacht industry.

During the Track Record Period, we have achieved financial performance exceeding our annual target. As of December 31, 2018, 2019 and 2020 and September 30, 2020 and 2021, our order backlog was €708.5 million, €751.9 million, €691.6 million, €586.1 million and €984.0 million, respectively. Despite the short-term adverse impact of the COVID-19 lock-down restrictions in 2020, which resulted in the temporary and partial suspension of operations of our shipyards for two months, for the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2020 and 2021, we recorded a net revenue of €615.4 million, €649.3 million, €611.4 million, €399.6 million and €669.3 million, respectively, and a net profit of €30.7 million, €26.6 million, €22.0 million, €5.7 million and €32.1 million, respectively. Moreover, between 2016 and 2020, with our net revenue increasing at a CAGR of 5.2%, we have consistently outperformed the market and outpaced the growth rate of the global yacht industry (CAGR of 2.1%).

According to the Industry Consultant, the global yacht industry has seen a growth in terms of market size from 2016 to 2020, and the COVID-19 pandemic has to a certain extent changed the traditional customer perception and significantly increased the market desire for yachts, further stimulating industry growth. In pursuit of a lifestyle with a combination of both business and leisure, luxury yachts, which ensure privacy and security in terms of safety and possibility of social distancing, have become one of the best means and places for VHNWIs and UHNWIs. As a result, luxury yachting has demonstrated greater resilience under the COVID-19 pandemic than other luxury verticals. The global yacht industry is forecasted to continue to increase at a CAGR of 7.3% from €18.9 billion in 2020 to €26.8 billion in 2025, with a growth trend which is expected to become a “new normal” due to the structural and long-lasting changes in spending behaviors. Global VHNWI and UHNWI population grew from 4.4 million in 2016 to 7.0 million in 2020 and is expected to increase further at a CAGR of 10.2% from 2020 to 2025, reaching 11.4 million in 2025, according to the Industry Consultant.

As an established luxury leader with its growth already outpacing that of the global yacht industry itself, we are well-positioned to capitalize on the continuous expansion of the inboard yacht segment, our main reference market, while seizing growth opportunities in the fast-growing outboard and sailing yacht segments globally. According to the Industry Consultant, with a market

BUSINESS

size of €7.9 billion in 2020, the inboard yacht segment increased at a CAGR of 1.8% from 2016 to 2020 and is forecasted to grow further at a CAGR of 7.6% from 2020 to 2025, reaching €11.4 billion in 2025. With a market size of €8.6 billion in 2020, the outboard yacht segment increased at a CAGR of 2.6% from 2016 to 2020 and is forecasted to grow further at a CAGR of 6.1% from 2020 to 2025, reaching €11.5 billion in 2025. With a market size of €2.4 billion in 2020, the sailing yacht segment increased at a CAGR of 1.2% from 2016 to 2020 and is forecasted to grow further at a CAGR of 10.7% from 2020 to 2025, reaching €4.0 billion in 2025.

Our core market EMEA represented 53.4% of the global yacht industry in terms of total revenue in 2020, with the market growing at a CAGR of 1.2% from 2016 to 2020, which is expected to grow further at a CAGR of 6.3% from 2020 to 2025, reaching €13.7 billion in 2025, according to the Industry Consultant. While we continue to consolidate our leading position in EMEA, we are well-positioned to capture the significant opportunities in other major geographies around the world. According to the Industry Consultant, AMAS represented 27.0% of the global yacht industry in terms of total revenue in 2020, with the market growing at a CAGR of 2.9% from 2016 to 2020, which is expected to grow further at a CAGR of 8.0% from 2020 to 2025, reaching €7.5 billion in 2025. On the other hand, with a low level of penetration and favorable government policies in APAC, the development of our business benefits from the enormous growth potential of targeted clientele in this region. Notably, yacht ownership per thousand population is still very low compared to other regions (0.3 versus 15.3 in AMAS and 13.4 in Europe in 2020, according to the Industry Consultant). However, given the continuous increase of its VHNWI and UHNWI population (2020 to 2025 CAGR of 10.2%) and the development of port infrastructure, this market grew at a CAGR of 3.7% from 2016 to 2020, and is expected to further increase at a CAGR of 8.9% from 2020 to 2025, reaching €5.7 billion in 2025, according to Industry Consultant. Moreover, along with the rapidly increasing awareness and acceptance of yacht purchase, multiple APAC markets have recently issued a series of favorable policies supporting the development of the yacht industry. For example, major Chinese coastal regions such as Hainan, Shenzhen, Qingdao and the Guangdong-Hong Kong-Macau Greater Bay Area have promulgated favorable taxation, import and export policies and certain measures in an effort to provide better port infrastructure to facilitate the continuous growth of the industry. Specifically, Hainan has issued several yachting-friendly policies including reduction of the import tax on yachts and the development of distinctive and interconnected “yacht towns”, which have fueled the business of yacht dealers and are expected to drive market demand in the coming years. Hainan has also rolled out blueprints and guidance to promote infrastructure construction in the yacht industry. Hong Kong, one of the financial centers in APAC, boasting more than 200 islands and numerous seaports together with its comprehensive regulations on sales of yachts and a relatively mature second-hand yacht trading market, has introduced a streamlined entry policy for yachts with efforts exerted on the construction of public yacht marinas and ports, reducing berthing costs for yacht owners and tourists. See “Industry Overview — Overview of the Global Yacht Industry — Supportive policies presented by PRC government for yacht industry” for more details. Leveraging our strategic

BUSINESS

worldwide presence and resources provided by Weichai Group, one of our Controlling Shareholders, along with the Listing, we are in a strong position to address unmet market demand and achieve continuous growth in APAC.

Our financial track record was underpinned by the substantial industrial and R&D investments that we have made ahead of the industry. The former provided the production capacity needed to sustain growth, while the latter was key to align our product offering to the emerging customer needs and market trends. Moreover, our past investments in model renovation and industrial facilities have given us an edge over our peers, representing a strong competitive advantage and a visible pillar to drive future growth. They have enabled our strong order intake of €821.8 million for the nine months ended September 30, 2021 and order backlog of €984.0 million as of September 30, 2021 (as compared to order intake of €325.1 million for the nine months ended September 30, 2020 and order backlog of €586.1 million as of September 30, 2020).

In addition, we tapped into the global coastal patrol and rescue vessel industry with the launch of FSD (Ferretti Security Division), our security vessel business division, in February 2016. According to the Industry Consultant, market size of the coastal patrol and rescue vessel industry grew at a CAGR of 6.8% from 2016 to 2020 and is forecasted to further increase at a CAGR of 13.6% from €5.9 billion in 2020 to €11.2 billion in 2025. While we continue to secure new contracts, we are convinced that FSD has enabled and will continue to enable us to tactically capture the opportunities in this flourishing market, providing us with an additional high-margin revenue stream.

Our effective and diversified sales model supports us in building a strong order book, cultivating a premium and loyal clientele, featuring long-lasting relationships and great customer satisfaction.

We have premised our sales model upon: (i) maintaining a direct presence in strategic geographical markets; and (ii) maximizing our market coverage through a solid and extensive network of dealers and brokers. We have established a sales presence in more than 70 countries and regions in EMEA, AMAS and APAC, enabling us to reach customers globally. In particular, we maintain our in-house sales team through a network of sales offices strategically located in (i) Milan, London, Monaco and Palma de Mallorca (covering the EMEA market); (ii) Fort Lauderdale, Palm Beach, Naples and Sag Harbor (covering the AMAS market); and (iii) Hong Kong and Shanghai (covering the APAC market). As of September 30, 2021, our sales network consisted of our in-house sales team comprising 96 employees, 52 dealers and more than 300 brokers. While we mainly leverage our dealer network to sell yachts under 100 feet in size, our approach is focused on selling “through dealers,” not “to dealers” to closely monitor and control the sales process and minimize our exposure to unsold stock. On the other hand, the sale of yachts above 100 feet in size is strongly focused on a direct contact between us and end customers (or their

BUSINESS

representatives) typically introduced by brokers. We pride ourselves in how we directly engage and serve our end-customers with a personalized portfolio of product and services, laying the foundations for long-lasting relationships and great customer satisfaction.

Our effective sales model is evidenced by premium and loyal clientele of highly sophisticated VHNWIs and UHNWIs we cultivated over the years, including (i) business tycoons and global leaders in their areas of business, who decided to embrace the yachting lifestyle; (ii) celebrities who purchase the latest exclusive yacht, usually equipped with unique features, projecting a “sporty feeling;” (iii) enterprise owners who purchase yachts of unrivalled exclusivity to spend quality time onboard and avoid the spotlight; and (iv) collectors who are passionate connoisseurs of yachting who look for the uniqueness, tradition, exclusivity, history and value brand equity of a timeless yacht. Owing to our effective sales model and successful upselling strategy, we have achieved increasing revenue contribution from repeating customers. Specifically, approximately 42% of our net revenue between 2018 and 2020 was derived from repeating customers (namely those who already purchased a yacht from us in the past), compared to approximately 36% between 2015 and 2017. Meanwhile, the number of our repeating customers increased from 109 between 2015 and 2017 to 134 between 2018 and 2020.

In addition to our brand extension activities (mainly Riva and Pershing lounges and *privée* spaces as well as the Riva merchandizing line), we also use a wide range of marketing channels to promote our brands and products while improving customer engagement. For example, we participate in the world’s major boat shows every year (such as Cannes, Monaco, Fort Lauderdale and Düsseldorf) and we frequently organize exclusive invitation-only VIP events to mark product launches and important celebrations, including our private preview annually held in Monaco and our spectacular world premieres where we present new models to a group of hand-picked VIP guests. We enter into sponsorship arrangements with Italian luxury brands such as *Scuderia Ferrari* in Formula One Racing. We also distribute the *Protagonist*, our periodic magazine published in English, Italian and Chinese, to our customers around the world. Moreover, we provide information on our new models through the most popular third-party social media platforms such as Twitter, Facebook and WeChat. We believe such dedicated brand promotion campaigns have enhanced the high-end positioning of our brands, which helped us to grow our high-value clientele, cultivate an exclusive community of luxury yacht customers, and nurture a stronger sense of belonging.

Our outstanding high-end manufacturing capabilities and know-how, empowered by intelligent production facilities, secure the quality and competitiveness of our products.

Our outstanding high-end manufacturing capabilities and know-how ensure the reliability, craftsmanship, innovative design and customization of our products, providing luxury yachts that feature cutting-edge technology, superior aesthetics and unparalleled user experience.

BUSINESS

We have deep expertise in the design and production of luxury yachts, a process of extreme complexity involving thousands of parts, components and systems, and requiring sophisticated management of a network of hundreds of suppliers and contractors. We constantly ensure that our engineering, project management and manufacturing capabilities are aligned to guarantee the exceptional quality that distinguishes ourselves from the wider market. This, together with aesthetics and cruising comfort in luxury yachts, is a customer's ultimate pursuit of high-end luxury goods.

Each element inside our luxury yachts is carefully selected and tailor-made by professional nautical craftsmen, following techniques that were handed down over generations, blending tradition, modernity and our relentless dedication to customization. The attention we put to the design and to every single technical detail, we believe, is a core strength in delivering an item that is viewed as irreplaceable and unique.

Our high-end manufacturing capabilities are supported by our six shipyards strategically positioned at the heart of the world-famous Italian nautical district, which enables us to leverage and benefit from its world-renowned nautical craftsmanship, while maintaining the proximity to our network of suppliers and contractors. See “— Production — Production Facilities.” During the Track Record Period, we strategically made significant investments ahead of the industry to modernize our shipyards and increase their total indoor areas by approximately 20% compared to that as of December 31, 2016. For example, we have recently both refurbished and expanded the La Spezia, Ancona, Forlì and Mondolfo shipyards by adding new hangars and working stations.

We have further optimized our manufacturing workflows through the rationalization of our production processes and the digitalization of logistic flows to improve our efficiency and keep our work-in-progress at the lowest possible level, while also reducing inventory levels and improving quality control.

We carefully monitor and efficiently manage inherent risks associated with our production cycle. Taking into consideration of yacht purchasing habits in AMAS and APAC, and pursuant to our de-risked production planning, in the absence of a confirmed customer order, we only start production of a new composite yacht after a stringent internal approval and authorization process. A highly disciplined and systematic market analysis on the stock of similar boats is conducted every 15 days, minimizing production risks and preserving working capital. For made-to-measure yachts and super yachts, we only launch the production process after we have a sales contract in place.

BUSINESS

We put a great emphasis on quality control to ensure the quality and reliability of our products. Each yacht, during its production cycle, undergoes more than 1,000 quality assessments. We have implemented an online quality control system across all our shipyards where our employees are able to remotely and conveniently monitor the production cycle. We also have a designated quality assurance team responsible for monitoring the whole production process, identifying potential areas for improvement and taking actions for continuous optimization.

In addition to our six shipyards, we also operate a production plant for luxury interior fittings and customized furnishings in Italy. As part of our ongoing efforts to meet the demands for high-end customization and to further increase our competitiveness, we design and manufacture luxury interior fittings and customized furnishings for our yachts on a vertically integrated basis. Owing to such dedication and top-notch capabilities and craftsmanship in manufacturing our yachts, we have been able to consistently deliver high quality composite yachts and made-to-measure yachts in a timely manner; while nearly all aspects of our super yachts can be customized and tailored to the specific needs, preferences and tastes of individual customers.

We invest substantial resources in research and development, thus fueling outstanding yacht performance and being constantly at the forefront of industry innovation.

We place great emphasis on research and development and have established a highly structured product development process, supported by our talented research and development team. For the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021, we incurred research and development expenses of €24.6 million, €33.6 million, €35.4 million and €20.7 million, respectively, representing 4.0%, 5.2%, 5.8% and 3.1% of our net revenue for the same periods, respectively.

Leveraging our substantial research and development investments, we have been continuously renewing and broadening our product portfolio with technological and design innovation, which have enabled us to stay abreast of the rapidly evolving preferences and expectations of our clientele. During the Track Record Period, we launched 28 new models, meaning that over 60% of our total product portfolio (comprising 46 models as of September 30, 2021) is less than four years old. These new models in the aggregate contributed to approximately 53% of our order backlog as of September 30, 2021. Owing to our focus on renewing our product portfolio, we lowered the average age of our models from approximately 5.6 years in 2016 to 3.7 years in 2020 (without taking into consideration our Wally models and super yacht flagship models which were launched in 2019).

BUSINESS

We are also committed to technological innovation in terms of performance, reliability and comfort, while striving to further develop green technologies towards low emission and mitigating our environmental impact. In recent years, we have deepened our collaborations with suppliers and contractors and led the co-development of multiple proprietary technologies, solutions and applications, such as our Joystick Yacht Control which eases navigation and docking maneuvers (especially at high speed) through synchronizing propeller movements, and Carbon Fiber + Epoxy materials which allow a 30% weight reduction compared to an equivalent model built with traditional materials. We also plan to introduce several innovative technologies, solutions and applications in 2022, such as the Autonomous Docking System which will be our first self-docking system and the Anti-Grounding Navigation Aid System which helps avoiding collisions due to shallow water or obstacles. In addition, we have established a strategic partnership with Rolls Royce (one of the main propulsion providers in the yachting industry) for jointly developing sustainable solutions, including the installation of MTU hybrid propulsion systems in our yachts.

We have created an all-encompassing ecosystem with our ancillary services, which drives profitable growth and enhances overall business resilience.

Our ancillary businesses provide synergies with our core business with an all-encapsulating portfolio, comprising: (i) yacht brokerage, chartering and management services; (ii) after-sales and refitting services; (iii) brand extension activities, such as our lifestyle merchandise collection; and (iv) manufacturing and installation of wooden furnishings for nautical interiors. In certain instances, we also offer trade-in opportunities to our customers as a complementary service and a lever to facilitate the sales of new yachts.

With these businesses, we have created a comprehensive yachting ecosystem centered around the ownership of luxury yachts, encompassing the sales of yachts and the provision of our all-encapsulating portfolio of ancillary services that offer one-stop solutions to yachts purchasers. Such an ecosystem enables us to enhance customer satisfaction and loyalty, provides us with real-time information flow about market trends and customer preferences, and allows us a direct role in all phases of the yachting “customer journey.” In addition, our ancillary businesses are visible and recurring revenue streams with high profitability margins and stable cash flows, driving our profitable growth and increasing our overall business resilience.

Our highly committed and passionate senior management team, together with our knowledgeable Shareholders, provide us with a complementary mix of experience, supporting and safeguarding our long-term success and sustainable development.

Our experienced and passionate senior management team is led by Alberto Galassi, our Chief Executive Officer, who has demonstrated a proven track record of delivering consistent growth and efficient execution capabilities. Our senior management team possesses an average of more than 20

BUSINESS

years of industry-related, luxury or professional management experience. See “Directors and Senior Management” for their biographies. During the past few years, with a strong sense of determination, our senior management has comprehensively revamped and overhauled our business model and commercial strategy and introduced advanced manufacturing philosophy and industrial infrastructures to enhance production efficiency across our brands, which have enabled us to achieve strong operating and financial performance, driving our continuous long-term strategic success. Such experience and depth of industry knowledge allowed our management to have the vision to look for future brand portfolio opportunities, including the acquisition of the Wally brand.

We have received strong support from our Shareholders. Our key Shareholders comprise Weichai Group and F Investments (the investment platform of the Ferrari family). Weichai Group is a globally recognized international equipment manufacturing group with operations in the powertrain, business vehicle, construction machinery, intelligent logistics, agricultural machinery, marine transportation equipment and other business segments, with a number of subsidiaries listed on stock exchanges around the world. As a Shareholder with global industry consolidation experience, Weichai Group provides us with complementary and synergistic resources, laying a solid foundation for our continuous growth. In addition, we draw on Weichai Group’s industry consolidation experience and expertise in high-end manufacturing and digital transformation in formulating and implementing our production upgrade and optimization strategies. The support of Weichai Group also allowed us to have better insights and strategic vision to expand our footprint in APAC, under which regard the Listing can be considered as a further step forward. Moreover, we believe Weichai Group’s strategic planning, technology and talent pool as well as rich industrial resources and credibility globally provide us significant opportunities in capturing APAC market’s growth potential. F Investments is controlled by Mr. Piero Ferrari, who is the vice chairman of the Ferrari S.p.A., one of the world’s leading high-performance luxury sports carmakers. Mr. Piero Ferrari is also the vice chairman of our Board and a member of our Strategic Product Committee. Mr. Piero Ferrari, with his extensive experience in the luxury sector and the influence of the Ferrari family business, also takes an active role in defining our overall business strategy and fostering our product innovation.

OUR STRATEGIES

The strong growth dynamics of the yachting sector are being consolidated over the recent months, fostered by the growth of the VHNWI and UHNWI clientele in terms of both number and wealth, especially in APAC. In this context, we believe that we will continue to benefit from the unique characteristics of our business model with the high-end positioning of our brands, our unparalleled focus on product excellence and innovation, our tailored approach for cultivating an exclusive community of luxury customers, and our distinctive sales model.

BUSINESS

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

We will consolidate our market leadership position with composite and made-to-measure yachts.

We will continue to adjust our product mix in anticipation of evolving market trends and customer expectations, with the view to consolidating our market leadership position across geographies. In order to do so, we will keep investing in research and development to launch an average of more than seven new models every year. This is a continuation of the investment in research and development of €98.2 million made during the Track Record Period to upgrade existing models and launch new ones, strengthening our market positioning. In particular, we plan to strengthen the attractiveness of our offering of larger yachts (over 80 feet) with composite hulls, by leveraging collaborations with “archistar” designers and introducing eight new compelling models that are expected to feature innovative materials and cutting-edge technologies by the end of 2023 (more than 50% of our total launches in pipeline). Meanwhile, we plan to increase our presence in outboard and sailing segments, and further broaden our product portfolio, leveraging Wally brand heritage. In this way, we will be able to fully exploit the opportunities emerging from these segments, such as higher forecasted growth and profitability.

We will also carefully explore and evaluate opportunities to acquire yacht brands with promising growth potential, which will allow us to increase our market share, increase our presence in market segments and niches that are not yet fully covered by our product offering, and bring in-house additional expertise and know-how.

We will develop new flagship models of super yachts.

With the aim of catering to the largest number of potential customers across their entire “journey” into luxury yachting, while maintaining our distinctive signature of exclusivity and fulfilling the market requirements for greater customization, we intend to develop new super yacht lines with alloy hulls under our iconic Riva, Wally, Pershing, and Custom Line brands to cover the market demand for higher-footage branded yachts, by leveraging the extensive know-how and experience accumulated with CRN and the recent successes of Pershing 140 and Riva 50 Metri. By doing so, we can complement our existing product portfolio with compelling models, cater to a more-demanding clientele and reach new yachting enthusiasts to fully exploit market opportunities characterized by high profitability and growth. To this end, we plan to acquire and refurbish a production facility located in Italy that will be dedicated to such flagship super yachts. We also

BUSINESS

expect to increase the weight of larger and more expensive yachts in our portfolio mix through the reinforcement of our global network of brokers and through potential acquisitions if promising opportunities arise.

We will vertically integrate strategic and high value-adding activities.

Pursuing our goal to ensure the uncompromised excellence in the luxurious design, performance, quality and reliability of our yachts, we will keep investing in the internalization of high value-adding activities to support our future growth and product portfolio expansion. For instance, we are currently in the process of internalizing a strategic portion of our GRP and carbon-fiber hull production, and we are considering to expand our production plant for interior fittings and customized furnishings. Moreover, we plan to acquire a production facility for sailing yachts located in Italy to support our growth in the promising sailing segment. In addition, we plan to acquire four to five suppliers of key production inputs including hulls and superstructures, kinematics components and interior furnishings. These initiatives will allow us to reinforce and increase our control on supply chain processes reducing risks linked to the high-fragmentated supplier base, and improve our marginality by targeting margin-accretive mergers and acquisitions with targets featuring high profitability and low working capital requirements.

We will enhance our unique portfolio of ancillary services.

In order to enhance the comprehensiveness of our value proposition to our customers and our overall business resilience, we will expand and strengthen our presence in the most promising ancillary service verticals characterized by high profitability and recurring revenue streams. For instance:

- ***Yacht brokerage, chartering and management services:*** We are already engaged in such businesses in the United States. We intend to expand this business line by complementing our offering with additional services and by acquiring a leading global brokerage house in Europe. See “Future Plans and Use of Proceeds.” This will not only increase our direct contact with high-end customers and support us to timely detect latest trends and shifts in purchasing drivers, but also unleash an effective and continuous expansion of our product offering, bringing novelties to our customers.
- ***After-sales and refitting services:*** We will continue to expand our current after-sales and refitting service offering (such as ordinary and extraordinary maintenance, renovation and upgrade of the yachts), which will allow us to reach new potential customers, while also strengthening overall engagement, and to collect information on yacht utilization and components performance. As part of this initiative, leveraging our recent opening of a refitting facility in Fort Lauderdale, we plan to reinforce our presence in the United

BUSINESS

States by complementing traditional services with more tailored ones to suit specific needs and requirements. Furthermore, given the importance of the EMEA market, we are also proactively seeking acquisition opportunities to satisfy the demand for refitting services in the region. In particular, we intend to acquire and expand a large-sized company operating a number of refitting facilities in the northern Mediterranean area with a focus on repairing, restoring, renewing and renovating luxury yachts.

We will continue our investments in green technologies.

By giving high regard to environmental protection and to minimizing our carbon footprint, we will strengthen our commitment in projects focusing on sustainability and innovation. We will keep working on green initiatives, expanding the usage of renewable energy across our shipyards, investing in research and development to identify innovative, light and environmental-friendly materials, and promoting alternative hybrid and electric propulsion systems for our yachts. To this end, we will capitalize on the know-how and experience accumulated through the use of lighter materials (such as Carbon Fiber + Epoxy materials) with our Pershing X-line models (namely, Pershing 5X, Pershing 6X, Pershing 7X, Pershing 8X and Pershing 9X) and Wally outboard models, and through hybrid propulsion with FSD N800, our innovative FSD model. We will also continue to work on forefront technologies through partnerships with leading third-party manufacturers (such as Rolls Royce) and with Weichai Group, one of our Controlling Shareholders.

OUR BUSINESS MODEL

We are an established leader in the global luxury yacht industry. We design, produce and sell a broad and diverse range of luxury yachts with a complementary portfolio of seven iconic brands with a long heritage — Riva, Wally, Ferretti Yachts, Pershing, Itama, CRN and Custom Line. See “— Our Products and Brands.”

We divide our products into three categories, namely, (i) composite yachts, (ii) made-to-measure yachts and (iii) super yachts. The key differences among them relate to size, material used for hulls, degree of customization, mode of construction and required lead time. We manage and report our results of operations across these three categories for the purpose of allocation of our resources and assessment of our performance.

To a lesser extent, we engage in ancillary businesses that provide synergies with our core business with an all-encapsulating portfolio, comprising: (i) yacht brokerage, chartering and management services; (ii) after-sales and refitting services; (iii) brand extension activities, such as our lifestyle merchandise collection; and (iv) manufacturing and installation of wooden furnishings for nautical interiors. In certain instances, we are also engaged in the trading of pre-owned yachts,

BUSINESS

offering trade-in opportunities to our customers as a complementary service and a lever to facilitate the sales of new yachts. In addition, we have tapped into the global coastal patrol and rescue vessel industry with the launch of FSD (Ferretti Security Division), our security vessel business division. See “— Other Businesses.”

With our ancillary businesses, we have created a comprehensive yachting ecosystem encompassing luxury yachts and ancillary services, which enables us to enhance customer satisfaction and loyalty.

The table below sets forth our net revenue by business lines during the Track Record Period:

	Year ended December 31,						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	<i>(Euro in thousands, except percentages)</i>									
	<i>(Unaudited)</i>									
Composite yachts.	264,257	42.9%	321,368	49.5%	298,368	48.8%	205,394	51.4%	351,017	52.4%
Made-to-measure yachts.	233,233	37.9%	195,386	30.1%	168,506	27.6%	108,169	27.1%	187,360	28.0%
Super yachts	44,286	7.2%	56,674	8.7%	63,742	10.4%	22,056	5.5%	56,210	8.4%
Other businesses										
Yacht brokerage, chartering and management services	7,071	1.1%	6,333	1.0%	5,932	1.0%	3,671	0.9%	10,283	1.5%
After-sales and refitting services and brand extension activities	5,808	0.9%	5,220	0.8%	6,051	1.0%	5,911	1.5%	6,997	1.0%
Manufacturing and installation of wooden furnishings for nautical interiors	14,534	2.4%	12,229	1.9%	10,231	1.7%	6,671	1.7%	10,908	1.6%
Trading of pre-owned yachts	37,485	6.1%	42,680	6.6%	39,451	6.5%	36,881	9.2%	36,345	5.4%
FSD.	2,708	0.4%	9,361	1.4%	19,074	3.1%	10,880	2.7%	8,356	1.2%
Others.	6,030	1.0%	—	—	—	—	—	—	1,791	0.3%
	73,636	12.0%	75,823	11.7%	80,739	13.2%	64,014	16.0%	74,680	11.2%
Total	615,412	100.0%	649,251	100.0%	611,355	100.0%	399,633	100.0%	669,267	100.0%

BUSINESS

We have established a sales presence in more than 70 countries and regions in EMEA, AMAS and APAC, enabling us to reach customers globally. The table below sets forth our net revenue by geographic regions during the Track Record Period:

	Year ended December 31,						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	<i>(Euro in thousands, except percentages)</i>									
	(Unaudited)									
EMEA	272,051	44.2%	287,939	44.3%	254,027	41.6%	153,756	38.5%	268,388	40.1%
APAC	89,087	14.5%	51,520	7.9%	62,925	10.3%	38,879	9.7%	34,544	5.2%
AMAS	136,352	22.1%	177,295	27.3%	149,922	24.5%	120,928	30.3%	235,445	35.2%
Global ⁽¹⁾	44,286	7.2%	56,674	8.7%	63,742	10.4%	22,056	5.5%	56,210	8.4%
Other businesses ⁽²⁾	73,636	12.0%	75,823	11.8%	80,739	13.2%	64,014	16.0%	74,680	11.1%
Total	615,412	100.0%	649,251	100.0%	611,355	100.0%	399,633	100.0%	669,267	100.0%

Notes:

- (1) Representing revenue attributable to super yachts not allocable to an individual country because, for example, the customer’s country of residence is different from the vessel’s country of registration.
- (2) Mainly comprising revenue from ancillary businesses (including trading of pre-owned yachts) and the FSD business.

OUR PRODUCTS AND BRANDS

Our Product Portfolio

We design, produce and sell a broad and diverse range of luxury yachts. We divide our products into three categories, namely, (i) composite yachts, (ii) made-to-measure yachts and (iii) super yachts. The key differences among them relate to size, material used for hulls, degree of customization, mode of construction and required lead time.

- **Composite yachts:** Our composite yacht portfolio comprises models from 27 to 100 feet. Models are characterized by fiberglass hulls with a pre-defined set of accessories, materials and interior decorative elements available for customization. Given their intrinsic features, composite yachts follow our “one-piece flow” production process (see “— Production”) and have the shortest lead times among the three categories. As of the Latest Practicable Date, our composite yacht product portfolio comprised 35 models. For the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2020 and 2021, our sales of composite yachts amounted to €264.3

BUSINESS

million, €321.4 million, €298.4 million, €205.4 million and €351.0 million, respectively, accounting for 42.9%, 49.5%, 48.8%, 51.4% and 52.4% of our net revenue for the same periods, respectively.

- **Made-to-measure yachts:** Our made-to-measure yachts range from 28 to 43 meters and they also have fiberglass hulls. Compared to composite models, the degree of customization is substantially higher: the interior layouts, furnishings and fittings can be almost completely adapted to match customer requirements, while still maintaining cost advantages associated with our production cycle (based on molds) similar to that of composite yachts (see “— Production”). As of the Latest Practicable Date, our made-to-measure yacht product portfolio comprised 10 models. For the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2020 and 2021, our sales of made-to-measure yachts amounted to €233.2 million, €195.4 million, €168.5 million, €108.2 million and €187.4 million, respectively, accounting for 37.9%, 30.1%, 27.6%, 27.1% and 28.0% of our net revenue for the same periods, respectively.
- **Super yachts:** Our super yacht offering features alloy-hulled yachts ranging from 39 to 95 meters, comprising (i) fully-customizable yachts each of which is a one-off creation, designed and built to comply with the customer requirements for both exterior and interior designs; and (ii) branded super yacht flagship models with fully-customizable interiors, but reflecting the distinctive exterior design of the respective brands. Given their distinctive nature, the production process takes longer and strictly depends on the design complexity (see “— Production”). As of the Latest Practicable Date, our super yacht product portfolio comprised two flagship models. For the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2020 and 2021, our sales of super yachts amounted to €44.3 million, €56.7 million, €63.7 million, €22.1 million and €56.2 million, respectively, accounting for 7.2%, 8.7%, 10.4%, 5.5% and 8.4% of our net revenue for the same periods, respectively.

The table below summarizes our product portfolio as of the Latest Practicable Date:

Brand	Product type	Models	Size Range	Price Range
Composite yachts				
Ferretti Yachts	Flybridge	8	50-100 feet	€0.9 million-€10.0 million
Pershing	Coupé, Sportfly	6	50-100 feet	€1.0 million-€7.5 million
Itama	Open	3	40-80 feet	€0.6 million-€3.6 million
Riva	Open, Flybridge, Sportfly	12	27-94 feet	€0.3 million-€7.5 million
Wally	Open, Coupé, Crossover	6	40-90 feet	€0.7 million-€8.5 million
Total		35		

BUSINESS

Brand	Product type	Models	Size Range	Price Range
Made-to-measure yachts				
Custom Line	Flybridge, Navetta (Planing/ Semi-displacement)	7	28-43 meters	€9.0 million-€22.0 million
Riva	Flybridge	3	28-34 meters	€9.0 million-€18.5 million
Total		<u>10</u>		
Super yachts				
Riva	Motor yacht	1	50-95 meters	From approximately €30.0 million
Pershing	Motor yacht	1	43 meters	From approximately €25.0 million
CRN	Motor yacht	— ⁽¹⁾	39-95 meters	From approximately €30.0 million
Wally ⁽²⁾	—	— ⁽¹⁾	30-45 meters	From approximately €10.0 million
Total		<u>2</u>		

Notes:

(1) Featuring fully-customizable yachts each of which is a one-off creation, designed and built to comply with the customer requirements for both exterior and interior designs.

(2) In 2021, we complemented our offering with Wally sailing super yachts. Since this product line is in its launching phase, the associated order intake and revenue in 2021 are included under “other businesses.”

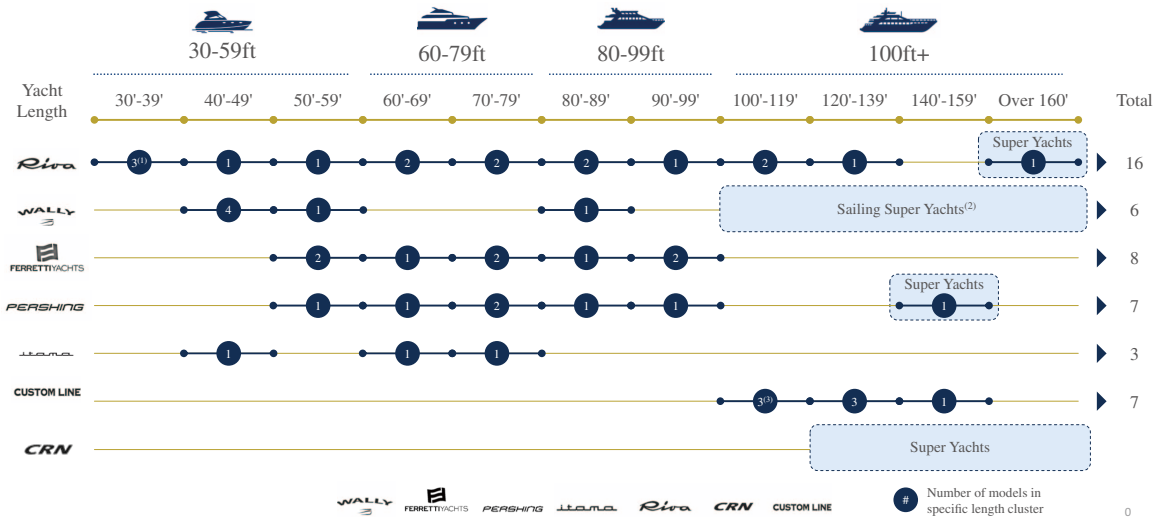
The table below summarizes the different types of yachts in our composite and made-to-measure product portfolio:

Type	Main features	Typical uses	Brand
Open	An open motor yacht manufactured to exploit outdoor environment.	Daily activity	Itama, Riva, Wally
Coupè	A closed motor yacht with a powerful motor having its primary focus on speed and high performance.	Short or medium cruises	Pershing, Wally
Flybridge	A closed motor yacht with an additional bridge and helm station over the main superstructure.	Medium or long stays and cruises	Ferretti Yachts, Riva, Custom Line

BUSINESS

Type	Main features	Typical uses	Brand
<i>Sportfly</i>	A hybrid of the coupé and flybridge types combining high performance with greater attention to comfort.	Medium or long stays and cruises	Pershing, Riva
<i>Navetta</i>	A spacious, comfortable motor yacht designed for long stays. Stable in all sea conditions but relatively slow cruising speeds.	Long cruises	Custom Line (<i>Navetta</i> models)
<i>Crossover</i>	A hybrid of the flybridge and navetta types combining high performance, high volume and greater attention to comfort onboard.	Medium or long stays and cruises	Wally (<i>WHY</i> models)

The diagram below illustrates the total number of models in our yacht product portfolio by brand and vessel size:



Notes:

- (1) Including Iseo which is 27 feet in length.
- (2) In 2021, we complemented our offering with Wally sailing super yachts. Since this product line is in its launching phase, the associated order intake and revenue in 2021 are included under “other businesses.”
- (3) Including Navetta 30 which is 93 feet 3 inches in length.

BUSINESS

We define “order intake” as the total amount of new orders signed, net of commissions, for new vessels. The table below sets forth a breakdown of our order intake for the periods indicated:

Order intake	For the year ended December 31,			For the nine months ended September 30,	
	2018	2019	2020	2020	2021
	<i>(Euro in thousands)</i>				
Composite yachts	262,739	326,252	315,746	215,908	492,710
Made-to-measure					
yachts	255,496	211,132	155,561	84,425	232,020
Super yachts	55,889	107,681	68,433	24,733	82,255
Other businesses	—	49,436	2,023	—	14,850
Total	574,124	694,502	541,764	325,067	821,836

We define “order backlog” as the total amount of existing orders, net of commissions, for new vessels not yet delivered to customers. As of December 31, 2021, our total order backlog was €1,015.8 million. The table below sets forth a breakdown of our order backlog as of the dates indicated:

Order backlog	As of December 31,			As of September 30,	
	2018	2019	2020	2020	2021
	<i>(Euro in thousands)</i>				
Composite yachts	185,000	178,467	207,244	161,739	377,582
Made-to-measure					
yachts	278,581	319,440	220,996	204,873	277,294
Super yachts	244,948	209,035	216,085	171,885	271,340
Other businesses	—	44,936	47,293	47,603	57,780
Total	708,528	751,878	691,618	586,100	983,996

BUSINESS

The table below sets forth a breakdown of our order backlog in terms of number of vessels as of the dates indicated:

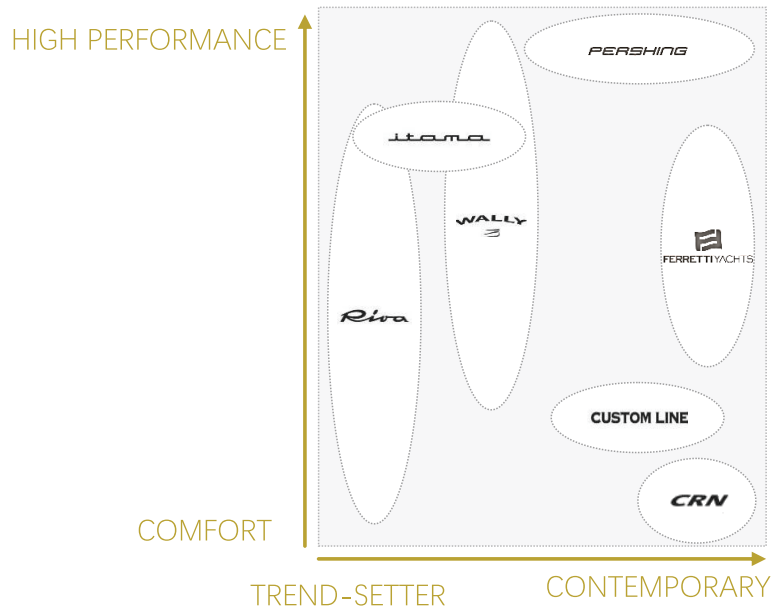
Order backlog	As of December 31,			As of September 30,	
	2018	2019	2020	2020	2021
Composite yachts	77	67	93	67	136
Made-to-measure yachts	29	32	22	21	28
Super yachts	6	5	5	4	6
Other businesses	—	2	18	18	16
Total	112	106	138	110	186

Our Brand Portfolio

Our unique and comprehensive portfolio comprises seven iconic, prestigious and heritage brands globally recognized as symbols of luxury, exclusivity, Italian design, quality, craftsmanship, innovation and performance. Each of our brands is associated with exclusivity and differs in style and technical performance characteristics with distinctive features and precise identities. Riva is a synonym with elegance, tradition and luxury, attributable to its 180-year-long history as well as its embodiment of the “Dolce Vita” lifestyle concept of the 1960s. With a relentless commitment to high performance, Riva perfectly combines contemporary and modern design elements with attention to details and the essence of taste. Wally is considered a front-runner and pioneer in both motor and sailing yachting innovation with growing acceptance by younger generations. It matches the latest technology with contemporary design, constantly looking at ways of improving the on-the-water enjoyment with performance, comfort and style. Ferretti Yachts are characterized by luxurious cabins with spacious and elegantly designed interior layouts, making them suitable for family cruises. Pershing is associated with perfect lines and shapes coupled with supreme nautical engine power to guarantee the highest speed without sacrificing comfort. Itama is the leading brand for those looking for elegant open yachts featuring high performance. Custom Line and CRN are committed to meeting the demands for a high degree of customization or completely personalized yachts.

BUSINESS

The diagram below illustrates the positioning of our brands:



Our iconic and complementary brand portfolio allows us to comprehensively cover the high-end luxury segments of our addressable market and our targeted client profiles. Our multi-brand business model relies on independent teams dedicated to each brand that carry out product development, and formulate and manage sales and communication strategies to unlock the commercial potential of each brand, thus nurturing their unique identity. For example, each brand has its own project manager and/or project architect (who manage the development of new models and design concepts by external naval architects and designers engaged by us), head of sales and marketing (who manages a dedicated sales and marketing team) and communications manager (who manages the communications and relationships with media). Meanwhile, we can benefit from enhanced operational efficiency from the centralized functions at the Group level. For example, our centralized purchasing department sources the raw materials, components and other inputs used by all brands to achieve economies of scale and benefit from greater negotiating power. Similarly, our research & development and engineering departments operate on a centralized basis and oversee the development of technical innovations for all of our brands. Such a competitive business model would enable us to safeguard and promote the distinctiveness of each brand, while ensuring the sharing of operational best practices across the Group, de-risking our business, and enabling fast reactions to any changes in customer tastes, preferences and behaviors.

BUSINESS

Our brands are briefly described below:

Riva

Riva



Riva is globally recognized as a synonym with elegance, tradition and luxury. With 180 years of heritage, today Riva is certainly considered as one of the most famous and admired brands in the world when referring to yachting.

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

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

BUSINESS

Riva has been part of our Group since 2000. Its collection comprises composite yachts ranging from 27 to 94 feet in length as well as made-to-measure yachts and super yachts ranging from 28 to 95 meters and is classified within three ranges: open, sportfly and flybridge. In a variety of different models with a shared spirit of performance, safety and exclusive style, the Riva range expresses the soul of this legendary brand to sublime effect.

The open collection comprises eight iconic composite models: Iseo, Aquariva Super, Rivamare, Dolceriva, 56' Rivale, 68' Diabale, 76' Bahamas and 88' Florida. The Sportfly and flybridge collection incorporates four remarkable composite yachts: 66' Ribelle, 76' Perseo Super, 88' Folgore and 90' Argo. Going up in size, the flybridge made-to-measure yacht collection comprises globally recognized masterpieces: 100' Corsaro, 110' Dolcevita and Bellissima 130. Finally, the super yacht collection is perfectly represented by the Riva 50 Metri.

Composite and made-to-measure yachts are built in our Sarnico and La Spezia shipyards, while Riva super yachts are produced in our Ancona shipyard.

Wally



BUSINESS

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

As a world leader in yachting innovation and becoming our brand since 2019, Wally combines the latest technology with contemporary design, constantly looking at ways of improving on the water enjoyment with performance, comfort and style.

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

Our Wally collection comprises (i) motor yachts from 40 to 90 feet, consisting of six models, namely, 43wallytender, 43wallytender X, 48wallytender, 48wallytender X, 58wallypower and WHY 200 (a unique 27-meter yacht with approximately 200 gross registered tons capable to offer best-in-class volume); and (ii) sailing super yachts ranging from 30 to 45 meters in length.

We produce Wally motor yachts in our Forlì shipyard, while we outsource the production of Wally sailing super yachts.

Ferretti Yachts



The Ferretti Yachts brand dates back to 1968, the year of its foundation. The brand is specialized in flybridge yachts ranging from 50 to 100 feet in length.

The Ferretti Yachts brand has a “classical-contemporary” ethos combining traditional elements that have stood the test of time with a cutting-edge approach to design and functionality. Ferretti Yachts vessels are characterized by luxurious cabins with spacious and elegantly designed interior layouts. The yacht provides a space that is personal and intimate yet free and engaging. A private, exclusive place for relaxing, being well and embracing the allure of the world outside. Cruising is an authentic experience where perception becomes emotion, with a single overriding feeling: the sense of being at home.

The Ferretti Yachts collection is built in our Forlì and Cattolica shipyards and comprises eight models, namely, the flagship FY 1000, FY 920, FY 850, FY 780, FY 720, FY 670, FY 550 and FY 500.

Pershing

PERSHING



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

Pershing has launched more than 30 models targeting a broad range of customers. It specializes in coupé and sportfly composite yachts ranging from 50 to 100 feet in length and alloy-hulled super yachts of 43 meters in length. Our Pershing collection comprises six composite models (namely, Pershing 5X, Pershing 6X, Pershing 7X, Pershing 74, Pershing 8X and Pershing 9X) and one super yacht model (namely, Pershing 140).

We produce composite yachts in our Mondolfo shipyard, while super yachts are produced in our Ancona shipyard.

Itama

itama



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

Itama open yachts offer optimal control, thanks to their excellent stability from a structure designed to meet each owner's personal driving needs. The supreme maneuverability and balance are assured by the quality and solidity of the deep-V hull, allowing our customers to revel in the power of the engines in full safety.

The Itama collection ranges in length from 40 to 80 feet and the portfolio comprises three composite models, namely, the flagship Itama 75 (produced in our Mondolfo shipyard), Itama 45S and Itama 62S (produced in our Forlì shipyard).

CRN



CRN was founded in Ancona in 1963 and became part of our Group in 1999. CRN specializes in alloy-hulled yachts ranging in size from 39 to 95 meters and is known for the production of completely personalized yachts characterized by unmistakable “Made in Italy” elegance and style and advanced technical solutions, a marriage of technical mastery with passion for craftsmanship, forged and modelled around the owner’s concept of cruising. Each CRN yacht can be considered as a unique one-off creation, the outcome of painstaking attention to detail, thanks to the intensive collaboration between our internal design and engineering teams as well as the customer’s own naval architects and designers.

The production of CRN yachts is carried out exclusively in our Ancona shipyard. We rely upon our production plant in Scorzè to manufacture tailor-made wooden furnishings and fittings of outstanding quality.

Custom Line

CUSTOM LINE



Custom Line was founded in 1996 to create a range of yachts in composite materials individually made for highly demanding clients. The result is a fleet of planing yachts and semi-displacement yachts from 28 meters to 43 meters in length, with an array of personalized solutions. Custom Line products are fully customizable as regards their internal layouts, furnishings, fittings and decorative elements. Accordingly, Custom Line customers typically play active roles in the design of these yachts and engage in extensive dialogue with naval architects and designers.

The Custom Line collection comprises two product lines: the Planing line, with three planing hull models (CL 106', CL 120' and CL 140'), and the Navetta line, with four semi-displacement hull models (Navetta 30, Navetta 33, Navetta 37 and Navetta 42). Technically, planing hulls are designed to rise up and glide on top of the water when power is supplied in order to reach higher speeds, while semi-displacement hulls are designed to move through water by pushing water aside in order to provide a smoother ride but at slower speeds.

Custom Line yachts are built in our Ancona shipyard.

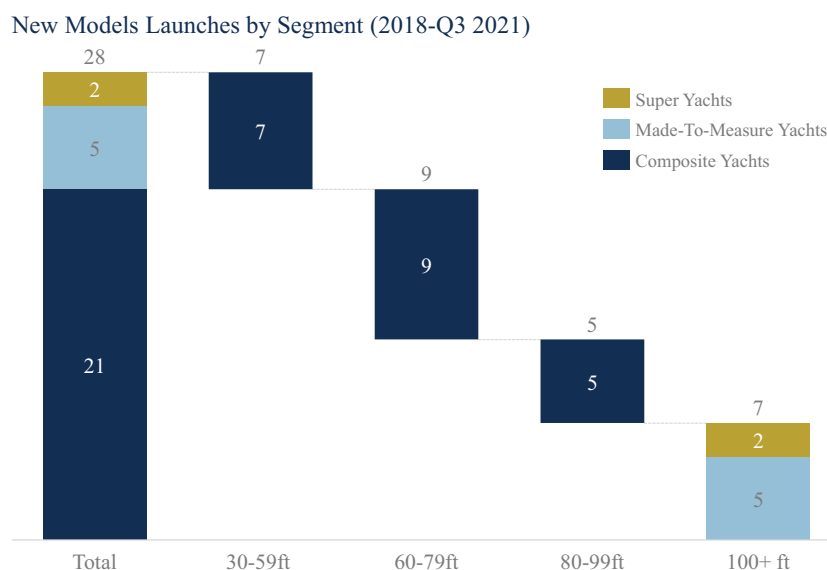
PRODUCT DEVELOPMENT AND INNOVATION

Constant technological and design innovation leading to frequent new product launches is a crucial competitive factor in the yacht industry. For this reason, we have dedicated a substantial amount of resources to our research and development team, comprising 75 employees as of September 30, 2021. Our research and development team is led by a mechanical engineer with 20 years of experience in the yacht industry. In addition, our innovation and technical manager is an aerospace engineer with 30 years of experience in advanced composite materials and shipbuilding. Our brand project engineer managers comprise mechanical and marine engineers with an average of approximately 15 years of experience in the yacht industry. For the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021, we incurred research and development expenses of €24.6 million, €33.6 million, €35.4 million and €20.7 million, respectively.

New Product Models

We have been continuously renewing and broadening our product portfolio, which we believe is a key driver to sustaining the growth of our business. During the Track Record Period, we developed and launched 28 new models, meaning that over 60% of our total product portfolio (comprising 46 models as of September 30, 2021) is less than four years old. These new models in the aggregate contributed approximately 53% of our order backlog as of September 30, 2021.

The diagram below sets forth the new models that we launched during the Track Record Period:



BUSINESS

Due to our focus on renewing our product portfolio, we lowered the average age of our models from approximately 5.6 years in 2016 to 3.7 years in 2020 (without taking into consideration our Wally models and super yacht flagship models which were launched in 2019). We intend to continue investing in renewing and broadening our product portfolio in the coming years.

The table below sets out composite and made-to-measure models that we plan to launch from 2022 to 2024:

Composite/Made-to-measure yachts	Size Range	Number of Models	Launch Year
Composite yachts	30-59 feet	2	2022
Composite yachts	60-79 feet	2	2022
Composite yacht	80-99 feet	1	2022
Made-to-measure yachts	Over 100 feet	4	2022
Total 2022		9	
Composite yacht	30-59 feet	1	2023
Composite yachts	60-79 feet	2	2023
Composite yachts	80-99 feet	2	2023
Made-to-measure yacht	Over 100 feet	1	2023
Total 2023		6	
Composite yacht	60-79 feet	1	2024
Composite yacht	80-99 feet	1	2024
Made-to-measure yacht	Over 100 feet	1	2024
Total 2024		3	

Proprietary Technologies and Applications

We are also committed to developing proprietary technologies and applications and integrating them into our models to further enhance the technological competitiveness of our products. During our product development process, our various departments work closely together to bring the concept of a new product into a technically and architecturally feasible product. See “— Product Development Process.” We may, in quest of certain design or functionality, come up with our own proprietary technologies, solutions or applications, or proactively work in collaboration with external suppliers or contractors to co-develop. When we co-design or co-develop certain innovations with our suppliers or contractors, the intellectual property rights associated with the co-developed technologies, solutions and applications will belong to us to the extent that the idea is entirely developed by our engineering department.

BUSINESS

Some of the most relevant technologies, solutions and applications we developed or co-developed with our suppliers and contractors, which we have introduced in recent years and we plan to introduce in 2022, are described below:

- *X — SELF: Autonomous Docking System (2022)* — This will be our first self-docking system with three modes available, namely, “learning maneuver by doing it,” “setting maneuver directly into the chart plotter,” and “receiving route to the berth from marina database.”
- *Anti-grounding Navigation Aid System (2022)* — Equipped with GPS sensors and navigation helm instruments, this alerting system helps avoid collisions due to shallow water or obstacles. This system is inspired by the enhanced ground proximity warning system in the aircraft industry and the advanced driver assistance systems in the automotive industry.
- *Stern Platform with Integrated Steps (2020)* — A revolutionary design that converts the yacht into a gateway to the ocean by opening up three steps on either side of the swim platform as it is lowered, continuing the stairway down from the cockpit.
- *Music Hull (2019)* — This innovative system transforms the hull into a high-definition loudspeaker and makes it possible to listen to music underwater during dive sessions or while swimming, which enables the owner and guests to enjoy unprecedented listening quality through remote controls.
- *Joystick Yacht Control on Yacht with Surface Drive (2018)*: The application eases navigation and docking maneuvers (especially at high speed) since it synchronizes propeller movements to let the yacht maintain a fixed position in the water.
- *Light Composites Design and Construction: Carbon Fiber + Epoxy (2017)* — The carbon-epoxy ultra-light superstructure and deck enable the yacht to reduce up to 30% of weight.

Product Development Process

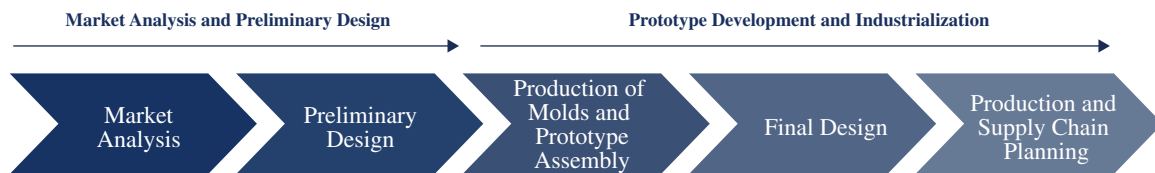
We have established a highly structured process to govern the launch of new products, which is centered around various key decision points:

The process begins with a market analysis conducted by the product marketing department to set the macro-requirements for the new model to be developed. It is followed by a preliminary feasibility study of the required investment, which determines the go/no go decision for concept

BUSINESS

development (DR0 Meeting). The concept will be then technically and architecturally developed by the POC (Product Operating Committee), supported by external naval architects and designers and our technical team. Afterwards, SPC (Strategic Product Committee) members proceed with concept final approval, carrying on an economic assessment on investment needed to develop the model (DR1 Meeting). After the DR1 meeting, the development of the prototype and final design follow, keeping track of the costs and times needed during the whole process. After the prototype has been built and tested and the cost of industrialization is crystallized, a final meeting determines whether to give final production approval with a consequent resolution of model serial number (DR2 Meeting).

The flow chart below illustrates the major phases of our product development process:



We have a pool of internal and external professionals who collaborate to develop the layout of new products. Specifically, external naval architects and designers and our in-house design team carry out the design development. Our engineering department, (in collaboration with project managers and/or project architects), handles the technical layout of the new products. Our engineering department and project management department are responsible for the operative analysis, monitoring product development and conducting constant checks on progresses, Our finance department assists as an independent contributor in assessing and ensuring that all new products meet marginality and financial expectations and targets.

Market Analysis and Preliminary Design

Market Analysis

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

BUSINESS

Our marketing team compares our product positioning to areas of emerging customer demand in order to identify potential gaps in our product portfolio. This approach helps us to ensure that our product portfolio covers all areas of identified demand, while minimizing product overlaps both within and across our brands. Our aim is to provide existing customers, who may be planning to change yachts, with attractive solutions within our own product portfolio, thus enhancing customer loyalty.

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

Based on analyses of (i) general market trends, (ii) our brand and product positioning, and (iii) the actions of our competitors, we periodically update our product portfolio plan, which determines the design models that we will develop and launch in the coming years.

Preliminary Design

Once we make a preliminary decision to proceed with the development of a new model, we carry out design development to find innovative aesthetic solutions for its exterior profile and interior layout, in close coordination with the project manager of the brand and in compliance with the technical parameters determined in the DR0 Meeting, the SPC and the POC. We generally outsource the design development and this has to strictly follow the style of our brand and innovative solutions developed by us (except that generally our internal design team is responsible for the design development of Itama products). We are very selective when choosing these partners, targeting external naval architects and designers who are specialized in the yacht industry, we believe can clearly differentiate our brands and products from those of competitors.

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

BUSINESS

The following table summarizes the current collaborations between our brands and these external naval architects and designers.

Brand	Exterior Designers	Interior Designers
<i>Ferretti Yachts</i>	Filippo Salvetti	IdeaEItalia
<i>Custom Line (Navetta line)</i> . . .	Filippo Salvetti	Antonio Citterio; Patricia Viel
<i>Custom Line (Planing line)</i> . .	Francesco Paszkowski Design S.r.l.	Francesco Paszkowski Design S.r.l.
<i>Riva</i>	Officina Italiana Design	Officina Italiana Design
<i>Pershing</i>	Fulvio De Simoni	Fulvio De Simoni
<i>Wally</i>	Luca Bassani Antivari	Vallicelli Design
<i>CRN</i>	Nuvolari Lenard, Omega Architects, Vallicelli Design	Winch Design; Nuvolari Lenard

Pursuant to our agreements with external naval architects and designers, we are required to pay them fixed consideration in installments based on pre-agreed milestones and intellectual property rights associated with the design of our products are exclusively owned by us, while the external naval architects and designers are entitled to royalties based on sales of relevant products. We have established exclusive collaborations with some of our design partners in order to preclude them from working with our competitors. We believe this helps to strengthen the image of our brands and to preserve the distinctive characteristics of our products. We do not believe we have significant reliance on any of these external naval architects and designers.

Prototype Development and Industrialization

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

Production of Molds and Prototype Assembly

Once we complete all engineering calculations, we design and build the molds required to produce the fiberglass components of the prototype using highly qualified workforce with specialized skills. We polish and wax these molds and apply special resins and gel-coats that can tolerate shrinkage and mechanical stress in order to increase the quality of the finished prototype. We then perform various drying treatments to prepare for the initial production run, set up a lamination table and assemble the prototype. After assembly, we test the prototype for compliance with all technical and financial parameters and regulatory and certification requirements.

Final Design

In parallel to the prototype manufacturing process, we begin planning for full-scale production. Our industrial engineering team charts and optimizes all the steps required for production and assembly, defines the bill of materials (i.e., the list of all raw materials, components and sub-assemblies used in the manufacture of the new design model), and organizes a dedicated supply chain within our overall production process.

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

Production and Supply Chain Planning

In the final phase of pre-production, we assemble all required molds in our shipyards, finalize industrialization, and begin organizing the supply chain that will support the production of new models. Our focus on excellence requires us to select suppliers and contractors that are able to meet our high standards of quality and reliability. If possible, we seek to develop synergistic relationships with key suppliers, in order to ensure that they are fully able to meet the distinctive requirements of each of our brands. It is customary to send the supplier a detailed list of specifications defined after an in-depth integration study of the needed component/part on the vessel. See “— Production — Suppliers and Procurement” for more details about our suppliers and procurement.

BUSINESS

Development of Super Yachts

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

PRODUCTION

Production Planning and Production Process

Production of Composite and Made-to-measure Yachts

We carefully monitor and efficiently manage inherent risks associated with our production cycle. Pursuant to our de-risked production planning, in the absence of a confirmed customer order, we only start production of a new composite yacht after a stringent internal approval and authorization process. A highly disciplined and systematic market analysis on the number of similar boats that are currently in stock, in production or available in the pre-owned market is conducted every 15 days, minimizing production risks and preserving working capital.

The diagram below sets forth the standard production cycle for our composite yachts:



BUSINESS

We have adopted a “one-piece flow” production process, namely, we generally move one workpiece at a time between the various stations in our production line. We believe this helps to keep our work-in-progress at the lowest possible level while reducing inventory levels and improving quality control. We schedule the start of each production step to maximize our overall production capacity with a continuous monitoring of our work-in-progress levels and a precise planning, considering the time required for each model to be manufactured.

The cadence of our production cycle depends on the production capacity of our fiberglass molds. In general, our production lead times vary between two and seven months, depending on yacht size. Lead times for the sourcing of production inputs such as engines and fiberglass hulls are on top of this estimate and can be up to six months. We rely on outsourcing to optimize efficiency and smooth peaks in our workload and have the flexibility to adjust our production cadence and lead times in response to market demand by adding extra production shifts. See “— Production — Suppliers and Procurement.” As an indication, for the production of a 60-foot yacht, the hull construction may take up to 20% of the total production time, the intermediate assembly phases correspond to 60% to 70%, while the final testing requires the remaining 10% to 20%.

For made-to-measure yachts, generally we only launch the production process after we have a sales contract in place. The production process is similar to the one described above for composite yachts, with some differences that reflect the higher degree of customization, sophistication and the larger size of the yachts (namely, working stations are located around the yacht). For this reason, made-to-measure yachts require longer lead times from both production (ranging from six to 12 months) and sourcing (up to eight months) standpoints.

Production of Super Yachts

Due to its unique nature, we always start production of a super yacht after contract signing. The production process, which starts once the hull design is completed, follows these phases:



BUSINESS

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

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

This entire process requires from 28 to more than 48 months, depending on the size of the yacht. The first few months are devoted to construction of the hull, which as an indication takes up to 20% of the total production lead time and during which it is not possible to carry out other production activities. After the hull is completed, we seek to carry out multiple activities in parallel (which require careful planning and engineering) in order to compress the critical path as much as possible. The intermediate assembly phases correspond to approximately 75% of the total production lead time, while the final testing requires the remaining 5%.

BUSINESS

Production Facilities

We produce our yachts in six shipyards located at the heart of the world-famous Italian nautical district. The table below summarizes the key characteristics of each of our shipyards as of the Latest Practical Date:

Shipyard	Brands	Model Size	Approximate	Approximate	Number of Production Stations
			Total Site Area of Shipyard	Total Site Area of Indoor Facilities	
			(sq.m.)	(sq.m.)	
Forlì	Ferretti Yachts, Itama, Wally	45-75 feet	51,524	22,547	20
Ancona	Custom Line, CRN, Riva/Pershing (Super yachts only)	30-95 meters	76,945	32,194	24
Cattolica	Ferretti Yachts	75-100 feet	12,212	6,757	14
Sarnico	Riva	27-68 feet	43,378	16,986	18
La Spezia	Riva	67-110 feet	39,025	17,387	16
Mondolfo	Pershing, Itama	50-100 feet	45,498	13,403	19

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

	Year ended/As of December 31,						Nine months ended/As of September 30,								
	2018		2019		2020		2020		2021						
	Max	Actual	Max	Actual	Max	Actual	Max	Actual	Max	Actual	Max	Actual			
	Value of Production	Value of Production	Value of Production	Value of Production	Value of Production	Value of Production	Value of Production	Value of Production	Value of Production	Value of Production	Value of Production	Value of Production			
		Utilization Rate ⁽¹⁾		Utilization Rate ⁽¹⁾		Utilization Rate ⁽¹⁾		Utilization Rate ⁽¹⁾		Utilization Rate ⁽¹⁾		Utilization Rate ⁽¹⁾			
(Euro in millions, except percentages)															
Forlì	45	35	78.0%	60	48	80.0%	60	48	80.0%	52	34	65.4%	52	52	100.0%
Cattolica	75	53	70.7%	75	53	70.7%	75	54	72.0%	56	37	66.1%	56	53	94.6%
Sarnico	50	33	66.0%	50	38	76.0%	50	32	64.0%	38	23	60.5%	38	32	84.2%
Ancona	140	100	71.4%	140	114	81.4%	140	89	63.6%	105	64	61.0%	105	91	86.7%
La Spezia	120	96	80.0%	120	87	72.5%	120	81	67.5%	90	59	65.6%	90	87	96.7%
Mondolfo	90	72	80.0%	90	56	62.2%	90	60	66.7%	68	40	58.8%	68	60	88.2%

Note:

- (1) Actual value of production is calculated as the actual production costs incurred by the shipyard. Maximum value of production is calculated as a function of the maximum number of composite or made-to-measure yachts the shipyard can produce and the estimated production costs that would be incurred based on our past experience, assuming five days a week and two shifts of seven hours per day. Utilization rate is calculated by dividing actual value of production by maximum value of production.

BUSINESS

Some of our shipyards had relatively lower utilization rates in 2020 and the nine months ended September 30, 2020, primarily due to the outbreak of COVID-19 pandemic in 2020. In particular, we temporarily and partially suspended the operations of our six shipyards for two months in 2020, which was imposed by the Italian government (emergency statutory provisions adopted for coping with the pandemic).

The following map shows the locations of our shipyards:



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

During the Track Record Period, we strategically made significant investments ahead of the industry to modernize our shipyards and increase their total indoor areas by approximately 20% compared to that as of December 31, 2016. For example, we have recently both refurbished and expanded the La Spezia, Ancona, Forlì and Mondolfo shipyards by adding new hangars and working stations.

We also operate a refitting facility in Fort Lauderdale to further expand our offering of after-sales and refitting services and strengthen our positioning in the U.S. market. In addition, we operate a production plant in Scorzè, Italy, where we produce the high-quality wooden furnishings and fittings used in the interiors of our yachts.

BUSINESS

We are exploring and looking for opportunities to internalize GRP and carbon-fiber hull production, with the aim to reduce costs, increase control on production steps and ultimately ensure an exceptional end-to-end product quality.

Suppliers and Procurement

We source a wide range of raw materials, components and sub-assemblies from third-party suppliers. We typically outsource to third-party contractors the production and construction of some more complex parts, components and systems of yachts (such as the assembly of fiberglass hulls and superstructures as well as the construction and installation of electrical parts and other systems), which we believe afford us greater scalability and flexibility. However, we generally retain production in-house whenever we have an interest in preserving or developing technological know-how or when we believe that outsourcing would impair the efficiency and flexibility of our production process. We do not have single-sourced supplier for our key production inputs.

The principal production inputs we use comprise fiberglass hulls and superstructures, interior furnishings and mechanical components such as engines, generators, stabilizers and propellers. Our suppliers and contractors are primarily located in Italy, while we source engines and teak mainly from Germany and mechanical components mainly from the United States.

We adopt stringent procedures for supplier and contractor selection. The entire process is managed at the Group level by our purchasing department, working in close coordination with the relevant brand-level project managers and project engineers. We have established specific screening criteria and key performance indicators (“KPIs”) for suppliers and contractors including, *inter alia*, technical skill and reputation, business scale, financial solidity, production capacity and flexibility, geographic location and logistics, and pre-sales and after-sales service capabilities. We generally make our final selection among all the suppliers and contractors satisfying these screening criteria pursuant to competitive tender procedures. In addition, we routinely monitor and assess the performance of our suppliers and contractors with reference to all relevant KPIs and we regularly meet with them to mitigate production bottlenecks and identify areas for further efficiency gains. As of the Latest Practicable Date, we had an average of more than 10 years of business relationships with our contractors.

BUSINESS

For our most important strategic inputs, we enter into long-term framework agreements with our suppliers and contractors, which generally remain in force up to three years, subject to renewal and written notice for termination. The framework agreements set forth the general terms and conditions, pursuant to which we enter into a specific agreement with the supplier or contractor with the payment terms for each purchase. The prices in the relevant specific agreements are fixed, unless otherwise agreed in writing between the parties. We are required to pay our suppliers and contractors in installments according to pre-agreed milestones. Our suppliers and contractors must meet our requirements and specifications and are responsible for liabilities caused by product or work defects. In addition, they have agreed to provide warranties that typically match the terms of warranties we provide to end customers. We are entitled to conduct on-site inspections of our suppliers and contractors to ensure they are on schedule. In the event of a delay in delivery, the supplier or contractor is liable for penalties agreed in the specific agreement.

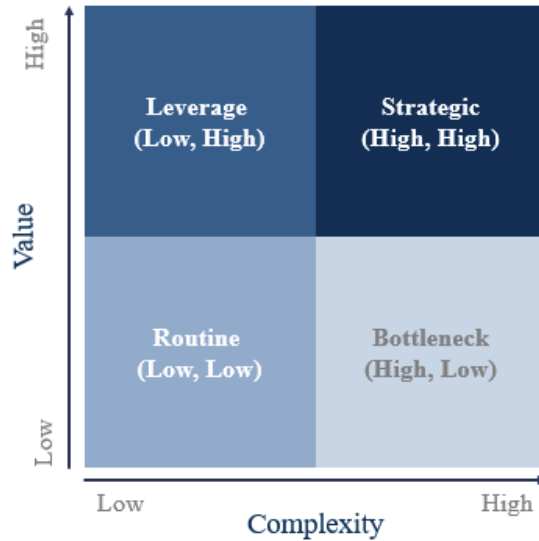
We have co-developed a number of technologies, solutions and applications with our suppliers and contractors. See “— Product Development and Innovation — Proprietary Technologies and Applications.” In these cases, the intellectual property rights associated with the co-developed technologies, solutions and applications will belong to us to the extent that the idea is entirely developed by our engineering department.

While we generally enter into supply contracts that fix the prices for our key production inputs in advance, we take the following additional steps to mitigate our price risk:

- When we launch a new composite or made-to-measure model, we require suppliers to provide quotations based on fixed unit prices, which in some cases remain in place for a duration of five years, while in other cases are subject to renegotiation; and
- When we plan to produce a super yacht, we require suppliers to provide price quotations that will remain in effect for at least six months. Based on these quotations, we then negotiate the sales price of the yacht with the customer. After we reach final agreement with the customer, we contract with these suppliers based on the price quotations already received. In this way, we obtain advance visibility of the margins we will earn from each super yacht that we produce.

BUSINESS

We constantly seek to diversify our supply chain in order to mitigate the risks associated with potential dependence on individual suppliers. In addition, we segment our vendor base according to the matrix set out below:



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

During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant shortage of or delay in the delivery of our key production inputs.

Quality Control and Assurance

Our quality control function is responsible for ensuring the quality and reliability of our products through a team of more than 100 employees. Each yacht that we produce undergoes more than 1,000 quality assessments during its production cycle.

We have adopted a uniform quality system across all our brands and design models, which enables our management to monitor our production activities through multiple key performance indicators and to take prompt corrective action whenever necessary. We believe that this approach facilitates the sharing of know-how and best practices across our brands and products. At the same time, we have developed tailored manuals, procedures and operating instructions for each of our brands in order to protect their distinctive characteristics.

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

With respect to quality assurance, a team is appointed to monitor the product design and production processes, identify potential areas for improvement and take actions for continuous optimization.

BUSINESS

We have been ISO 9001-certified since 2006. In 2018, we began reconfiguring our quality control system in order to meet the requirements of the new ISO 9001-2015 standard, for which we are currently certified by RINA. This certification pertains to the design, development, prototyping, construction, outfitting, inspection, marketing and aftersales service of our yachts. Our Forlì and La Spezia shipyards hold both the ISO 9001-2015 certification and the ISO 14001-2015 (Environmental) certification. We are in the process of obtaining these certifications for all the other shipyards.

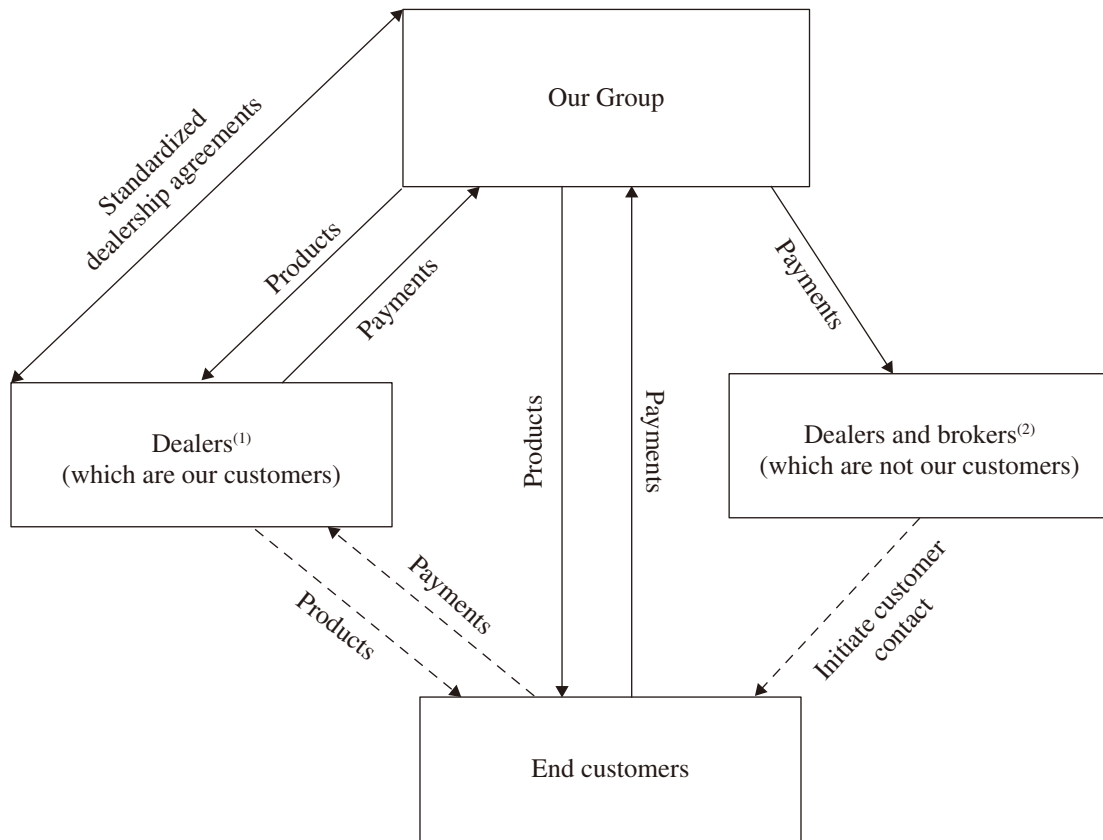
SALES AND DISTRIBUTION

Overview

We have premised our sales model upon: (i) maintaining a direct presence in strategic geographical markets; and (ii) maximizing our market coverage through a solid and extensive network of dealers and brokers which are mostly corporates. We have established a sales presence in more than 70 countries and regions in EMEA, AMAS and APAC, enabling us to reach customers globally. In particular, we maintain our in-house sales team through a network of sales offices strategically located in (i) Milan, London, Monaco and Palma de Mallorca (covering the EMEA market); (ii) Fort Lauderdale, Palm Beach, Naples and Sag Harbor (covering the AMAS market); and (iii) Hong Kong and Shanghai (covering the APAC market). As of September 30, 2021, our sales network consisted of our in-house sales team comprising 96 employees, 52 dealers and more than 300 brokers. Our sales model varies according to size: yachts under 100 feet in size are mainly sold via our dealer network, namely, either sold through our dealers or sold directly to end customers after initial contacts generated by our dealers; while sales of yachts above 100 feet in size are generally managed directly by us after initial contacts generated by our brokers. We invoiced 82.3%, 79.8%, 79.7%, 79.1% and 79.3%, respectively, of our net revenue directly to end customers (and 17.7%, 20.2%, 20.3%, 20.9%, and 20.7%, respectively, to dealers) for the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2020 and 2021.

BUSINESS

The diagram below illustrates the relationships and arrangements among us, our dealers and brokers:



Notes:

- (1) When we sell through our dealers, we have a seller-buyer relationship with our dealers, which are our customers.
- (2) Under our direct sales model, we may sell directly to end customers after an initial customer contact generated by one of our dealers or a third-party broker (in this case, such dealer or broker is not our customer). We only enter into a commission agreement with such dealer or broker after the execution of a sales contract with the customer.

We support our dealers and brokers by keeping them up-to-date about the evolution of our product lines. For example, we operate a “Dealer Sales Academy” that provides a constant flow of information about our product offerings and strategies, and we organize periodic refresher courses for our dealers (semi-annually) and brokers (annually). We also invite all of our brokers to an annual event in Italy that includes, among other things, a two-day visit to our Ancona shipyard.

Key Terms of Our Sales Contracts

When we sell directly to end customers, we enter into sales contracts directly with the end customers; while when we sell through our dealers, we enter into sales contracts with our dealers, which execute the same sales contracts with the end customers on a back-to-back basis.

Pursuant to our standard sales contracts, our customers are typically required to make a down payment (generally at least 10% of the total price) followed by a certain number of milestone payments depending on yacht type. Such milestone payments typically cover the majority of revenue accrued for composite and made-to-measure yachts and all revenue accrued for super yachts. Our customer must pay all amount due before we deliver or transfer the ownership of a yacht to a customer. Pursuant to our standard sales contracts, in the event that a customer fails to pay a milestone payment, after a grace period of generally 14 days, we have the contractual right to terminate the sales contract and retain all advance payments received; the same applies when a customer cancels an order; the purpose of retaining the advance payments is to cover our revenue accrued until the order cancellation date, in line with the applicable Italian laws. In both cases, we retain the ownership of the yacht and will be able to sell the yacht to another customer. Due to the nature and uniqueness of the luxury industry, we did not experience in the past, nor do we expect to face in the future, any material difficulty in reselling our yachts to other customers. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material delay in payments from customers (other than in connection with the canceled orders). During the Track Record Period and up to the Latest Practicable Date, our customers canceled orders on 11 occasions. These cancellations were primarily attributable to (i) financial difficulties experienced by customers, in which case we chose to withhold the advance payments; and (ii) order cancellation by customers to opt for a different model (normally larger in size than that of the previous order), in which case the paid deposits would be transferred to the new orders placed. The total contract value of canceled orders were €29.9 million, €41.3 million, €19.2 million and €14.9 million for the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021. These cancellations resulted in a decrease in revenue (namely, revenue recognized in line with construction progress till the time of order cancellation) with an aggregate amount of €8.1 million, €6.1 million, €17.0 million and €1.9 million, respectively, in 2018, 2019, 2020 and the nine months ended September 30, 2021. We partially offset the impact of such decrease in revenue by retaining advance payments in a total amount of €6.0 million, €0.5 million, nil and nil, respectively, in 2018, 2019, 2020 and the nine months ended September 30, 2021 in respect of these canceled orders. The advance payments received were not always sufficient to offset the production costs. However, we did not incur any actual loss in connection with order cancellations during the Track Record Period as we managed to resell the yachts to other customers.

BUSINESS

If we are late in delivering a composite yacht, we do not face any penalties, but the customer has the right to terminate the contract and receive a full refund if such delay extends for more than 90 days. If we are late in delivering a made-to-measure yacht or a super yacht, we are required to pay liquidated damages for each day of delay after the expiration of a grace period (typically 30 days). The amount of liquidated damages varies case by case, and if such delay continues beyond a certain period (typically 210 days), the customer has the right to terminate the contract. During the Track Record Period and up to the Latest Practicable Date, we paid penalties and liquidated damages for delay in delivery to customers with a net aggregate amount, partially offset from insurance reimbursements, of €0.6 million, €1.2 million, €1.7 million and nil, respectively, in 2018, 2019, 2020 and the nine months ended September 30, 2021. Such delays were mainly attributable to (i) production delays caused by a supplier which went into bankruptcy proceeding; and (ii) production delays caused by suspension of operations of our shipyards in 2020 due to COVID-19 lock-down restrictions.

Anti-Money Laundering Measures

Considering the high unit value of our products, we have (i) adopted a Group-level policy with the aim of preventing, among others, money laundering offenses; and (ii) included certain anti-money laundering provisions in our standard sales contracts. The Group-level policy specifically sets out “anomaly indicators” symptomatic of a money-laundering behavior, and the procedures regarding how such anomalies should be properly handled. As stipulated in the policy, such “anomaly indicators” can be categorized by association with (i) suspicious behaviors of customers, suppliers, and other business partners, including but not limited to (a) reluctance to provide information; (b) providing information, which differs from that can be obtained from reliable and independent sources, on identity, the purpose and nature of the relationship, activities carried out or the financial condition; or (c) issuance of proxies and powers of attorney to third parties frequently and completely inconsistent with the activities carried out; (ii) the commercial relationship and financial transactions, whenever the relationship is illogical, not justified in any way or unusual compared to current market practices; and (iii) payment methods where (a) customers or suppliers insist on paying in cash; or (b) there has been frequent use of payment methods that are beyond the normal operations of the customers or suppliers, especially when in connection with abnormal purchase or sales volumes. We require our employees to stay alert to any sign of possible money laundering offenses and immediately report to the head of the relevant department, who, in turn, will immediately suspend the transaction and report to our chief financial officer. In addition, we have included detailed procedures in our standard sales contracts for the verification of our customers’ identities and source of funds. Within 30 days after the execution of such sales contract, and again in the period shortly before delivery of the yacht, the customer must provide recent documentary and other evidence as may be required by law and/or relevant authorities and/or reasonably requested by us, as proof of identity and corporate status, nationality, place of domicile, good standing and sources of wealth and/or funds of the customer,

BUSINESS

the equivalent information for its shareholders, officers and beneficial owners, and the proper authorization of the customer's purchase of the yacht and execution of the sales contract. The Sole Sponsor is not aware of any material adverse findings in respect of the anti-money laundering policy of the Company.

When we sell through dealers, we only accept payment from the dealer who enters into the sales contract with us; while under our direct sales model, during the Track Record Period, we did not accept any payment made by a party other than the end customer, except in the following limited circumstances:

- (i) an end customer who, entered into a sales contract with us, might decide to obtain financing arrangement from a leasing company. In such event, the end customer will transfer the sales contract to the leasing company with our written consent; the leasing company then becomes the buyer under the sales contract, hence bearing all the payment obligations arising from the sales contract. Upon full payment of the purchase price, the title to the relevant yacht will be transferred by us to the leasing company and not to the end customer. The end customer shall retain the right to use the relevant yacht until its full repayment of the financing amount to the leasing company according to the terms and conditions of the financing arrangement, to which we are not a party; or
- (ii) an individual end customer, who entered into a sales contract with us, might decide to appoint his/her yacht owning company, to which the sales contract is transferred with our written consent. The yacht owning company becomes the buyer under the sales contract, hence bearing all the payment obligations arising from the sales contract. Upon full payment of the purchase price by the yacht owning company, the title to the relevant yacht will be transferred from us to the yacht owning company.

Dealers

When we sell through our dealers, we have a seller-buyer relationship with our dealers. Meanwhile, they generally do not accumulate unsold inventory, but rather enter into sales contracts with us on a back-to-back basis, which enables us to keep closer control over our sales process.

BUSINESS

As of September 30, 2021, we had 52 dealers, which were Independent Third Parties. The table below sets forth a geographic breakdown of our dealers as of September 30, 2021:

Region	Number of Dealers	Percentage
EMEA.....	31	59.6%
APAC.....	11	21.2%
AMAS.....	10	19.2%
Total.....	52	100%

We enter into standardized dealership agreements with our dealers. Individual sales contracts are separately entered into for each purchase with fixed sales price. See “— Key Terms of Our Sales Contracts.” Key terms of our dealership agreements include:

- **Term.** One to three years, renewable subject to the attainment of agreed targets.
- **Designated distribution area.** Dealers are not allowed to actively promote or distribute our products outside of their designated geographic areas.
- **Exclusivity.** Dealers are granted the exclusive dealership of specific products/brands in their designated geographic areas.
- **Sales target.** We set annual sales targets for our dealers, which we use to monitor dealer performance and market evolution. If dealers reach or exceed such targets, they are entitled to a bonus.
- **Resale price management.** We set a manufacturer suggested retail price for each model; dealers can either resell at that price or at a lower one.
- **Confidentiality.** Each of the parties undertakes not to disclose the other party’s trade secrets or other business information to any third party.
- **Termination.** The dealership agreements may be terminated, among others, (i) by the non-defaulting party in the event of a material breach; (ii) by either party in the case of winding up, liquidation, bankruptcy or insolvency of the other party; or (iii) by us in the event of certain circumstances which may adversely affect the business and reputation of the dealer.

BUSINESS

Dealer and Broker Commissions

Under our direct sales model, we may sell directly to end customers after an initial customer contact generated by one of our dealers or a third-party broker. We only enter into a commission agreement with such dealer or broker after the execution of a sales contract with the customer. Pursuant to the commission agreement, the dealer or broker is entitled to commissions calculated as a fixed percentage of the relevant contract value that are generally payable (i) (for composite and made-to-measure yachts) 30 days upon settlement of the final payment and acceptance of the yacht by the customer or (ii) (for super yachts) in installments after we receive each progress payment from the customer. The average rate of commissions we paid to dealers and brokers was relatively stable during the Track Record Period, being 4.1%, 4.0%, 4.8% and 4.9%, respectively, in 2018, 2019, 2020 and the nine months ended September 30, 2021.

Logistics Arrangement

We deliver our products to our dealers and direct sales customers at our own docks, or, to a lesser extent, at an agreed location outside of Italy. We generally use third-party logistics service providers to transport our yachts to the designated locations. We have entered into logistics service agreements with these providers, pursuant to which they are responsible for any damage and loss caused by their negligence during the course of their logistics services.

AFTER-SALES SERVICES AND WARRANTIES

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

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

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

BUSINESS

We manage our spare parts distribution services through our central warehouse located in Forlì. In addition, we also operate a spare parts warehouse in Florida. See “— Other Businesses — Provision of After-Sales and Refitting Services.”

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

In conjunction with some of our key suppliers, we also operate a “Service University,” which is a training program that aims to develop the technical skills of our dealers and service points. Training sessions are held three times a year, one in each of EMEA, AMAS and APAC.

As of September 30, 2021, we had a network of 88 outsourced authorized service points, among which 53 were in EMEA, 21 were in AMAS and 14 were in APAC.

Our product warranties on new yachts are valid for 12 to 24 months after delivery (excluding batteries, anodes, paints and other parts subject to wear and tear, and excluding accessories and components manufactured by third-party suppliers but including our installation of these accessories and components). We typically provide after-sales services under warranty directly at our own docks (where we deliver yachts to customers) or at the facilities of our outsourced authorized service points. For super yachts, we also provide customers with performance warranties covering specifications such as maximum speed, operating range and noise/vibration levels. We made provision for product warranties of €15.2 million, €19.1 million, €15.1 million and €15.8 million in 2018, 2019, 2020 and the nine months ended September 30, 2021.

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

BRAND PROMOTION

We invest substantial resources in brand promotion that are intended to build brand awareness and increase customer loyalty. For the years ended December 31, 2018, 2019 and 2020 and nine months ended September 30, 2020 and 2021, our investments in brand promotion were €13.1 million, €11.7 million, €9.4 million, €7.2 million and €10.3 million, respectively, representing 2.1%, 1.8%, 1.5%, 1.8% and 1.5% of our net revenue for the same periods, respectively.

BUSINESS

Our principal brand promotion activities include participation in boat shows and special events, sponsorships, brand extension activities, digital and social media marketing, and our periodic magazine *Protagonist*. We carry out these brand promotion activities with a dedicated team which comprised 23 employees as of September 30, 2021.

Boat Shows and Special Events

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

In addition, we frequently organize exclusive invitation-only VIP events to mark product launches and important celebrations, including our private preview annually held in Monaco and our spectacular world premieres where we present new models to a group of hand-picked VIP guests.

Sponsorships

Our sponsorship activities represent a key mean for increasing brand awareness. We enter into such arrangements with Italian luxury brands such as *Scuderia Ferrari* in Formula One Racing. Riva is currently sponsoring the halos and the helmets of Charles Leclerc and Carlos Sainz.

Brand Extension Activities

Lounges

We believe opening lounges and *privée* spaces in exquisite locations enable us to promote our brands in association with the lifestyle they represent. We have opened lounges and *privée* spaces in Italy, Monaco, Greece, Croatia, Spain and France, including Riva lounges at the Gritti Palace Hotel in Venice, Monaco, Paris, Sardinia, Ischia, Croatia, Formentera and Mykonos; Pershing lounges at the Seven Pines Resort in Ibiza; and Wally lounge at the Phi Beach, the chic Mediterranean venue in Costa Smeralda, Sardinia.

Merchandizing

We have launched a lifestyle merchandise collection exclusively for our Riva brand, featuring high-quality and luxury clothing items, accessories, furnishings, and collectors' items that bring Riva's values to life for luxury yacht enthusiasts, allowing them to enjoy what is embedded in the DNA of Riva brand.

Restoration Boat Service for Riva Classic Models

We offer restoration boat service for Riva classic models (“**RAM**”) to passionate Riva classic yacht owners. RAM avails itself of a complete know-how and a unique experience for the assistance services and the restoration of classic boats of our Riva brand using the best advice and knowledge to preserve the value of each creation.

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

Digital and Social Media Marketing

We use digital marketing channels to increase our visibility, our brand awareness and share information about new products and special events, as well as to capture information about customer preferences and market trends. We manage our digital interactions with customers through our main corporate website (www.ferrettigroup.com) (available in English, Italian and Chinese), the individual websites of each of our brands, and our social media platforms, which in aggregate registered more than 4 million visitors between January and September 2021. As of September 30, 2021, we had 35 active social media accounts on 10 third-party platforms (including Facebook, Instagram, LinkedIn, YouTube, Vimeo, Pinterest, WeChat, Weibo, Twitter and Youku) with more than 1.6 million registered followers and 4 million engagement (which is a measurement of user interaction such as likes and comments).

The visibility is also enhanced by the online advertisement which generated over 200 million impressions (according to Google AdWords), 19 open opportunities and eight sold boats as of September 30, 2021. Our search engines ranking is strengthened not only by the timely technical refinements, but also through our online public relations, featuring more than 2,000 publications on nautical and lifestyle web magazines and social channels. The AVE (Advertising Average Equivalent), which is a measure of the theoretical economic value of our online presence, amounts to more than €18.0 million in 2021. Our internal and external sales network is supported by the B2B tools (website, iPad and iPhone apps) with an average of 357 dealers and brokers as of September 30, 2021.

Protagonist Magazine



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

Customer Relationship Management (CRM)

We make extensive use of our CRM system to gather, aggregate and process data for profiling analysis of potential new customers and existing customers in order to generate actionable sales leads, identify market trends and new emerging needs, improve our after-sales services to customers, and generate key performance indicators to help us manage our business. For example, in 2018 and 2019, we identified more than 21,000 potential new customers through various channels (such as boat shows and digital marketing).

OTHER BUSINESSES

Our ancillary businesses provide synergies with our core business with an all-encapsulating portfolio, comprising: (i) yacht brokerage, chartering and management services; (ii) after-sales and refitting services; (iii) brand extension activities; and (iv) manufacturing and installation of wooden furnishings for nautical interiors. In certain instances, we are also engaged in the trading of pre-owned yachts, offering trade-in opportunities to our customers as a complementary service and a lever to facilitate the sales of new yachts.

BUSINESS

With these businesses, we have created a comprehensive yachting ecosystem centered around the ownership of luxury yachts, encompassing the sales of yachts and the provision of our all-encapsulating portfolio of ancillary services that offer one-stop solutions to yachts purchasers. Such an ecosystem enables us to enhance customer satisfaction and loyalty, provides us with real-time information flow about market trends and customer preferences, and allows us a direct role in all phases of the yachting “customer journey.” In addition, our ancillary businesses are visible and recurring revenue streams with high profitability margins and stable cash flows, driving our profitable growth and increasing our overall business resilience.

In addition, we tapped into the global coastal patrol and rescue vessel industry with the launch of FSD (Ferretti Security Division), our security vessel business division, in February 2016, which provide us with an additional high-margin revenue stream. By leveraging our accumulated know-how and resources and by exploiting already existing product platforms, we are well-positioned to seize the growing opportunities in this flourishing market.

Our other businesses collectively accounted for approximately 12.0%, 11.7%, 13.2%, 16.0% and 11.2%, respectively, of our net revenue in 2018, 2019, 2020 and nine months ended September 30, 2020 and 2021.

Yacht Brokerage, Chartering and Management Services

Our yacht brokerage, chartering and management services comprise:

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

We provide these services through our subsidiary, Allied Marine Inc., which is a luxury yacht brokerage, management and charter company and has been the exclusive dealer for our brands in the U.S. east coast market since 2008.

Our yacht brokerage, chartering and management services enable us to maintain direct contact with customers to detect latest trends and purchasing drivers and continuously enhance customer engagement and loyalty.

BUSINESS

Provision of After-Sales and Refitting Services

In addition to after-sales services we provide to customers under warranty, we also provide post-warranty repair services, refitting services, such as ordinary and extraordinary maintenance, renovation and upgrade of the yachts, and spare parts distribution services that we provide for payment. See “— After-sales Services and Warranties.” We also operate a refitting facility in Fort Lauderdale to expand our offering of after-sales and refitting services and strengthen our positioning in the U.S. market.

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

Brand Extension Activities

We have launched a lifestyle merchandise collection exclusively for our Riva brand. To complement Riva offering, we also provide restoration boat service for Riva classic models. See “— Brand Promotion — Brand Extension Activities.”

Manufacturing and Installation of Wooden Furnishings for Nautical Interiors

We design and manufacture luxury interior fittings and customized furnishings for our yachts through our subsidiary, Zago S.p.A., as part of our ongoing efforts to meet the demands for high-end customization and to further increase our competitiveness. We believe these efforts enable us to gain control over high-end carpentry through vertical integration, while providing options with additional flexibility to deal with customer requests or delays. We also supply wooden furnishings for nautical interiors to third parties, including manufacturers of luxury cruise ships.

Purchase and Sale of Pre-Owned Yachts

In certain instances, we offer trade-in opportunities to our customers as a complementary service and a lever to facilitate the sales of new yachts. We carefully select the yachts we purchase from customers who at the same times purchases new yachts from us, while aiming to provide to potential purchasers of pre-owned yachts a simple and reliable purchasing experience. We make use of a dedicated online platform to support our trading of pre-owned yachts.

BUSINESS

Ferretti Security Division

We launched FSD in 2016, which specializes in alloy-hulled costal patrol vessels ranging from 15 to 35 meters and featuring planing hulls. As of the Latest Practicable Date, our FSD product portfolio comprised four models, including FSD 195, FSD N800, FSD 150, and FSD320, with price range from €1.0 million to €30.0 million. We primarily base our FSD models on already existing industrial platforms, such as Pershing and Itama models, due to their high performance and seaworthiness which make them particularly suitable to fulfill security and special mission requirements. However, given our high degree of adaptability to customer needs, when necessary, we may also use models developed by our other brands or newly designed models in the future. We produce FSD products in our Mondolfo shipyard.

We sell FSD products primarily to national government bodies and international organizations and generally we are required to submit a technical and commercial proposal to the tender in relation to potential sales.

OUTSOURCING

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

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

In connection with the development of new models, we generally outsource the design development and this has to strictly follow the of style of our brand and innovative solutions developed by us. See “— Product Development and Innovation — Product Development Process — Market Analysis and Preliminary Design — Preliminary Design.”

In connection with our after-sales services, we maintain a network of outsourced authorized service points, which are operated by our dealers or other third parties, to assist our in-house after-sales force. See “— After-sales Services and Warranties.”

BUSINESS

TOP CUSTOMERS AND SUPPLIERS

Top Customers

Our customers primarily consist of (i) end customers, mainly VHNWIs and UHNWIs; (ii) our dealers through which we sell our yachts to end customers; and (iii) national government bodies and international organizations which purchase coastal patrol vessels from us, and customers of our ancillary businesses.

For the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021, sales to our five largest invoicing customers collectively accounted for 13.4%, 16.6%, 16.2% and 22.0% of our total revenue during the same periods, respectively, and sales to our largest invoicing customer accounted for 3.6%, 5.6%, 3.6% and 6.0% of our total revenue during the same periods, respectively. Our five largest invoicing customers during the Track Record Period comprise end customers, dealers and leasing companies. All of our five largest invoicing customers during the Track Record Period are Independent Third Parties. In general, our five largest invoicing customers during the Track Record Period paid us in advance through bank transfer. We have had relationships with our five largest invoicing customers for 0.7 to 9.2 years as of the Latest Practicable Date. To the best of the knowledge of our Directors, none of our Directors, their respective associates or any shareholder who owns more than 5% of our issued share capital had any interest in any of our five largest invoicing customers during the Track Record Period.

To the best of the knowledge of our Directors, save as a Director who subsequently transferred the sales contract of certain yachts to Unicredit Leasing S.p.A., an Independent Third Party leasing company and one of our five largest invoicing customers in 2019, none of the Group, our Directors, senior management, our Shareholders and any of their respective associates has any interest in, or any other past or present relationships with our five largest invoicing customers and five largest end customers during the Track Record Period or their ultimate beneficial owners. Revenue contribution from Unicredit Leasing S.p.A. amounted to €10.0 million, €28.5 million, nil and nil, respectively, for the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021. See “Financial Information — Related Party Transactions.”

Top Suppliers

Our suppliers mainly include (i) suppliers and contractors of our production inputs; and (ii) naval architects and designers to whom we outsource the design development for the development of new models (strictly following the style of our brand).

BUSINESS

For the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021, purchases from our five largest suppliers collectively accounted for 13.6%, 14.9%, 11.8% and 12.4% of our total purchases during the same periods, respectively, and purchases from our largest supplier accounted for 5.1%, 6.3%, 3.5% and 3.4% of our total purchases during the same periods, respectively. Our five largest suppliers during the Track Record Period comprise suppliers of engines and other mechanical components, interior furnishing, fiberglass and steel components. All of our five largest suppliers during the Track Record Period are Independent Third Parties. We have had relationships with our five largest suppliers for two to more than 11 years as of the Latest Practicable Date. In general, we paid our five largest suppliers during the Track Record Period through bank transfer or bank deposit in installments according to pre-agreed milestones with credit terms of up to 120 days. To the best of the knowledge of our Directors, none of our Directors, their respective associates or any shareholder who owns more than 5% of our issued share capital had any interest in any of our five largest suppliers during the Track Record Period.

To the best of the knowledge of our Directors, save as one of our five largest suppliers during the Track Record Period which was our subsidiary we disposed of in 2011, none of the Group, our Directors, senior management, our Shareholders and any of their respective associates has any interest in, or any other past or present relationships with our five largest suppliers during the Track Record Period or their ultimate beneficial owners.

AWARDS AND RECOGNITIONS

The table below sets forth our recent major awards and recognitions:

<u>Year</u>	<u>Brand</u>	<u>Model</u>	<u>Award</u>	<u>Category</u>	<u>Issuing Authority</u>
2021 . .	Pershing	Pershing 140	Design & Innovation Awards	Best Naval Arc.	Boat International
2021 . .	Riva	Riva 88' Folgore	Design & Innovation Awards	Best New Series	Boat International
2021 . .	Ferretti Yachts	FY 1000	World Yacht Trophies	Best Layout	SG Publication
2021 . .	Pershing	Pershing 6X	World Yacht Trophies	Best Exterior Design	SG Publication
2021 . .	Wally	WHY 200	World Yacht Trophies	Best Avant-garde	SG Publication
2021 . .	Custom Line	Navetta 30	World Yacht Trophies	Best Layout	SG Publication

BUSINESS

Year	Brand	Model	Award	Category	Issuing Authority
2021 . .	Ferretti Yachts	N/A	Hurun Best of the Best Awards	Best Luxury Yacht Brand	Hurun China Research Institute
2020 . .	Custom Line	CL 106'	World Superyachts Awards	Best Semi-Displacement or Planing Motor Yachts Below 500GT 30 Meters to 34.9 Meters	Boat International Media
2020 . .	Riva	Riva 50 Metri	Design & Innovation Awards	Outstanding Exterior Motor Yacht	Boat International
2020 . .	Ferretti Yachts	FY 500	World Yacht Trophies	Best Interior Design Trophy, Category 45 to 64 Feet (13.70-19.50 Meters)	Yachts France
2020 . .	Pershing	Pershing 7X	World Yacht Trophies	Best Exterior Design Trophy, Category 64 to 80 Feet (19.50-24 Meters)	Yachts France
2020 . .	CRN	CRN M/Y 62m Voice	World Yacht Trophies	Best Exterior Design Trophy, Category 164 to 270 Feet (50-82 Meters)	Yachts France
2020 . .	Ferretti Yachts	N/A	Hurun Best of the Best Awards	Best Luxury Yacht Brand	Hurun Report
2019 . .	Ferretti Yachts	FY 720	World Yacht Trophies	Best Exterior Design Trophy, Category 64 to 80 Feet (19.50-24 Meters)	Yachts France
2019 . .	Riva	Riva 90' Argo	World Yacht Trophies	Best Interior Design Trophy, Category 80-98 Feet (24-30 Meters)	Yachts France
2019 . .	Pershing	Pershing 140	World Yacht Trophies	Best Exterior Design Trophy, Category 98-164 Feet (30-50 Meters)	Yachts France

BUSINESS

Year	Brand	Model	Award	Category	Issuing Authority
2019	Riva	Riva 50 Metri	World Yacht Trophies	Most Achieved Trophy, Category 164-270 Feet (50-82 Meters)	Yachts France
2019	CRN	CRN 135	World Yacht Trophies	Best Layout Trophy, Category 164-270 Feet (50-82 Meters)	Yachts France
2019	Pershing	Fulvio De Simoni	World Yacht Trophies	Designer of the Year	Yachts France
2019	Custom Line	CL 120'	Design & Innovation Awards	Best New Production Yacht Design	Boat International Media
2019	Riva	Riva 110' Dolcevita	Design & Innovation Awards	Best Exterior Styling Motor Yacht	Boat International Media
2019	Ferretti Yachts	N/A	Hurun Best of the Best Awards	Best Luxury Yacht Brand	Hurun Report
2018	Ferretti Yachts	FY 670	World Yacht Trophies	Best Layout Trophy (62-80 Feet)	Yachts France
2018	Riva	Riva 66' Ribelle	World Yacht Trophies	Best Exterior Design (62-80 Feet)	Yachts France
2018	Custom Line	CL 120'	World Yacht Trophies	Best Exterior Design (125-164 Feet)	Yachts France
2018	Custom Line	Navetta 42	World Yacht Trophies	Best Innovation (125-164 Feet)	Yachts France
2018	Pershing	Pershing 9X	World Yacht Trophies	Best Exterior Design (80-125 Feet)	Yachts France
2018	Riva	Riva 110' Dolcevita	World Yacht Trophies	Best Interior Design (80-125 Feet)	Yachts France
2018	Ferretti Yachts	N/A	Hurun Best of the Best Awards	Best Luxury Yacht Brand	Hurun Report

BUSINESS

Year	Brand	Model	Award	Category	Issuing Authority
2018	Custom Line	CL Navetta 33	World Superyacht Awards	Semi-displacement below 300 GT — Three Deck	Boat International
2017	Ferretti Group	Ferretti Group	World Yacht Trophies	Shipyard of the Year	Yachts France
2017	Ferretti Yachts	FY 780	World Yacht Trophies	Best Interior Design from 50 to 80 Feet	Yachts France
2017	Riva	Riva 56' Rivale	World Yacht Trophies	Most Achieved Trophy from 50 to 80 Feet	Yachts France
2017	Custom Line	CL Navetta 33	World Yacht Trophies	Best Exterior Design from 80 to 125 Feet	Yachts France

COMPETITION

The global yacht industry is intensely competitive and undergoing increasing consolidation. We believe that we compete primarily based on our reputation for quality, the performance and design of our yachts, our brand image and the user experience that we provide to our customers. According to the Industry Consultant, throughout the Track Record Period, we consistently ranked among the top players worldwide in terms of value of production of inboard composite and made-to-measure yachts above 30 feet (approximately nine meters), consolidating our leading market share from approximately 10% in 2018 to approximately 13% in 2021. Moreover, as a testament of our focus on higher value market segments, in 2021, our inboard composite yachts between 80 and 99 feet and inboard made-to-measure yachts of over 30 meters (approximately 100 feet) and up to 43 meters achieved higher market shares of approximately 20% and 24%, respectively. In addition, we were among the top 10 industry players in terms of the number of super yachts sold in 2021, according to the Industry Consultant. The entry barriers for the global yacht industry include: (i) significant capital and technology barrier; (ii) strong relationships with suppliers; (iii) established premium sales channels; and (iv) brand heritage. See “Industry Overview.”

We compete with other international luxury yacht manufacturers who own trademarks and brands in competition with ours. We believe, however, that we have competitive advantages over our competitors in the global luxury yacht industry, including our portfolio of iconic brands with a long heritage, broad and diverse portfolio of products with unique brand matrix, effective and diversified sales and distribution strategy, superior production capabilities and substantial investments in research and development.

BUSINESS

INTELLECTUAL PROPERTY

Our ability to protect the intellectual property that underpins our brand portfolio and our technology and know-how is critical to our competitiveness. We seek to protect our intellectual property against third party infringement through the registration of trademarks, the filing of patents, as well as through other means including licenses, confidentiality and non-disclosure agreements.

The main trademarks that we currently use in our business are “Ferretti Yachts,” “FF,” “Riva,” “Pershing,” “Itama,” “CRN,” “FSD” and “Wally.” While we have registered some of these trademarks in the jurisdictions that we believe to be relevant at the Italian, European and international levels, others are currently the subject of applications or are not registrable because they lack a sufficiently distinctive character.

From time to time, we enter into coexistence agreements with third parties who own trademarks that are “formally similar” but not identical in substance, since they play in different business sectors and trademarks are different in terms of visual aspects. Pursuant to such agreements, we may mutually agree to restrict the uses of such trademarks to specific classes of products or services, geographical territories or manners of use. We sometimes also license our trademarks to third parties and license third-party trademarks for our own use pursuant to cobranding agreements. We are currently a party to such coexistence and co-branding agreements in respect of our “Riva,” “Ferretti Yachts” and “Wally” trademarks.

In addition, we seek to protect the inventions that we generate through our product development and innovation activities by means of patents. Due to the relatively mature state of technology in the yacht industry, our product innovation activities do not yield a significant number of patents, although our ongoing efforts to diversify our product offerings and extend existing technology to new applications may in the future generate new intellectual property rights for us.

Furthermore, we seek to protect our proprietary know-how and trade secrets by implementing procedures designed to safeguard the confidentiality of our internal processes and to restrict access to information relating thereto, including by requiring our employees, suppliers, designers and other contractors to sign non-disclosure agreements.

As of the Latest Practicable Date, we had (i) 14 registered patents; (ii) 10 registered trademark; and (iii) 12 registered domain names, which were material to our business. Details of our material intellectual property rights are set forth under the section headed “Appendix V — Statutory and General Information — Further Information about Our Business — Intellectual Property” in this prospectus.

BUSINESS

During the Track Record Period and as of the Latest Practicable Date, we were not subject to any legal proceeding for infringement of any intellectual property rights.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”)

Environmental protection as well as the health and safety of our workers are fundamental and enabling elements of our growth. We have always been analyzing and monitoring the ESG risks deriving from our operations, focusing on our energy and climate footprint, pollutants emitted, waste produced, and water consumed.

Environmental Protection

We are subject to various environmental laws and regulations. See “Regulatory Overview.” We have implemented pollution control measures, including the installation of aspiration, purification and filtration systems for all atmospheric emissions and waste water. We believe we were in compliance with all material respects with applicable environmental laws and regulations during the Track Record Period. For the years ended December 31, 2018, 2019 and 2020 and nine months ended September 30, 2021, our annual cost of compliance with environmental protection laws and regulations was insignificant. We do not expect there to be substantial changes to our costs for compliance with applicable environmental laws and regulations in the near future.

We were the first player in the Italian luxury yacht industry to publish a sustainability report in 2019, with the aim to disclose non-financial information to all stakeholder and to identify the most important initiatives to reduce the impact of our products and production activities on the environment. For example, in 2022, we plan to launch electric propulsion packages and involve the use of eco-friendly materials such as natural fiber reinforcements to offer a viable alternative to fiberglass. In addition, we have established a strategic partnership with Rolls Royce (one of the main propulsion providers in the yachting industry) for jointly developing sustainable solutions, including the installation of MTU hybrid propulsion systems in our yachts.

While each of our Forlì and La Spezia shipyards holds an ISO 14001-2015 (Environmental) certification, we are in the process of obtaining such certification for the remaining shipyards. ISO 14001 is an internationally recognized standard specifying requirements for an effective environmental management system.

Energy Consumption

Our main source of fossil fuel energy consumption is natural gas, which is primarily used to heat indoor buildings, domestic water for civil use, and painting booths. In 2019 and 2020, we consumed 1,466,248 and 1,866,209 cubic meters of natural gas, respectively. We also consume diesel and gasoline, mainly to test and launch boats, as well as to power internal handling activities at shipyards and to fuel our vehicle fleet. In 2019, we consumed 1,059,127 liters of diesel and 240 liters of gasoline; in 2020, we consumed 888,863 liters of diesel and 124 liters of gasoline. Our second largest source of energy consumption is electricity, which is primarily used to power production departments, while the remaining part is related to lighting. In 2019 and 2020, we consumed 12,002,680 and 12,552,620 kilowatt hours of electricity, respectively.

Our attention to environmental protection is also reflected in our investments in improving the energy efficiency of our production cycle. For example, we replaced the lighting systems in all of our production facilities with energy-efficient LED systems, including our six shipyards and our production facility for wooden furnishing and fittings. In line with new infrastructure investments, new energy-saving solutions are systematically assessed, such as the use of heat pumps instead of methane systems and the use of renewable resources, especially photovoltaic systems. At the end of 2019, we installed a photovoltaic solar power system in our Ancona shipyard for the production of electricity on the roofs of the warehouses with the total power installed of 189 kilowatt, of which 70 kilowatt has already been in operation since 2019. In addition, we established a trigeneration plant that provides combined electricity, heat and cooling in one process in our Ancona shipyard, which became operational in 2020. In Forlì, where both a shipyard and the headquarters are located, we no longer directly use fossil fuels to heat our indoor premises and have instead connected the entire site to the municipal district heating network.

Greenhouse Gas Emissions

The commitment to increasing our awareness of the climate impacts of our operations and a commitment to reducing these impacts are part of our responsibility and demonstrate our focus on future generations. Greenhouse gas emissions are calculated using a standardized methodology to quantify corporate greenhouse gas emissions; so far, we have calculated our direct carbon footprint (Scope 1 emissions) and the carbon footprint associated with the purchase and consumption of energy (Scope 2 emissions). Given the nature of our business (mainly assembly) and the absence of carbon-heavy plants in our shipyards, our Scope 1 and Scope 2 emissions are not significant and are in line with other peers in the industry. In 2019, we had 6,198 tonnes of Scope 1 emissions and 4,696 tonnes of Scope 2 emissions; in 2020, we had 6,503 tonnes of Scope 1 emissions and 4,618 tonnes of Scope 2 emissions. The main pollutants emissions, which are subject to authorization and self-control for compliance with emission limits for dust and volatile organic compounds, come from the furnishings and fittings.

BUSINESS

Treatment of Waste

We have chosen to invest in cutting-edge technological equipment at our shipyards and to make use of the most modern production processes to optimize use of material and minimize production wastes. Non-hazardous waste from the production process is generally waste from internal and external preparation and industrial cleaning processes and is duly sorted. In 2019, we generated 228,083 kilogram of hazardous waste and 2,888,801 kilogram of non-hazardous waste; in 2020, we generated 262,964 kilogram of hazardous waste and 2,527,463 kilogram of non-hazardous waste. Waste defined as hazardous (around 10% of the total) comprises solvent mixtures, products used in painting booths, fiberglass scraps, oils, waste emulsions and dirty packaging in general. Around 20% of hazardous waste is sent for regeneration; while waste oils are recycled or recovered.

Water Consumption

In recent decades, safeguarding water resources has become a significant objective in both the civil and industrial sectors. Our shipyards do not require significant water consumption, and, depending on the site, water is sourced mainly from mains water, with a lower percentage coming from wells. In 2019 and 2020, the total of water from sources like mains water and wells amounted to 57,283 and 59,852 cubic meters, respectively. Despite these substantial withdrawals, water consumption remains low due to the fact that most of the water withdrawn is discharged into the sewerage system, partly as industrial water (subject to measurement and monitoring obligations) and partly as water similar to domestic water, as specified in the individual authorizations. In 2019 and 2020, our total water discharge to third parties amounted to 31,900 and 30,716 cubic meters, respectively. Finally, none of the sites are in water-stressed or particularly sensitive areas.

Health and Occupational Safety

We are also subject to various laws and regulations in respect of health and occupational safety. We have adopted and maintained a series of measures to maintain a healthy and safe environment for our employees. For example, we require new employees to participate in safety training to familiarize themselves with the relevant safety rules and procedures. In addition, we conduct on-site safety assessment and hazard identification, which help us enhance our overall health and safety management effectiveness. We have a system in place for recording and handling accidents. We have designated personnel responsible for handling work accidents and injuries as well as maintaining health and work safety compliance record. During the Track Record Period and up to the Latest Practicable Date, we did not experience any accidents in the course of our operations that resulted in claims for personal or property damages or compensation paid to employees.

BUSINESS

Corporate Governance

Our Board will be collectively responsible for establishing, adopting and reviewing our ESG policies and to evaluate, determine and address our ESG-related risks once a year. Necessary improvement will then be implemented to mitigate the risks. We expect to establish ESG policies to cover, among others, (i) the appropriate risk governance on ESG matters; (ii) ESG strategy formation procedures; (iii) ESG risk management and monitoring; and (iv) the identification of key performance indicators and the relevant measurements.

In particular, we have established an ESG committee which consisted of five members, namely, Mr. Tan Xuguang, Mr. Piero Ferrari, Mr. Xu Xinyu, Mr. Alberto Galassi and Mr. Hua Fengmao, with Mr. Tan currently serving as the chairman. The ESG committee is mainly responsible for supporting our Board in formulating ESG policy and strategies, monitoring ESG issues, reviewing and evaluating sustainability performance, setting metrics and targets, preparing ESG report and making recommendations to our Board.

As for our plans and objectives in relation to our ESG policies, we plan to continue to reduce emissions in the coming years by diversifying our energy sources, focusing on alternative renewable energies and/or making use of systems that will reduce emissions. In addition, the reduction in energy consumption and self-production of electricity from photovoltaic renewable sources will be essential factors in reducing climate-altering gas emissions, thus gradually reducing our emissions.

In addition, we plan to review our key ESG performance on a regular basis. Once received report from the ESG Committee, our management team will timely conduct thorough review on the issue and further evaluate the potential influence and materiality on our Group. We may engage independent professional third parties to help us make necessary improvements on ESG issues, when necessary.

INSURANCE

We believe that we have economically reasonable and industry-standard insurance coverage with respect to general liability, property risks, director and officer liability, business interruption and other insurance (such as car, credit and freight insurance). In particular, we maintain builders' risk policies to insure against some of the risks associated with our production process and business interruption insurance to protect us against lost profits in certain circumstances. We place our insurance coverage with highly rated carriers. Our Directors believe that our insurance coverage is adequate and in line with industry norm.

BUSINESS

On 11 January 2022, one boat in construction in the Company’s shipyard in Cattolica (Rimini) was destroyed by fire and other two were significantly damaged. The Company’s loss of contract assets, estimated to be €8.5 million, was fully insured. The corresponding actual claim is in progress.

Save for the above, during the Track Record Period and up to the Latest Practicable Date, we did not submit any other material insurance claims, nor did we experience any material difficulties in renewing our insurance policies.

EMPLOYEES

As of September 30, 2021, we had 1,628 employees. The table below provides a geographic breakdown of our employees as of the same date:

	EMEA	AMAS	APAC	Total
Executives	10	—	—	10
Office workers	564	41	9	614
Blue collar workers	994	10	—	1,004
Total	1,568	51	9	1,628

As of September 30, 2021, our employees worked in five main functions, namely, (i) research and development; (ii) production; (iii) sales and communications; (iv) after-sales services; and (v) support functions (including finance, legal, human resources and IT support functions). The table below sets forth a breakdown of our employees by function as of the same date:

	Number	Percentage
Research & Development	124	7.6%
Production	1,257	77.2%
Sales and communications	96	5.9%
After-sales services	73	4.5%
Support functions	78	4.8%
Total	1,628	100.0%

We have established a works council, an elected employee representative body, in accordance with the applicable Italian law. We are subject to a collective bargaining agreement. See “Regulatory Overview — Labor Law.” We believe we have maintained good relationships with our employees. As of the Latest Practicable Date, we did not experience any strikes or any labor disputes with our employees which have had or are likely to have a material effect on our

BUSINESS

business. See “Risk Factors — Risks Relating to Our Business and Industry — 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.”

Our employees typically enter into standard employment contracts with us. We place high value on recruiting, training and retaining qualified employees. We adopt the principle of merit-based recruitment, and our corporate policy aims to provide equal opportunities for employees regardless of gender, age, race, religion or any other social or personal characteristics. We maintain high recruitment standards and provide competitive compensation packages. Remuneration packages for our employees mainly comprise base salary and performance-based bonus. 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. We also provide our employees with in-house and external trainings to maintain and enhance their management and professional skills and knowledge.

We set performance targets for our employees primarily based on their position and department and periodically review their performance. The results of such reviews are used in their salary determinations, bonus awards and promotion appraisals. In the future, we will consider offering participation by our senior management in share incentive plans to align our interest with theirs, subject to compliance with applicable laws and regulations.

PROPERTIES

We occupy certain properties in connection with our business operations, which are owned by us, leased from third parties and/or used by us pursuant to public land use concessions (*concessioni demaniali*) issued by the Italian State government and/or other public entities. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules.

The table below sets forth a summary of our properties which were considered material as of the Latest Practicable Date:

No.	Location	Purpose	Owned/Leased/Public	Total Site Area	Total Indoor
			Land Use Concessions		Site Area
				(sq.m.)	(sq.m.)
1.	Mondolfo	Shipyard and Office	Owned	57,983	20,622
2.	Cattolica	Shipyard and Office	Owned	12,212	6,725
3.	Forlì	Shipyard and Office	Owned/leased	51,524	22,547

BUSINESS

No.	Location	Purpose	Owned/Leased/Public	Total Site Area	Total Indoor
			Land Use Concessions		Site Area
				<i>(sq.m.)</i>	<i>(sq.m.)</i>
4.	La Spezia	Shipyard and Office	Public land use concessions/leased	39,025	17,387
5.	Sarnico	Shipyard and Office	Owned/public land use concessions	43,378	16,986
6.	Ancona	Shipyard and Office	Owned/leased/public land use concessions	76,945	32,194

We possess valid title documents to all our owned properties.

Our public land use concessions are as follows:

- a public land use concession issued by the *Autorità di Bacino Lacuale dei Laghi d’Iseo, Endine e Moro* (the Authority for the Lakes of Iseo, Endine and Moro) covering our Sarnico shipyard on the shores of Lake Iseo and the associated pier and floating dock, with a duration until December 31, 2031;
- an act of submission for early occupation (*atto di sottomissione per occupazione anticipata*) signed between *Autorità Portuale della Spezia* (La Spezia Port Authority) and an Independent Third Party, which was transferred to us in 2016, for the occupation of a State-owned maritime area and a water surface in our La Spezia shipyard, with a duration until May 23, 2032;
- a public concession issued by *Autorità di Sistema Portuale del Mar Ligure Orientale* (Port System Authority of Eastern Ligurian Sea) for the use of a State-owned maritime area close to our La Spezia shipyard for private parking, with a duration until December 31, 2021⁽¹⁾;
- a public concession issued by *Autorità di Sistema Portuale del mare Ligure Orientale* (Port System Authority of Eastern Ligurian Sea) for the occupation of a State-owned maritime area and a water surface in our La Spezia shipyard, with a duration until December 31, 2021⁽¹⁾;
- a public concession issued by *Autorità di Sistema Portuale del Mar Ligure Orientale* (Port System Authority of Eastern Ligurian Sea) for the occupation of a State-owned maritime area close to our La Spezia shipyard for private parking, with a duration until December 31, 2021⁽¹⁾;

BUSINESS

- a public concession issued by *Autorità di Sistema Portuale del mare Adriatico Centrale* (Port System Authority of the Central Adriatic Sea) covering a State-owned maritime land in front of our Ancona shipyard with a duration until December 31, 2021⁽¹⁾; and
- an act of submission for early occupation (*atto di sottomissione per occupazione anticipata*) signed between *Autorità di Sistema Portuale del mare Adriatico Centrale* (Port System Authority of the Central Adriatic Sea) and us for the occupation of a water surface in front of our Ancona shipyard, with a duration until December 31, 2021⁽¹⁾.

Note:

- (1) On December 14, 2021, the Council of Ministers approved a law-decree, which was converted with amendments by Law of 18 February 2022, n. 11, providing for an extension of the national emergency status, due to the COVID-19 pandemic, up to March 31, 2022, pursuant to which these concessions will be extended for an additional 90 days, starting from the end of emergency status, to expire at the end of June 2022. We have filed requests of renewal with the competent public authorities.

See “Risk Factors — Risks Relating to Our Business and Industry — Certain of our production facilities rely on public land use concessions issued by the Italian State and other public entities, which may be revoked or not renewed.”

According to Chapter 5 of the Listing Rules and Section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land and buildings, because as of September 30, 2021, we had no single property interest with a carrying amount of 15% or more of our total assets.

LICENSES AND PERMITS

We are required to obtain various licenses, permits and approvals for our operations. We had obtained all material licenses, permits and certificates required by applicable Italian laws to carry out our operations and such licenses, permits and certificates were valid and remain in effect as of the Latest Practicable Date. The following table sets forth the major licenses and permits for our business operations as of the Latest Practicable Date (apart from those pertaining to general business requirements):

BUSINESS

License/Permit	Holder	Purpose	Issuing Authority	Validity Period
Environmental Single authorization (AUA) prot. no. 529	Ferretti S.p.A.	Air emissions authorization of Cattolica shipyard	Province of Rimini (Provincia di Rimini)	March 17, 2014 to March 16, 2029
Environmental Single authorization (AUA) prot. no. 1520	Ferretti S.p.A.	(i) Air emissions authorization, (ii) authorization to discharge waste water, (iii) noise authorization and (iv) authorization for industrial discharge of La Spezia shipyard	Province of La Spezia (Provincia della Spezia)	December 4, 2018 to December 3, 2033
Environmental Single authorization (AUA) prot. no. 273	Ferretti S.p.A.	Air emissions authorization of La Spezia shipyard	Province of La Spezia (Provincia della Spezia)	October 3, 2013 to September 28, 2022
Environmental Single authorization (AUA) prot. no. 864	Ferretti S.p.A.	Air emissions authorization of Forlì shipyard	Province of Forlì-Cesena (Provincia di Forlì-Cesena)	March 28, 2014 to March 27, 2029
Environmental Single authorization (AUA) prot. no. 959	Ferretti S.p.A.	(i) Air emissions authorization, and (ii) noise authorization of Forlì shipyard	Province of Forlì-Cesena (Provincia di Forlì-Cesena); updated by ARPAE (Agenzia regionale per la prevenzione, l'ambiente e l'energia dell'Emilia — Romagna)	Issued on April 8, 2014; updated on April 14, 2020, valid until April 13, 2035

BUSINESS

License/Permit	Holder	Purpose	Issuing Authority	Validity Period
Environmental Single authorization (AUA) prot. no. n. DET-AMB-2016-48.	Ferretti S.p.A.	(i) Air emissions authorization, and (ii) noise authorization of Forlì shipyard	Province of Forlì-Cesena (Provincia di Forlì-Cesena); updated by ARPAE (Agenzia regionale per la prevenzione, l'ambiente e l'energia dell'Emilia — Romagna)	Issued on February 3, 2016; updated on June 11, 2021, valid until June 10, 2036
Environmental Single authorization (AUA) prot. no. 1253	Ferretti S.p.A.	Air emissions authorization of Sarnico shipyard	Province of Bergamo (Provincia di Bergamo)	June 24, 2019 to June 23 2034
Environmental Single authorization (AUA) prot. no. 238	Ferretti S.p.A.	(i) Air emissions authorization, and (ii) noise authorization of Mondolfo shipyard	Province of Pesaro and Urbino (Provincia di Pesaro e Urbino)	March 9, 2018 to March 8, 2033
Environmental Single authorization (AUA) prot. no. 1372	CRN S.p.A.	(i) Air emissions authorization, (ii) authorization to discharge waste water and (iii) noise authorization of Ancona shipyard	Province of Ancona (Provincia di Ancona)	December 10, 2019 to December 9, 2034
Environmental Single authorization (AUA) prot. no. 40429	Zago S.p.A	(i) Air emissions authorization and (ii) noise authorization for Scorzè plant	Metropolitan City of Venice (Città Metropolitana di Venezia)	August 11, 2020 to June 11, 2035

BUSINESS

License/Permit	Holder	Purpose	Issuing Authority	Validity Period
Registration in the National Register of Companies of the Ministry of Defense (Ministero della Difesa)	Ferretti S.p.A. — FSD	Production and sales of military vessels	Ministry of Defense (Ministero della Difesa)	October 14, 2019 to October 14, 2022
TULPS license	Ferretti S.p.A. — FSD	Authorization to design, build and sell military vessels in Forli shipyard	Prefecture of Forli-Cesena	January 27, 2020 to December 21, 2023
TULPS license	Ferretti S.p.A. — FSD	Authorization to design, build and sell military vessels in Mondolfo shipyard	Prefecture of Pesaro and Urbino	February 19, to December 4, 2021 ⁽¹⁾
TULPS license	CRN S.p.A.	Authorization to design, build and sell 20 military vessels in Ancona shipyard	Prefecture of Ancona	June 29, 2020 to June 28, 2022
License to export to United Arab Emirates	Ferretti S.p.A. — FSD	Export of coastal patrol vessels to United Arab Emirates	Ministry of Foreign Affairs of Italy	October 21, 2020 to October 20, 2023
License to export to Vietnam	Ferretti S.p.A. — FSD	Export of coastal patrol vessels to Vietnam	Ministry of Foreign Affairs of Italy	September 16, 2020 to September 15, 2023
License to import from United Arab Emirates	Ferretti S.p.A. — FSD	Import of military goods from United Arab Emirates	Ministry of Foreign Affairs of Italy	June 23, 2020 to June 22, 2023

BUSINESS

Note:

- (1) On December 14, 2021, the Council of Ministers approved a law-decree, which was converted with amendments by Law of 18 February 2022, n. 11, providing for an extension of the national emergency status, due to the COVID-19 pandemic, up to March 31, 2022, pursuant to which the license will be extended for an additional 90 days, starting from the end of emergency status, to expire at the end of June 2022. We have filed requests of renewal with the competent public authorities.

We monitor the validity status of, and make timely applications for the renewal of, relevant licenses, permits and certificates prior to the expiration date. We had not experienced any material difficulty in obtaining or renewing the required licenses, permits and certificates for our business operations during the Track Record Period and up to the Latest Practicable Date. However, we cannot assure you that we will be able to obtain or renew such licenses, permits or certificates in the future. See “Risk Factors — Risks Relating to Our Business and Industry — Changes to and uncertainties in laws and regulation applicable to our business operations, including those related to environmental protection, occupational health and safety, anti-corruption, anti-money laundering, export control and economic sanctions, may negatively affect our results of operations” and “Risk Factors — Risks Relating to Our Business and Industry — The vessels produced by our FSD are subject to certain Italian regulations and policies in connection with the commercialization of armaments.”

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

We are subject to legal proceedings, disputes and claims that arise in the ordinary course of business. Except as disclosed below, as of the Latest Practicable Date, we were not a party to any ongoing material litigation, arbitration or administrative proceedings, and we are not aware of any claims or proceedings contemplated by government authorities or third parties which would materially and adversely affect our business. Our Directors are not involved in any actual or threatened material claims or litigation.

Sea Lion is a party to a lawsuit in Luxembourg that arises out of the bankruptcy proceeding of Wally Yachts S.A., a Luxembourg company declared bankrupt in 2013 (“**Wally Yachts**”). This lawsuit was brought by Solidus S.A. (“**Solidus**”), a minority shareholder and creditor of Wally Yachts, on June 24, 2019, against Sea Lion as a new owner of the Wally Yachts assets and associated commercial names. We, through Sea Lion, acquired the Wally trademark and its associated intellectual property rights from Munsmann S.à.r.l. (“**Munsmann**”), which, on the same date, had completed the purchase of the main assets of Wally Yachts, including the Wally trademark, from the trustee of the bankruptcy procedure pursuant to a sales contract entered into on November 5, 2015. See “History and Corporate Structure — Major Acquisitions — Acquisition

BUSINESS

of 75% Interest in the Wally Trademark.” Solidus and the other minority shareholder and creditor of Wally Yachts brought some legal actions against the bankruptcy procedure on the grounds of alleged violations of their rights as creditors, also seeking to block the completion of this sale to Munsmann. So far, all these legal actions have failed. In the present lawsuit, both the District Court and the Court of Appeal of Luxembourg rejected the claims against Sea Lion as Solidus’ legal action was declared inadmissible. Solidus introduced a recourse before the Luxembourg Supreme Court on July 12, 2021. This proceeding is currently ongoing and the maximum potential legal consequence to us for the proceeding is the annulment of the purchase of the main assets of Wally Yachts, including the Wally trademark.

As advised by our Luxembourg legal advisor assisting in the relevant proceeding, Solidus has little chance of prevailing before the Supreme Court since it is deemed that the appeal writ was late according to applicable Luxembourg procedural laws. In addition, Solidus initiated the action against Sea Lion because the Wally brand acquired by Sea Lion is part of the sale transaction of the Wally Yachts’ assets which was challenged in a proceeding previously started by Solidus against two shareholders and creditors of Wally Yachts. This latter proceeding was initiated by means of the so called “*action oblique*,” which allows a creditor (in this case, Solidus) to substitute itself to his debtor (in this case, Wally Yachts) and to exercise the rights and obligations on the latter against third parties. In the case at stake, the “*action oblique*” would be grounded, according to Solidus, on the circumstance that Wally Yachts (Solidus’ debtor), in the person of the bankruptcy trustee, was inactive in the context of the sale contract and such inaction was damageable for the Wally Yachts’ creditors. According to Solidus, the trustee should have invoked the invalidity or the termination of the above-mentioned sale contract because of alleged failure by Munsmann to comply with certain condition precedents set forth therein. Therefore, by making recourse to the “*action oblique*,” Solidus, as creditor of Wally Yachts, substituted itself to its debtor (namely, Wally Yachts), due to the alleged damageable inaction of the latter, in order to start direct action against a third party (in this case, Munsmann) in order to seek the annulment of the sale contract entered into between the trustee and Munsmann. Our Luxembourg legal advisor has advised us that even in the unlikely case that the Supreme Court should consider Solidus’ claim admissible, the lower courts, upon reconsideration, are unlikely to favor Solidus’ claims on the merits for the following main reasons: (i) Solidus’ action is inadmissible as the only person authorized to exercise the “*action oblique*” is the bankruptcy trustee since he represents both the bankruptcy company and the creditors; (ii) Solidus does not fulfill the cumulative conditions to exercise an “*action oblique*,” and (iii) the sale contract is not invalid.

Compliance

We complied with the Italian law applicable to us in all material aspects during the Track Record Period and up to the Latest Practicable Date.

RISK MANAGEMENT AND INTERNAL CONTROL

Decree 231 requires Italian companies to implement compliance procedures and provides for corporate liability for offences committed on their behalf or for their benefit by affiliated individuals (such as employees, directors and representatives). Decree 231 provides companies with a defense from such corporate liability to the extent that they implement 231 Models and appoint an independent officer or body, known as an *Organismo di Vigilanza* (Supervisory Body), to supervise the operation of such 231 Models. As required by Decree 231, our Board adopted a 231 Model with a view to preventing violations of law by our employees, contractors and other outsourcing service providers. Some of our insignificant subsidiaries with no employees or no substantial operations have not yet implemented their Decree 231 compliance programs. See “Risk Factors — Risks Relating to Our Business and Industry — Changes to and uncertainties in laws and regulation applicable to our business operations, including those related to environmental protection, occupational health and safety, anti-corruption, anti-money laundering, export control and economic sanctions, may negatively affect our results of operations.” Our 231 Model was based on an in-depth analysis of the risk environment in which we operate and contains a detailed analysis of the risks that may give rise to violations of law covered by Decree 231 and a list of procedures for closing gaps between these identified areas of potential risk and our control and compliance functions. The Board has also appointed a Supervisory Body to oversee the operation of our 231 Model. The Supervisory Body is currently comprised of three members. The members of our Supervisory Body each possess the characteristics (including autonomy, independence, professionalism and continuity of action) required by law.

We have also formulated a structured internal control policy to secure proper business conduct of our employees and prevent rebates and kick-backs by our employees. Such policy mainly governs the process for discount percentage determination for composite and made-to-measure yachts (we do not have a price list for super yachts given its fully-customizable attributes):

- our chief commercial officer proposes the maximum discount percentages for each model with justification based on the commercial needs for each model, brand and period;
- our chief commercial officer then determines the authorization thresholds for discounts for each model and brand; and
- subject to the approval of such discount percentages by our chief financial officer and Chief Executive Officer, our chief commercial officer is authorized to negotiate the sales of models within the limits of the indicated discount percentages only.

BUSINESS

Our sales controllers inspect each single sales transaction to ensure the price list and discount policy have been complied with. We have a zero-tolerance policy towards rebates and kick-backs and we provide anti-bribery and corruption trainings to our senior management and employees. Any employee found in breach of our internal control policy will be dismissed.

To monitor the continuous implementation of risk management policies and corporate governance measures after the Listing, we have adopted or will continue to adopt, among other things, the following risk management and internal control measures:

- (i) our Directors have attended trainings conducted by our Hong Kong legal advisors on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under the Companies Ordinance, the SFO and the Listing Rules and the Directors are fully aware of their duties and responsibilities as directors of a listed company in Hong Kong;
- (ii) we have appointed Gram Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules to ensure that, among other things, we are properly guided and advised as to compliance with the Listing Rules and all other applicable laws, rules, codes and guidelines;
- (iii) we have established an audit committee which comprises one non-executive Director and three independent non-executive Directors. The audit committee has also adopted its terms of reference which set out clearly its duties and obligations for ensuring compliance with the relevant regulatory requirements. In particular, the audit committee is empowered under its terms of reference to review any arrangement which may raise concerns about possible improprieties in financial reporting, internal control or other matters; and
- (iv) our Board believes that compliance creates value for us and dedicates to cultivating a compliance culture among all of our employees. To ensure such compliance culture is embedded into everyday workflow and set the expectations for individual behavior across our Group, we will conduct regular internal compliance checks and inspections, adopt strict accountability internally and conduct compliance training.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

The Board currently consists of eight Directors, including one executive Director, four non-executive Directors and three independent non-executive Directors. Brief information of the Directors is set out below:

Name	Age	Position	Responsibilities	Date of joining our Group	Date of appointment as Director
Mr. Tan Xuguang	61	Chairman of the Board and non-executive Director	Responsible for the high level oversight of the Board, the management and operations of our Group	July 6, 2012	July 6, 2012
Mr. Alberto Galassi	57	Chief Executive Officer and executive Director	Responsible for the formulation of the strategic direction of our Group and the day-to-day management of our Group	October 23, 2013	October 23, 2013
Mr. Piero Ferrari	76	Vice Chairman of the Board and non-executive Director	Responsible for the high level oversight of the Board, the management and operations of our Group	June 16, 2016	June 16, 2016
Mr. Xu Xinyu	58	Non-executive Director	Responsible for the high level oversight of the management and operations of our Group	July 6, 2012	July 6, 2012
Mr. Li Xinghao	36	Non-executive Director	Responsible for the high level oversight of the management and operations of our Group	June 1, 2014	March 6, 2020

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Responsibilities	Date of joining our Group	Date of appointment as Director
Mr. Hua Fengmao . . .	53	Independent non-executive Director	Giving strategic advice and guidance on the business and operations of our Group and ensuring the interests of all Shareholders, in particular minority Shareholders, are considered	December 21, 2021	December 21, 2021
Mr. Stefano Domenicali . .	56	Independent non-executive Director	Giving strategic advice and guidance on the business and operations of our Group and ensuring the interests of all Shareholders, in particular minority Shareholders, are considered	December 21, 2021	December 21, 2021
Mr. Patrick Sun .	63	Independent non-executive Director	Giving strategic advice and guidance on the business and operations of our Group and ensuring the interests of all Shareholders, in particular minority Shareholders, are considered	December 21, 2021	December 21, 2021

Chairman of the Board and Non-Executive Director

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

Mr. Tan has been the chairman of SHIG since June 2009, the chairman of Weichai Group since August 2007, the chairman of China National Heavy Duty Truck Group Co., Ltd.* since September 2018. Mr. Tan has served as the chairman and the chief executive officer of Weichai Power Co., Ltd., a company listed on the Stock Exchange and the Shenzhen Stock Exchange, since December 2002 and February 2003 respectively.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Tan has over 40 years of extensive engineering management experience in the global equipment manufacturing industry. As a strategic technological entrepreneur with significant impacts at home and abroad, Mr. Tan has earned numerous prizes and awards. Mr. Tan was appointed as a representative of the tenth, eleventh, twelfth and thirteenth National People's Congress of the PRC. He was awarded various honors including the Gold Award of the 4th Yuan Baohua Enterprise Management* in March 2008 by the Committee for Management Foundation of Enterprises in China, the China Outstanding Quality Person* in 2015 by the China Quality Commission, the Liu Yuan Zhang Quality and Technology Contribution Award* in November 2018 by the China Quality Commission, the First Class National Science Technology Advance Award as the first author in December 2018, the Leonardo Award in March 2019 by the Italian Committee of Leonardo, the Outstanding Leaders of Chinese Enterprises' Multinational Operations in October 2019 by Forbes China, the 13th Anniversary of Guanghua Engineering Science and Technology Award* in September 2020 by the Awarding Foundation of the Guanghua Engineering Science and Technology and the Top Science and Technology Award of Shandong Province* in December 2020.

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

Mr. Tan obtained a doctorate degree in Engineering.

Executive Director

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

Mr. Galassi started his career as a lawyer, between 1993 and 2000, Mr. Galassi was associated with Studio Legale Capece Minutolo, where he specialized in administrative law and international arbitration. In addition to his legal experience, Mr. Galassi has over 20 years of corporate and business experience, he was a board member at Novico S.p.A., an Italian medical device company between 1995 and 1997. In 2000, he became a board member and a member of the company's executive committee at Piaggio Aero Industries S.p.A. ("**Piaggio Aerospace**"), an industry leader in business aviation and defence and security, where he was responsible for sales

DIRECTORS AND SENIOR MANAGEMENT

and marketing. Mr. Galassi played a crucial role in Piaggio Aerospace's re-launch and subsequent international success, and he was appointed as chief executive officer of Piaggio Aerospace in 2009. Mr. Galassi left his position to become the Piaggio Aerospace's chairman in 2014.

Mr. Galassi has also been a board member of Manchester City Football Club since June 2012.

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

Non-executive Directors

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

Mr. Ferrari is vice chairman and non-executive director of Ferrari N.V. (a company listed on the New York Stock Exchange and Borsa Italiana with stock code RACE and RACE.MI respectively) and has served as vice chairman of Ferrari S.p.A. since 1988. "Ferrari" is one of the world's leading luxury brands dealing with the design, production and sale of high-performance luxury sports cars also competing in Formula 1. His first position with "Ferrari" dated back to 1965 working on the production of the Dino 206 Competizione racing car. From 1970 to 1988, he covered a variety of management positions in the "Ferrari" motor sport division with increasing responsibilities. He was also responsible for managing Ferrari's relationships with its suppliers, sponsors and the Fédération Internationale de l'Automobile (International Automobile Federation).

Mr. Ferrari founded "High Performance Engineering (HPE-COXA)" in 1998 and continues to serve as company chairman since then.

From 1998 to 2014, Mr. Ferrari served as the chairman of Piaggio Aerospace, and from 1998 to 2001, he served as chairman of the Italian Motor Sport Commission.

He also formerly served as director and vice president of BPER Banca S.p.A., a bank listed at the Borsa Italiana (stock ticker: BPE) from 2002 to 2011 and from 2011 to 2014.

The academic awards of Mr. Ferrari include prestigious awards like the honorary degree in Aerospace Engineering from the University of Naples Federico II in September 2004 and the honorary degree in Mechanical Engineering awarded by the University of Modena and Reggio Emilia in November 2005.

DIRECTORS AND SENIOR MANAGEMENT

In October 2004, Mr. Ferrari received from the President of the Republic of Italy, Carlo Azeglio Ciampi, the title of “Cavaliere del Lavoro” (Knight of Labor).

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

Mr. Xu has served as the vice chairman and deputy general manager of Weichai Group since September 2020, the director of Weichai Power (Hong Kong) International Development Co., Ltd. since December 2011, the chairman of Weichai Power (Luxembourg) Holding S.à r.l. since November 2012, the chairman of FIH since April 2020 and an executive director of Weichai Power Co., Ltd.* since December 2002, a company listed on the Stock Exchange (stock code: 02338) and the Shenzhen Stock Exchange (stock code: 000338).

Mr. Xu started his career at the Weifang Diesel Engine Factory* from July 1986 to January 1997 as head of the human resources and operations departments. He served as the deputy general manager of Shandong Weichai Import and Export Co., Ltd.* from January 1997 to July 1998, the deputy general manager and executive deputy general manager of Weifang Diesel Engine Factory* from July 1999 to July 2004, the director of Torch Automobile Group Co., Ltd.* from December 2005 to April 2007, the chairman of Weichai Power (Weifang) Investment Co., Ltd.* from August 2005 to April 2007, the chairman of Weichai Power (Shanghai) Technology Development Co., Ltd.* from August 2009 to August 2013, the chairman of Weichai Power (Beijing) International Resource Investment Co., Ltd.* from October 2010 to November 2012, the chairman of Société International des Moteurs Baudouin and the chairman of Weichai America Corp. from May 2009 to July 2012.

Mr. Xu obtained a bachelor degree in Mathematics from Liaocheng University in the PRC in July 1986 and an executive MBA degree from the National University of Singapore in Singapore in June 2006. Mr. Xu became a senior economist in November 2001.

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

Mr. Li joined Weichai Group in June 2013. He has been the general counsel of Weichai Group since December 2019, a director of legal and compliance department of Weichai Power Co., Ltd.* since December 2019 and a director of FIH since April 2020. In addition, Mr. Li has been a supervisor of Kama Co., Ltd.* since January 2021, a company listed on the Shanghai Stock

DIRECTORS AND SENIOR MANAGEMENT

Exchange (stock code: 900953). He has served as a director of FISCHER Fuel Cell Compressor AG since June 2021, and a director of Weichai (Weifang) Fuel Cell Air Compressor Co., Ltd.* since June 2021.

Prior to joining our Group, from July 2011 to May 2013, Mr. Li was an associate in the Shanghai Representative Office of Picozzi & Morigi Law Firm. From January 2021 to September 2021, he served as the chairman of the supervisory committee of Lovol Heavy Industry Co., Ltd.*. From December 2020 to November 2021, he served as a director of Power Solution International Inc. (Nasdaq ticker: PSIX).

Mr. Li obtained a bachelor degree in Law from China University of Political Science and Law in the PRC in July 2009, a master degree in Law from Minzu University of China in the PRC in July 2011. Mr. Li acquired the legal professional qualification certificate granted by the Ministry of Justice of the PRC in March 2011.

Independent Non-executive Directors

Mr. Hua Fengmao, aged 53, is appointed as an independent non-executive Director on December 21, 2021. He is responsible for giving strategic advice and guidance on the business and operations of our Group and ensuring the interests of all Shareholders, in particular minority Shareholders, are considered. In addition to his position at our Company, Mr. Hua serves as the chairman of the board of China Finance Strategies Investment Holdings since August 2014 and the chief executive officer of Chempartner Pharmatech Co., Ltd., a company listed on Shenzhen Stock Exchange (stock code: 300149) since July 2021. Mr. Hua has more than 15 years of experience in the investment banking industry. Mr. Hua previously worked at a number of investment banking firms where he was mainly responsible for corporate finance, public offering, reorganization, merger and acquisitions as well as other financial consulting work, the details of which are set forth below:

- prior to August 2005, Mr. Hua held various positions in various investment banks, including CLSA Capital Market Limited and Standard Chartered Securities Hong Kong Limited;
- from April 2008 to August 2014, Mr. Hua served as the head of direct investment department and the head of investment banking department in BOCOM International Holdings Company Limited; and
- from July 2018 to June 2021, Mr. Hua served as an executive director and the chief financial officer of Viva Biotech Holdings, a company listed on the Stock Exchange (stock code: 1873).

DIRECTORS AND SENIOR MANAGEMENT

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

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

Mr. Domenicali has over 20 years extensive experience in automobile industry, luxury brands and organization promotion. He began his professional career in 1991 with Ferrari where he held various positions, including heading up the Direzione Sportiva F1 from 2004 and the Team Principal for its Formula 1 team from 2008, where he won a total of 14 titles in the F1 Constructors' and Drivers' Championships. From 2009 to 2014, Domenicali represented Ferrari in the FIA World Motor Sport Council.

In November 2014, he became Vice President of the New Business Initiatives at AUDI AG, world's leading producers of premium cars and in March 2016, he became the Chief Executive Officer of Automobili Lamborghini, global leader among super sports car manufacturers. Mr. Domenicali stepped down as the president of the FIA Single Seater Commission in 2020 and in January 2021, he became the President & Chief Executive Officer of Formula 1, the world's most popular annual sporting series, on the back of his illustrious career within the motoring industry, where he has had success within both motorsport and commercial roles.

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

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

In addition to his position at our Company, Mr. Sun serves as an independent non-executive director of Sihuan Pharmaceutical Holdings Group Ltd. (stock code: 00460) since October 2010 and Kunlun Energy Company Limited (stock code: 00135) since February 2016, respectively. Mr. Sun was an independent non-executive director of China Railway Signal & Communication Corporation Limited (stock code: 3969) from May 2015 to August 2018, Trinity Limited (in liquidation) (stock code: 891) from October 2008 to November 2020, China NT Pharma Group Company Limited (stock code: 1011) from March 2010 to December 2019, all of which are listed on the Stock Exchange; and CRRC Corporation Limited (stock code: 1766) from June 2015 to

DIRECTORS AND SENIOR MANAGEMENT

December 2021 and China Railway Construction Corporation Limited (stock code: 1186) from October 2014 to December 2021, both of which are listed on the Stock Exchange and the Shanghai Stock Exchange.

Before that, Mr. Sun was an executive director and chief executive officer of Value Convergence Holdings Limited from 2006 to 2009, an executive director of Sunwah Kingsway Capital Holdings Limited (formerly known as SW Kingsway Capital Holdings Limited) from 2004 to 2006, Senior Country Officer and head of investment banking for Hong Kong of JP Morgan from 2000 to 2002, group executive director and head of investment banking for Greater China at Jardine Fleming Holdings Limited from 1996 to 2000. He was the chairman of The Chamber of Hong Kong Listed Companies from 2013 to 2015, a member of the Takeovers & Mergers Panel and the Takeovers Appeal Committee of the Securities and Futures Commission from 1995 to 1997 and from 1999 to 2001, Deputy Chairman of the Listing Committee of the Stock Exchange from 2000 to 2002 and a council member of the Stock Exchange from 1995 to 2000.

Mr. Sun graduated from the Wharton School of the University of Pennsylvania, the United States, with a Bachelor of Science degree in Economics in 1981. Mr. Sun also completed the Stanford Executive Program of Stanford Business School, the United States, in 2000. Mr. Sun is a fellow of the Association of Chartered Certified Accountants, the United Kingdom, and a fellow of the Hong Kong Institute of Certified Public Accountants.

Mr. Sun was an independent non-executive director of Trinity Limited (in liquidation) (stock code: 891) from October 2008 until November 2020, which was subsequently ordered to wind up in August 2021 due to the company's failure to repay its debt. Mr. Sun confirmed that (i) the entire winding up petition process commenced after his resignation from Trinity Limited; (ii) there was no wrongful act on his part leading to the winding up of Trinity Limited; and (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the winding up of Trinity Limited.

SENIOR MANAGEMENT

The senior management is currently comprised of 11 members who are responsible for our day-to-day management and operation.

DIRECTORS AND SENIOR MANAGEMENT

The following table sets forth the key information about our senior management as at the Latest Practicable Date.

Name	Age	Date of joining our Group	Position	Responsibilities	Date of appointment as senior management
Mr. Alberto Galassi	57	October 23, 2013	Chief Executive Officer and executive Director	Responsible for the formulation of the strategic direction of our Group and the day-to-day management of our Group	May 23, 2014
Mr. Marco Zammarchi . .	57	November 5, 2014	Chief Financial Officer	Responsible for the management of financial matters and of strategic development of our Group	October 3, 2016
Mr. Stefano De Vivo	43	May 29, 2014	Chief Commercial Officer	Responsible for all of the sales of our Group and its strategy	May 29, 2014
Mr. Matteo Cecada	50	August 1, 2014	Chief Operations & Technical Officer	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	August 1, 2014
Mr. Giuliano Felten	60	November 1, 2019	FSD Director	Responsible for management and operation of the FSD of our Group	November 1, 2019
Mr. Nicola Zambelli . . .	49	August 27, 2018	Chief Quality Officer	Responsible for quality assurance, product quality improvement, technical after sales	August 27, 2018

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Date of joining our Group	Position	Responsibilities	Date of appointment as senior management
Mr. Enrico Sgarbi	46	February 2, 2015	Director of Communications	Responsible for strengthening our brands in the global luxury yacht market	February 2, 2015
Mr. Andrea Brasini	47	January 7, 2020	Chief Human Resources & Organization Officer	Responsible for human resources and organization management of our Group	January 7, 2020
Mr. Cristiano Bozzini	50	July 2, 2015	Corporate Finance Director	Responsible for treasury, tax, administration, M&A and special projects and supervising the legal department	January 1, 2017
Mr. Niccolò Pallesi	41	May 4, 2020	General Counsel	Responsible for overseeing all legal, corporate and compliance affairs of our Group	May 4, 2020
Ms. Margherita Sacerdoti	38	September 30, 2019	Investor Relations, Compliance & Sustainability Manager	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	September 30, 2019

Mr. Alberto Galassi. See “— Directors — Executive Director”.

Mr. Marco Zammarchi, aged 57, joined our Group as the chief restructuring officer of C.R.N. S.p.A. on November 5, 2014 and was appointed as the Chief Financial Officer of our Company on October 3, 2016. Mr. Zammarchi is mainly responsible for the management of financial matters and of strategic development of our Group. Mr. Zammarchi also serves as a board member of a number of our subsidiaries.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zammarchi has over 26 years of experience in financial controlling and was the financial controller/director in various manufacturing companies including Johnson Control Plastics S.p.A., Schmalbach Lubeca Italia S.r.l., Romaco S.p.A. and TI Group Automotive Systems S.p.A. between June 1995 and December 2001. Prior to joining our Group, he worked with Piaggio Aerospace for 12 years from January 2002 and was the chief financial officer of Piaggio Aerospace and director of Piaggio America Inc. (a wholly-owned subsidiary of Piaggio Aerospace) between February 2008 and October 2014.

Mr. Zammarchi obtained a degree in Economics and Banking at School of Economics and Management “Richard M. Goodwin” — University of Siena in 1994 in Siena, Italy.

Mr. Stefano De Vivo, aged 43, joined our Group as the Chief Commercial Officer on May 29, 2014. Mr. De Vivo is responsible for all of the sales of our Group and its strategy. Mr. De Vivo also serves as director of a number of our subsidiaries and from January 2019 he has also been appointed as the managing director for the Wally brand.

Prior to joining our Group, Mr. De Vivo started his career with Riva S.p.A., from early 2002 to the end of 2006, as a project manager and later served as aftersales manager and Greater China and Asia Pacific manager, where he focused on developing our sales and aftersales network in the Chinese market. After a stint as the director of sales and marketing for the Benetti division, part of Azimut-Benetti S.p.A., from January 2007 to the end of 2011, Mr. De Vivo worked as an independent consultant in Hong Kong, following projects for various leading companies in fashion and automotive groups with a particular focus on the Chinese market from the beginning of 2012 to the end of May 2014. Mr. De Vivo has been appointed as the managing director of Wally Yachts S.A. since January 2019.

Mr. De Vivo obtained a BSc degree in Naval Architecture and Ocean Engineering from University College London in September 2001 in England and an MBA from the Hong Kong University of Science & Technology School of Business and Management in December 2013 in Hong Kong.

Mr. Matteo Cecada, aged 50, joined our Group as the Chief Operations & Technical Officer on August 1, 2014. Mr. Cecada is responsible for all operations of serial and semi-customs composite products, the production sites (shipyards), the purchase office, the program management, the engineering and the infrastructure management. He is also the employer for the company (Datore di Lavoro) according to Italian Law on Health and Safety. Mr. Cecada also serves as director in one of our subsidiaries, namely Zago S.p.A.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Cecada has over 20 years of experience in production management. Prior to joining our Group, Mr. Cecada worked in AgustaWestland S.p.A. (now known as Leonardo Helicopter, a subsidiary of Leonardo S.p.A.) which is one of the most important players in the helicopter industry between September 2011 and July 2014, where he held various positions including the head of Production in Vergiate plant from September 2011 and subsequently the person-in-charge of Vergiate and Tessera F.A.L from December 2012.

Before that, he worked in Piaggio Aerospace since May 2000, where he covered a number of management roles including flight line testing expert, production manager at the Genova Sestri Ponente plant, and was promoted as director of Genova Sestri Ponente plant in January 2009.

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

Mr. Giuliano Felten, aged 60, was appointed as the FSD Director of our Company on November 1, 2019. Mr. Felten is responsible for the management and operation of the FSD of our Group and serves as the managing director in one of our subsidiary, Ferretti Group (Monaco) S.A.M.

Mr. Felten has over 30 years of industry experience. Prior to joining our Group, he worked in Agusta S.p.A. — an Italian state-owned worldwide leader in the helicopter design and manufacturing industry — where he successively served as an international contract manager and program manager from May 1987 until December 1991.

In January 1992, he joined Costa Masnaga S.p.A., a family owned rolling-stock manufacturer, as a sales manager and successively held higher positions, including the commercial director and commercial & procurement director of the company. He left Costa Masnaga S.p.A. as general manager in April 2002 when he joined Piaggio Aerospace as chief commercial officer where he further served as deputy general manager of the company since January 2006.

Mr. Felten has served as a member of the board of Pratt&Whitney Canada Turbo Engine Corp. since April 2006, and as the president and chief executive director of Piaggio America Inc. since March 2013.

Mr. Felten obtained a legal information and technology certificate in 1981 and a degree in international law at the Catholic University of the Holy Hart in Italy in May 1987.

Mr. Felten was admitted to the Italian Association of Company Lawyers in May 1987.

DIRECTORS AND SENIOR MANAGEMENT

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 49, joined our Group as the Chief Quality Officer of our Company on August 27, 2018. Mr. Zambelli is responsible for quality assurance, product quality improvement, technical after sales. Since May 2021, he has also been a member of the board of directors of Ram S.r.l.

Mr. Zambelli has over 26 years of quality assurance experience. He started his career in Brembo S.p.A., a world leader and innovator in the field of automotive brake systems with operation in 16 countries and more than 22 production sites, whose shares are listed on Borsa Italiana, (stock code: BRE), in May 1995, where he worked in the quality and operations areas and served as the director of Brembo's plant in Zaragoza, Spain and as the operations director for the industrial disc's division.

After that, between December 2007 and August 2018, he worked in various leading manufacturing companies including, as the group quality director for Same Deutz Fahr S.p.A. (a world leading manufacturer of tractors, harvesting machines and diesel engines), as the group quality director for Safilo Group S.p.A. (one of the leading Italian eyewear manufacturers on a global scale, whose shares are listed on Borsa Italiana (stock code: SFL)), as the head of product quality of Piaggio & C S.p.A. (Europe's largest scooter and motorcycle manufacturer, whose shares are listed on Borsa Italiana (stock code: PIA)) and as the group director for quality and lean production of Technogym S.p.A. (a leading company in the field of commercial and home gym equipment, whose shares are listed on Borsa Italiana (stock code: TGIM)).

Mr. Zambelli obtained a degree in logistical and production engineering from the Polytechnical University of Milan in 1996 in Italy and a master's degree in organizational engineering from the Polytechnical University of Milan in 2003 in Italy.

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

Prior to joining our Group, from September 2005 to January 2015, Mr. Sgarbi was the head of communications for Piaggio Aero Industries S.p.A., responsible for researching, designing and managing external communication and public relations. He spent over 10 years successfully growing the global presence and position of the company in the business aviation sector and in the security and defense market to make Piaggio Aerospace a pinnacle brand in their market segments.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Sgarbi obtained a degree in Law from the University of Modena and Reggio Emilia in March 2003 in Italy.

Mr. Andrea Brasini, aged 47, joined our Group as the Chief Human Resources & Organization Officer of our Company on January 7, 2020 and is responsible for the human resources and organization management of our Group. Mr. Brasini has over 20 years of experience in human resources management. Prior to joining our Company, from April 2000 to August 2004 in construction company Bentini S.p.A., he started as a human resources generalist and was promoted to HR manager. From September 2004 to January 2008, he served as a human resources director in IRCE S.p.A., where he was responsible for human resources management, and from February 2008 to August 2009, he worked in the company as a human resources manager of the industrial and quality areas. From September 2009 to January 2012, he worked in Fincantieri S.p.A., where he started as a human resources manager and then was promoted as director of the group's organization.

From February 2012 to December 2019, he served as the chief human resources and organization officer in Furla S.p.A.

Mr. Brasini obtained a bachelor's degree in Political Sciences Alma Mater Studiorum University in Bologna (Sub. Forlì) in March 2001 in Italy.

Mr. Brasini held an officer position in the Italian Army for the period from January 1994 to April 1995.

Mr. Cristiano Bozzini, aged 50, was appointed as the Corporate Finance Director of our Company on January 1, 2017. Mr. Bozzini is responsible for treasury, tax, administration, M&A and special projects and supervising the legal department. Mr. Bozzini worked as the chief financial officer in C.R.N. S.p.A. from July 2015 to December 2016. He currently serves as executive director in several subsidiaries of our Company with delegation to finance activities.

Before joining our Group in July 2015, Mr. Bozzini worked as a finance director in Piaggio Aero Industries S.p.A. with responsibility for administration, tax, finance and M&A from October 2005 to June 2015. He worked between September 1998 and September 2005 in one of the big five audit firms, "Deloitte" Italy, as a senior manager in charge of the audit activities of industrial customers of medium-large enterprises of the Genova office.

Mr. Bozzini obtained a doctoral degree in Economics in University of Genova in July 1997 in Italy and for one year he served his country with conscript military service.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Niccolò Pallesi, aged 41, joined our Group as the General Counsel of our Company on May 4, 2020 and is responsible for overseeing all legal, corporate and compliance affairs of our Group.

Prior to joining our Group, Mr. Pallesi served as an associate in one of the magic circle law firm, Freshfields Bruckhaus Deringer LLP in 2008 and from January 2009 to April 2020, Mr. Pallesi was a senior legal manager of Eni S.p.A., a company listed at Borsa Italiana and New York Stock Exchange (Stock ticker: ENI), being part of the M&A Legal Team as responsible for the downstream business and downstream merger and acquisition transactions of Eni S.p.A.

From 2013 to 2016 Mr. Pallesi served as a contract professor of “Bankruptcy Law and Crisis Management” with the Link Campus University in Rome of Italy. From 2015 to 2019 Mr. Pallesi was appointed chairman of the tarbox legal committee, a committee established among the major international oil & gas companies with the purpose of reviewing and updating the contractual instruments related to the risks’ definition and allocation of responsibilities for into-plane refuelling operations.

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

Ms. Margherita Sacerdoti, aged 38, joined our Group as the Investor Relations, Compliance & Sustainability Manager of our Company on September 30, 2019 and is responsible for engagement with private and public investors, preparation of the annual sustainability report and support to management in addressing ESG strategy and actions, and advising on privacy policy and 231 Model of our Group.

Ms. Sacerdoti has extensive experience in investor relationship, communications and ESG management in listed companies. Prior to joining our Group, she served as an investor relations, sustainability and corporate communications officer in DiaSorin S.p.A., a biotechnology and life science company listed on Borsa Italiana (Euronext) FTSE MIB (stock ticker: DIA) between October 2012 and October 2015, where she was responsible for investor relations management and communication and ESG matter management and served as the investor relations officer in Maire Tecnimont S.p.A., an oil and gas and green chemistry company listed on the Borsa Italiana (Euronext) (stock ticker: MT) between October 2015 and September 2019, where she was responsible for investor relations management and financial market analysis.

DIRECTORS AND SENIOR MANAGEMENT

She is also experienced in international organizations including worked as an assistant to the head of departments of United Nations headquarters in New York and the European Union (European Parliament) in Brussels, where she was responsible for international conference support and document drafting for the UN General Assembly and for the External Relation Committee of the EU Parliament, as well as in various European policy and sustainability think tanks including The Transatlantic Institute (Brussels) and the Interdisciplinary Center in Herzliya (Tel Aviv) as research fellow to work on research projects.

Ms. Sacerdoti obtained a bachelor degree in History and a master degree in International Relations from University of Milan in Italy in February 2006 and April 2008, respectively. She has also served as a member of the board of directors of the Italian Investor Relations Association, the official national association for all listed companies and investor relations professionals in Italy, since July 2020.

DIRECTORS' AND SENIOR MANAGEMENT'S INTERESTS

Save as disclosed in this prospectus, none of the Directors or senior management has held any directorship in any public company the securities of which are listed on any securities market in Hong Kong or overseas during the three years immediately preceding the Latest Practicable Date.

As at the Latest Practicable Date:

- (i) none of the Directors had any interests in any business, which competes or is likely to compete, either directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules;
- (ii) Mr. Alberto Galassi is the son-in-law of Mr. Piero Ferrari. Saved as disclosed above, none of the Directors or members of the senior management of our Company is related to any other Directors and members of the senior management;
- (iii) save as disclosed in the section headed "Statutory and General Information", none of the Directors or members of the senior management holds any interest in the Shares which would be required to be disclosed pursuant to Part XV of the SFO; and
- (iv) there is no additional matter with respect to the appointment of the Directors that needs to be brought to the attention of the Shareholders, and there is no additional information relating to the Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

JOINT COMPANY SECRETARIES

Mr. Niccolò Pallesi is one of the joint company secretaries of our Company. Please refer to “— Senior Management” above for his biographical details.

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

BOARD COMMITTEES

Our Company has established the Audit Committee, the Remuneration Committee, the Nomination Committee, the ESG Committee, and, pursuant to the Civil Code, a Board of Statutory Auditors.

Audit Committee

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

Remuneration Committee

The Remuneration Committee consists of 5 Directors, namely Mr. Stefano Domenicali, Mr. Patrick Sun, Mr. Hua Fengmao, Mr. Piero Ferrari and Mr. Xu Xinyu, with Mr. Domenicali currently serving as the chairman. The Remuneration Committee is mainly responsible for evaluating the remuneration policies for Directors and senior management of our Group and making recommendations thereon to the Board.

DIRECTORS AND SENIOR MANAGEMENT

Nomination Committee

The Nomination Committee consists of 5 Directors, namely Mr. Tan Xuguang, Mr. Patrick Sun, Mr. Stefano Domenicali, Mr. Hua Fengmao and Mr. Alberto Galassi, with Mr. Tan currently serving as the chairman. The Nomination Committee is mainly responsible for identifying, screening and recommending to the Board qualified candidates to serve as the Directors and monitoring the procedures for evaluating the performance of the Board.

ESG Committee

The ESG Committee consists of 5 Directors, namely Mr. Tan Xuguang, Mr. Piero Ferrari, Mr. Xu Xinyu, Mr. Alberto Galassi and Mr. Hua Fengmao, with Mr. Tan currently serving as the chairman. The ESG Committee is mainly responsible for supporting our Board in formulating ESG policy and strategies, monitoring ESG issues, reviewing and evaluating sustainability performance, setting metrics and targets, preparing ESG report and making recommendations to our Board.

Board of Statutory Auditors

The Civil Code requires our Company to establish a board of statutory auditors which functions as a supervisory body. The responsibilities of statutory auditors under Italian law include overseeing compliance by companies with applicable laws and their by-laws, monitoring the implementation of best practices, and assessing the adequacy of the internal controls and accounting reporting systems of companies.

The following table sets forth the members of our Board of Statutory Auditors as of the Latest Practicable Date. None of them has any relationship with our Group or its connected persons.

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of Appointment</u>
Mr. Luigi Capitani	56	Chairman	May 28, 2014
Mr. Luigi Fontana	55	Statutory Auditor	May 28, 2014
Ms. Giulia De Martino . .	43	Alternate Auditor	March 16, 2020
Ms. Veronica Tibiletti . . .	43	Alternate Auditor	April 24, 2017
Mr. Fausto Zanon	63	Statutory Auditor	May 28, 2014

DIRECTORS AND SENIOR MANAGEMENT

Mr. Luigi Capitani, aged 56, was appointed as the Chairman of the Board of Statutory Auditors on May 28, 2014. Mr. Capitani has been a registered Chartered Accountant since 1993 and a registered Auditor since 1995. Mr. Capitani co-founded Studio Capitani Picone in 1994 where he has spent his entire career, specializing in corporate finance, M&A and insolvency transactions as well as private wealth management. He is a director and statutory auditor of numerous companies and, during the 2017–2018 academic year, served as an adjunct professor of accounting in the faculty of economics and commerce at the University of Parma.

Mr. Luigi Fontana, aged 55, was appointed as the Statutory Auditor on May 28, 2014. Mr. Fontana has been a Chartered Accountant (Dottore Commercialista) since 1994. He worked for Studio Guidi from 1994 to 1999 and Studio Bertoli Giovanardi & Partners in Modena from 1999 to 2000 before he co-founded Studio Fontana & Zanardi — Dottori Commercialisti Associati in 2000, where he has worked ever since. Mr. Fontana serves as a statutory auditor for a number of companies and financial institutions and acts as a technical consultant, bankruptcy trustee and judicial commissioner for the Court of Modena.

Ms. Giulia De Martino, aged 43, was appointed as the Alternate Auditor on March 16, 2020. Ms. De Martino obtained her degree in Economics and Industry in 2001 from LUISS University in Rome. Ms. De Martino is licensed as a Chartered Accountant and as a Statutory Auditor.

Ms. De Martino carries out business consultancy in the economic-financial field for private and public companies, with particular regard to corporate and financial aspects of ordinary and extraordinary transactions (e.g. transformations, mergers, demergers, contributions, capital increases, bond loans), company evaluations, industrial plans, restructuring plans (both advisory and certification), accounting opinions and organizational models pursuant to Legislative Decree 231/2001.

Ms. De Martino holds the position of member of the bodies of various listed and unlisted companies and entities (Board of Directors, Board of Statutory Auditors, Supervisory Body pursuant to Legislative Decree 231/2001), including Saipem S.p.A, Autostrade per l'Italia S.p.A, Banca Widiba S.p.A, INPS Servizi S.p.A and Versalis S.p.A.

Ms. Veronica Tibiletti, aged 43, was appointed as the Alternate Auditor on April 24, 2017. Ms. Tibiletti obtained a degree from the University of Parma. She teaches in the graduate studies program for Economics, Management, Innovation and Sustainability at the University of Ferrara and since 2005 has directed the training program for Dottori Commercialisti, where her duties include monitoring the curriculum of study, selecting faculty, organizing lessons and liaising with the Professional Order. Since 2005, Ms. Tibiletti has also practiced as a commercialista, advising on accounting, corporate governance and transactional matters. She has also published various articles and research publications.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Fausto Zanon, aged 63, was appointed as Statutory Auditor on May 28, 2014. Mr. Zanon obtained a degree in economics and business from the University of Padova in 1982. He started his career in the Padova office of PriceWaterhouseCoopers. In 1990, he moved to Deloitte & Touche where he became the partner in charge of the Treviso office in 1995. During his career, Mr. Zanon has been the audit partner for many leading companies in northeast Italy and has overseen numerous transitions to IFRS and IPOs/stock exchange listings. In 2018, Mr. Zanon resigned from Deloitte and entered solo practice. He has been a Statutory Auditor or Alternate Auditor for various companies in our Group since 2012 and has been the administrator of the family office of Mr. Alessandro Callegaris since 2019.

BOARD DIVERSITY POLICY

Our Company will adopt a board diversity policy (the “**Board Diversity Policy**”) upon Listing which sets out the objective and approach for achieving and maintaining diversity of the Board in order to enhance its effectiveness. In accordance with the Board Diversity Policy, in determining the composition of the Board, a number of factors should be taken into account to achieve the Board diversity, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

Our Board comprises eight members, including one executive Director, four non-executive Directors and three independent non-executive Directors. Our Directors have a balanced mix of experience, including luxury, operation management, legal, engineering and accounting fields. Furthermore, the age of our Directors ranges from 36 to 76 years old with different nationalities and experience from different industries and sectors. We have taken, and will continue to take, steps to promote gender diversity at all levels of our Company, including but not limited to our Board and the management levels. In particular, Ms. Margherita Sacerdoti, our Investor Relations, Compliance & Sustainability Manager, forms part of our management team and contributes to gender diversity of our management team and bringing valuable views from a female perspective to our Board in managing our Company. After due consideration, our Board believes that based on our existing business model and the background of our Directors and management team, although our Board currently has no female member, the composition of our Board satisfied the principles under the Board Diversity Policy. Nevertheless, in recognizing the particular importance of gender diversity, our Company is committed to provide career development opportunities for female staff and we confirms that our Nomination Committee will use its best efforts to identify and recommend female candidates to our Board for consideration on the appointment as Director of our Company. We will appoint at least one female Director before the effective date of the relevant applicable Listing Rules changes (i.e. December 31, 2024) or within one year from the Listing Date, whichever is earlier. To ensure gender diversity of our Board, the Nomination Committee will continue and from time to time identify suitable candidates of both genders to our Board to be appointed as Directors. We will also continue to ensure that there is gender diversity when

DIRECTORS AND SENIOR MANAGEMENT

recruiting staff at mid to senior level so that we will have a pipeline of female management and potential successors to our Board in due time to ensure gender diversity of our Board. Our Group will continue to emphasize training of female talent and providing long-term development opportunities for our female staff.

Upon the Listing, the Nomination Committee will from time to time (i) discuss and agree on expected goals to ensure board diversity, and (ii) review and, where necessary, update the Board Diversity Policy to ensure that the Board Diversity Policy remains effective. Our Company will (i) disclose the biographical details of each Director and (ii) report on the implementation of the Board Diversity Policy (including whether we have achieved board diversity) in its annual corporate governance report.

DIRECTORS' REMUNERATION AND REMUNERATION OF FIVE HIGHEST PAID INDIVIDUALS

The Directors and senior management members who receive remuneration from our Company are paid in forms of salaries, allowances, discretionary bonuses and other benefits in kind. The remuneration of the Directors and senior management members is determined with reference to the relevant academic and professional background, comparison to the peers and benchmark with competitors of the same industry. The remuneration of the Directors is agreed by individual agreement and compliant with Italian labor laws.

The aggregate Directors' remuneration (including fees and social security contributions) for each of the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021 amounted to €1.954 million, €1.348 million, €2.396 million and €1.272 million, respectively. For each of the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021, one of the five highest paid individuals was a Director. The aggregate remuneration (including wages and salaries, social security contributions and employee severance indemnities and other allocations) of the four remaining highest paid individuals for each of the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021 amounted to €1.524 million, €2.024 million, €1.381 million and €1.307 million, respectively.

Under the current arrangements, our Company estimates that the aggregate Directors' remuneration (including fees and social security contributions) for the year ending December 31, 2022 is approximately €1.758 million.

During the Track Record Period, no fees were paid by our Company to any of the Directors (or former Directors) or the five highest paid individuals as an inducement to join our Company or as compensation for loss of office. Save for Mr. Tan Xuguang who waived his remuneration during

DIRECTORS AND SENIOR MANAGEMENT

the Track Record Period as disclosed in Note 11 to the Accountant’s Report set forth in Appendix I to this prospectus, none of the current Directors waived their remuneration during the Track Record Period.

Information on the service contracts and/or letters of appointment entered into between our Company and the Directors is set out in “Appendix V — Statutory and General Information — Further Information about the Directors.”

MANAGEMENT INCENTIVE PLAN

On December 21, 2021 our Company approved the management incentive plan (the “**Management Incentive Plan**”) which will cover our senior management and certain other employees (the “**Key Employees**”).

Pursuant to the Management Incentive Plan, a special cash bonus in a maximum aggregate amount of 2.5% of the market capitalization of our Company at the time of the Listing which is calculated by the final Offer Price and the total number of the issued Shares as at the Listing Date will be paid to our Key Employees in recognition of the value they have helped to create prior to the Listing Date. The estimated maximum aggregate amount of the special cash bonus under the Management Incentive Plan (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised) is approximately €24.4 million (equivalent to HK\$209.2 million), representing 2.5% of the market capitalization of the Group (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised). Our Board will determine the specific terms and conditions concerning the special cash bonus in due course, including but not limited to the scope of Key Employees, eligibility criteria and payment schedule. When determining the terms and conditions of the special cash bonus, our Chief Executive Officer and Chief Financial Officer shall take good care of the overall control of the cash flow to ensure that our Company could maintain a positive cash flow after the use of working capital and investment of fixed assets, and take into account the potential influence of profit on the market capitalization. The Company will hold separate board meetings in due course to determine the specific terms and conditions of the special cash bonus under the Management Incentive Plan.

Apart from the above cash bonus, we will consider offering participation by the Key Employees in share incentive plans to align our interest with theirs in the future, subject to compliance with applicable laws and regulations. As at the Latest Practicable Date, no share incentive plan has been formulated nor implemented.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISOR

Our Company has appointed Gram Capital Limited as our compliance advisor in compliance with Rules 3A.19 of the Listing Rules. The material terms of the compliance advisor's agreement are as follows:

- (i) Gram Capital Limited shall act as our compliance advisor for the purpose of Rule 3A.19 of the Listing Rules for a period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date, or until the agreement is terminated, whichever is earlier;
- (ii) the compliance advisor will provide us with certain services, including proper guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, regulations and rules;
- (iii) the compliance advisor will, as soon as reasonably practicable, inform us of any amendment or supplement to the Listing Rules announced by the Hong Kong Stock Exchange from time to time, and of any amendment or supplement to the applicable laws, regulations and rules; and
- (iv) the compliance advisor will act as one of the key channels of communications of our Company with the Hong Kong Stock Exchange.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

OVERVIEW

Immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), FIH will directly hold approximately 64.541% of the enlarged issued share capital of our Company. The entire issued share capital of FIH is held by Weichai Holding (HK), a wholly-owned subsidiary of Weichai Group. Weichai Group is wholly owned by SHIG. Therefore, each of SHIG, Weichai Group, Weichai Holding (HK) and FIH is a Controlling Shareholder of our Company.

DELINEATION OF BUSINESS

Our Principal Business

We are an established leader in the global luxury yacht industry with a portfolio of iconic brands with a long heritage and outstanding high-end manufacturing capabilities. See “Business” for details of our business.

Principal Businesses of our Controlling Shareholders

SHIG is one of the leading automobile and equipment manufacturing groups in China with global influence and comprehensive strength. Its principal business includes powertrain system, automobile, engineering machinery, intelligent logistics, agricultural equipment and after-market services.

Weichai Group is a multi-field and multi-industry international group with operations in the powertrain, vehicle, construction machinery, intelligent logistics, agricultural machinery, marine transportation equipment and other business segments. Weichai Group is the sole platform for SHIG to carry out its marine transportation equipment related business.

Each of Weichai Holding (HK) and FIH is an investment holding company.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Clear Delineation of Business

The Directors are of the view that there is clear business delineation of the Group from the businesses of the Controlling Shareholders, despite that a subsidiary of Weichai Group, Changzhou FRP Boatbuilding Co., Ltd.* (“**Changzhou FRP Boatbuilding**”), is also engaged in production of boats for the following reasons:

- **Different products:** Our products mainly include luxury yachts and coastal patrol vessels, while Changzhou FRP Boatbuilding mainly produces law enforcement boats (including patrol boats) and traffic reception boats. Changzhou FRP Boatbuilding is not engaged in design, manufacturing or sale of luxury yachts. During the Track Record Period, the revenue from the coastal patrol vessels in our FSD represents approximately 3% of the total revenue of the Group. In addition, our coastal patrol vessels could be totally differentiated from the patrol boats produced by Changzhou FRP Boatbuilding in terms of product positioning, target customers and geographical locations as elaborated below.
- **Different product positioning:** Our coastal patrol vessels are designed in accordance with technical standards that are not adopted by Changzhou FRP Boatbuilding. Our coastal patrol vessels are known for their extraordinary performance in terms of speed and handling, with innovative and proprietary high advanced composite and skillful design to be compliant with our customers’ requirements. The price of our coastal patrol vessels ranges from €1.0 million to €30.0 million. The patrol boats produced by Changzhou FRP Boatbuilding are mass-produced standardized products, the price of which range from RMB0.5 million to RMB9.8 million (equivalent to approximately €0.07 million to €1.4 million translated at an exchange rate of Euro 1 = RMB6.9738 for illustrative purposes only).
- **Different target customers:** Our customers of the coastal patrol vessels are governments approved by the Italian Government in accordance with the laws on export of weapons. There are no Chinese public entities within the FSD customer base. The major customers of Changzhou FRP Boatbuilding include Chinese People’s Liberation Army, Navy, Armed Police, China Customs, China Maritime Safety Administration and PRC companies in the maritime industry. There is no overlapping customer between our Group and Changzhou FRP Boatbuilding during the Track Record Period.
- **Different geographical locations of market of sales:** We mainly sell our coastal patrol vessels to customers in the European Union and Middle East. Changzhou FRP Boatbuilding has business presence exclusively in the PRC, Hong Kong and Myanmar. As at the Latest Practicable Date, the Group did not have current sales order of coastal

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

patrol vessels in the PRC, Hong Kong and Myanmar markets and there was no overlapping geographical location of the market targeted by our Group and Changzhou FRP Boatbuilding. Although there may be potential business opportunities in APAC in relation to coastal patrol vessels, considering the relatively complex legal, regulatory and qualification requirements for the sale of coastal patrol vessels into the PRC, Hong Kong and Myanmar markets, the Group, as at the Latest Practicable Date, would focus our sale of the coastal patrol vessels to customers in the European Union and Middle East and had no plan to sell its coastal patrol vessels to any target customers of Changzhou FRP Boatbuilding in the PRC, Hong Kong and Myanmar markets.

Based on the above, we believe that the business of Changzhou FRP Boatbuilding is completely different from our Group in terms of product and target market and not in competition with our business. Given that the business of Changzhou FRP Boatbuilding is not in line with our business strategy, our Controlling Shareholders have no intention to inject their business of Changzhou FRP Boatbuilding into our Group prior to or in the near future after Listing.

NON-COMPETITION AGREEMENT AND UNDERTAKINGS

Our Controlling Shareholders (the “**Covenantors**” and each a “**Covenantor**”) and our Company have entered into the Non-competition Agreement in favor of our Company, pursuant to which, with effect from the date of entering into the Non-competition Agreement and terminating on the earlier of: (a) the date on which the Covenantors cease to be regarded as controlling shareholders pursuant to the Listing Rules; or (b) the date on which the Shares cease to be listed on the Stock Exchange, each of the Covenantors has irrevocably and unconditionally undertaken to and for the benefit of our Company (for ourselves and on behalf of each other member of our Group) that:

- (a) it shall not, and shall procure its close associates not to directly or indirectly engage in, participate in or assist in engaging in or participating in any business that may directly or indirectly compete with the principal business operated by our Group as of the agreement date (the “**Restricted Business**”) in any form (including but not limited to investment, merger and acquisition, joint operation, joint venture, cooperation, partnership, contracting or leasing operation, purchase of listed company stocks or participation in shares) in any country or jurisdiction, alone or with third parties.
- (b) if it becomes aware of any business opportunity (the “**Business Opportunity**”) offered to it or its close associates which is or may be in direct or indirect competition with the Restricted Business, it shall notify our Company or procure its close associates to notify

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

our Company as soon as reasonably practicable in writing and endeavor to ensure that the business opportunity is firstly provided to our Company on reasonable and fair terms and conditions.

- (c) if our Company decides to decline the Business Opportunity for any reason (the decision on whether to engage in the Business Opportunity shall be made by the Directors who do not have material interest in the matter), it shall promptly notify the respective Covenantors and in any event within 15 business days from the date when it receives the Covenantor's notification of the Business Opportunity. Only when (i) our Company expressly declines such Business Opportunity, or (ii) the Company fails to respond in writing within the 15-business-day period, may the respective Covenantor or its close associates pursue such opportunity, provided that the principal terms on which the respective Covenantors or their close associates invest or participate in the Business Opportunity are not more favorable than those made available to our Company, and that such terms are fully and timely disclosed to our Company prior to its declination of such Business Opportunity.

Notwithstanding the above undertakings, the Covenantors or either of them may either by itself, or through its close associates:

- (a) for the purpose of financial investment, purchase or hold a less than 10% interest in a company which engages in or involves any business which is in competition or is likely to be in competition with the Restricted Business, provided that the Covenantors and their close associates are not entitled to appoint the majority of directors of the relevant company, nor to participate or be involved in the management of such company; or
- (b) hold any securities in any member of our Group.

For the enforcement of the undertakings contained in the Non-competition Agreement, our Company will adopt the below corporate governance measures:

- (a) our independent non-executive Directors shall review, at least on an annual basis, the compliance with the Non-competition Agreement by the Covenantors;
- (b) the Covenantors shall promptly provide our Company all information necessary for the annual review by them and the enforcement of the Non-competition Agreement and provide our Company a confirmation relating to the compliance of the Non-competition Agreement and acknowledge and agree that such annual confirmation will be disclosed in the annual report of our Company; and

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (c) our Company shall disclose decisions on new business opportunities notified by the Covenantors pursuant to the Non-competition Agreement, either through the corporate governance report as set out in the annual report of our Company or by way of announcements to the public.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors are satisfied, on the basis of the following reasons, that our Group is capable of carrying on our business independently of our Controlling Shareholders (including any close associates of such Controlling Shareholders) after the Listing.

Management Independence

Our management and operational decisions are made by our Board and our senior management. Our Board consists of eight Directors, including one executive Director, four non-executive Directors and three independent non-executive Directors. Our Directors and members of senior management possess relevant management and/or industry-related experience to act as Directors or senior management of our Company.

Save as disclosed below, none of our Directors or members of senior management performs a management role in any of our Controlling Shareholders or their close associates:

<u>Name</u>	<u>Position with our Company</u>	<u>Positions held within our Controlling Shareholders or their close associates</u>
Mr. Tan Xuguang	Chairman of the Board and non-executive Director	Chairman of the board of directors of SHIG Chairman of the board of directors of Weichai Group Chairman of the board of directors and Chief Executive Officer of Weichai Power Co., Ltd. Chairman of the board of directors of China National Heavy Duty Truck Group Co., Ltd.*
Mr. Xu Xinyu	Non-executive Director	Vice chairman and deputy general manager of Weichai Group Director of Weichai Power Co., Ltd. Chairman of FIH
Mr. Li Xinghao	Non-executive Director	Director of FIH

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

We believe that our Directors and senior management are able to perform their roles in our Company independently of our Controlling Shareholders and their close associates and that our Company is therefore capable of managing our business independently of our Controlling Shareholders and their close associates after the Listing for the following reasons:

- (a) Mr. Tan Xuguang, Mr. Xu Xinyu and Mr. Li Xinghao are non-executive Directors, and not involved in our daily operations. They are responsible for the high level oversight of the management and operations of our Group;
- (b) the decision-making mechanism of the Board set out in the By-laws include provisions to avoid conflicts of interest by providing, among other things, that a Director must inform the other Directors and the board of statutory auditors if he has any conflicts of interest either on his own behalf or as a result of his connections with third persons in a specific transaction of the Company (including his close associates having a material interest) and, in that case, he shall abstain from voting on the resolutions concerning the transaction itself;
- (c) each of our Directors is aware of his fiduciary duties as a Director, which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflicts between his duties as a Director and his personal interest;
- (d) we have appointed three independent non-executive Directors, comprising not less than one-third of our Board with a view to overseeing affairs of our Company and the interests of our Company and the Shareholders as a whole. The independent non-executive Directors will give their independent opinions to the Shareholders on the relevant connected transaction(s), if any, pursuant to the Listing Rules. The independent non-executive Directors will be entitled to engage professional advisors at our cost for advice on matters relating to any potential conflict of interest arising out of any transaction to be entered into between our Company and our Controlling Shareholders or their respective close associates; and
- (e) there is no overlapping senior management personnel who work with both our Company and our Controlling Shareholders.

Based on the above, our Directors are of the view that our Group has our own management team and that we are capable of managing our business independently from our Controlling Shareholders and their close associates.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Operational Independence

We operate our businesses independently from our Controlling Shareholders. We have independent access to customers, suppliers and raw materials and have sufficient capital, facilities and employees to operate our business. We have obtained relevant qualifications and licenses, independent operating premises, domain names and electronic information systems needed for our businesses.

We have our own organizational structure with self-governing departments, each with specific areas of responsibility. We also maintain a set of comprehensive internal control procedures to facilitate the effective operation of our business.

Based on the above, our Directors are of the view that our Group operates independently from our Controlling Shareholders and their close associates.

Financial Independence

Our Group has an independent financial system and makes financial decisions according to our own business needs. We have our own internal control and accounting systems and finance department to perform independent treasury function on cash receipts and payments, independent accounting and reporting functions and independent internal control function. None of our Controlling Shareholders nor their close associates intervenes with our use of funds. We have adequate internal resources and credit profile to support our daily operations, and we are capable of obtaining financing from the independent third parties of our Company without relying on any guarantee or security provided by our Controlling Shareholders or their respective close associates.

No loans or guarantees provided by, or granted to, our Controlling Shareholders or their close associates will be outstanding as at the Listing Date.

Based on the above, our Directors are of the view that our Group is financially independent from our Controlling Shareholders and their close associates.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Corporate Governance Measures

Our Directors believe that there are further adequate corporate governance measures in place to manage the conflicts of interest arising from the potential competing business and to safeguard the interests of the Shareholders, including:

- (a) our Board has a balanced composition of executive Director, non-executive Directors and independent non-executive Directors that can facilitate the exercise of independent judgment. With the expertise in their respective professional fields, our Directors believe that the independent non-executive Directors have the necessary caliber and expertise to form and exercise independent judgment in the event that conflicts of interest between our Company and our Controlling Shareholders arise;
- (b) a Director must inform the other Directors and the board of statutory auditors if he has any conflicts of interest either on his own behalf or as a result of his connections with third persons in a specific transaction of the Company (including his close associates having a material interest) and, in that case, he shall abstain from voting on the resolutions concerning the transaction;
- (c) in the event any potential conflicts of interest in connection with our Controlling Shareholders arise at the shareholders' level, the relevant Controlling Shareholders shall abstain from voting in the Shareholders' meeting of our Company with respect to the relevant resolution(s);
- (d) pursuant to the Corporate Governance Code in accordance with Appendix 14 to the Listing Rules, our Directors, including the independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company's cost; and
- (e) we have appointed Gram Capital Limited as our compliance advisor, which is expected to provide advice and guidance to us in respect of compliance with applicable laws and the Listing Rules, including various requirements relating to directors' duties and internal controls.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflicts of interest between our Controlling Shareholders and their close associates and our Group, and to protect the interests of our Shareholders.

SUBSTANTIAL SHAREHOLDERS

So far as known to the Directors as at the Latest Practicable Date, immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), the following persons will have an interest and/or short position (as applicable) in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, once the Shares are listed on the Stock Exchange:

Name of Shareholder	Nature of Interest	Number of Shares Held or Interested	Approximate Percentage of Shareholding as at the Latest Practicable Date ⁽¹⁾	Approximate Percentage of Shareholding immediately upon the Global Offering ⁽²⁾
SHIG	Interest held by controlled corporations ⁽³⁾	215,769,229	86.055%	64.541%
Weichai Group.	Interest held by controlled corporations ⁽³⁾	215,769,229	86.055%	64.541%
Weichai Holding (HK) . . .	Interest held by controlled corporations ⁽³⁾	215,769,229	86.055%	64.541%
FIH	Beneficial owner	215,769,229	86.055%	64.541%
Mr. Piero Ferrari	Interest held by controlled corporations ⁽⁴⁾	27,926,766	11.138%	8.353%
Ms. Renjie Wang	Interest held by controlled corporations ⁽⁴⁾	27,926,766	11.138%	8.353%
F Investments	Beneficial owner	27,926,766	11.138%	8.353%

Notes:

- (1) The total number of the issued shares of the Company as at the Latest Practicable Date is 250,734,954.
- (2) Assuming the Over-allotment Option is not exercised, the total number of the issued shares of the Company immediately upon the Global Offering is 334,314,954.
- (3) FIH directly holds 215,769,229 Shares. FIH is wholly owned by Weichai Holding (HK). Weichai Holding (HK) is wholly owned by Weichai Group, which is a wholly-owned subsidiary of SHIG. SHIG is owned by Shandong SASAC (70%), Shandong Guohui Investment Co., Ltd. (20%, a company wholly owned by Shandong SASAC) and the Shandong Provincial Council for Social Security Fund (10%). 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%

SUBSTANTIAL SHAREHOLDERS

share capital of SHIG to Shandong Guohui Investment Co., Ltd. at nil consideration. From May 2018 to the Latest Practicable Date, SHIG's share capital is owned by Shandong SASAC (70%), Shandong Guohui Investment Co., Ltd. (20%) and the Shandong Provincial Council for Social Security Fund (10%).

- (4) F Investments directly holds 27,926,766 Shares. F Investments is 50% owned by Mr. Piero Ferrari and 50% owned by Ms. Renjie Wang. Mr. Ferrari and Ms. Renjie Wang are deemed to be interested in the Shares held by F Investments for the purpose of Part XV of the SFO.
- (5) The Shares referred to in this table are all long positions.

Save as disclosed above, the Directors are not aware of any person who will, immediately following completion of the Global Offering (and the offering of any additional Shares pursuant to the Over-allotment Option), have an interest or short position in the Shares or underlying Shares which would be required to be disclosed to the Company and the Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at any general meeting of the Company.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

As at the Latest Practicable Date, the total issued share capital of the Company was €250,734,954, divided into 250,734,954 ordinary shares with no nominal value, all of which were fully paid-up.

Our authorized share capital (“*capitale sociale deliberato*”) as at the Latest Practicable Date was €250,734,954 divided into 250,734,954 Shares with no nominal value.

The following is a description of our authorized share capital, issued share capital and share capital to be issued immediately following, and subject to, the completion of the Global Offering:

	<i>Number of Shares</i>	<i>Value (€)</i>
Authorized share capital	250,734,954	250,734,954
Share capital issued and to be issued:		
Shares in issue as at the Latest Practicable Date	250,734,954	250,734,954
Shares to be issued pursuant to the Global Offering (assuming the Over-allotment Option is not exercised)	<u>83,580,000</u>	<u>83,580,000</u>
Total	<u><u>334,314,954</u></u>	<u><u>334,314,954</u></u>

ASSUMPTION

The above table assumes that (1) the Global Offering becomes unconditional and the issuance of Shares pursuant to the Global Offering is made as described herein; (2) the Over-allotment Option is not exercised.

MINIMUM PUBLIC FLOAT

According to Rule 8.08 of the Listing Rules, at the time of the Listing and at all times thereafter, at least 25% of the total issued share capital of our Company shall be held by the public (as defined in the Listing Rules).

RANKING

The Offer Shares are ordinary shares in the share capital of our Company and will rank equally in all respects with all the Shares in issue or to be issued as set out in the above table, and will qualify for all dividends and other distributions declared, made or paid by our Company following the completion of the Global Offering.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our audited consolidated financial information as of and for the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021 included in the Accountants' Report set out in Appendix I to this prospectus, together with the accompanying notes. Our consolidated financial information has been prepared in accordance with IFRSs. The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are an established leader in the global luxury yacht industry with a portfolio of iconic brands with a long heritage and outstanding high-end manufacturing capabilities. We design, produce and sell luxury composite yachts, made-to-measure-yachts and super yachts from approximately eight to 95 meters, offering the full spectrum of functionalities and an increasing range of ancillary services, catering to the personalized tastes and requirements of our clientele.

We divide our products into three categories, namely, (i) composite yachts, (ii) made-to-measure yachts and (iii) super yachts. The key differences among them relate to size, material used for hulls, degree of customization, mode of construction and required lead time. We manage and report our results of operations across these three categories for the purpose of allocation of our resources and assessment of our performance. To a lesser extent, we engage in ancillary businesses that provide synergies with our core business with an all-encapsulating portfolio, comprising: (i) yacht brokerage, chartering and management services; (ii) after-sales and refitting services; (iii) brand extension activities; and (iv) manufacturing and installation of wooden furnishings for nautical interiors. In certain instances, we are also engaged in the trading of pre-owned yachts. In addition, we have tapped into the global coastal patrol and rescue vessel industry with the launch of FSD (Ferretti Security Division), our security vessel business division.

As of December 31, 2018, 2019 and 2020 and September 30, 2020 and 2021, our order backlog was €708.5 million, €751.9 million, €691.6 million, €586.1 million and €984.0 million, respectively. Despite the short-term adverse impact of the COVID-19 lock-down restrictions in 2020, for the years ended December 31, 2018, 2019 and 2020 and the nine months ended

FINANCIAL INFORMATION

September 30, 2020 and 2021, we recorded a net revenue of €615.4 million, €649.3 million, €611.4 million, €399.6 million and €669.3 million, respectively; and a net profit of €30.7 million, €26.6 million, €22.0 million, €5.7 million and €32.1 million, respectively.

BASIS OF PRESENTATION

Our consolidated historical financial information as of and for the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021 (the “**Historical Financial Information**”) has been prepared in accordance with IFRS which comprise all standards and interpretations approved by the International Accounting Standards Board (the “**IASB**”) and adopted by the EU. Other than IFRS 16 which was adopted by us since January 1, 2019, all EU-adopted IFRSs effective for the accounting period commencing from January 1, 2021, together with the relevant transitional provisions, have been early adopted by us in the preparation of the Historical Financial Information throughout the Track Record Period. During the Track Record Period, there were no differences between the IFRSs adopted by the EU and applicable to us and those issued by the IASB.

The Historical Financial Information has been prepared under the historical cost convention, except for derivative financial instruments which have been measured at fair value. All intra-group balances, transactions and unrealized gains/losses on intra-group transactions have been eliminated on consolidation.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe the following are the key factors that could affect our results of operations:

Growth of the Global Yacht Industry

We believe that the overall growth of the global yacht industry has significantly and will continue to significantly impact our revenue growth. According to the Industry Consultant, the global yacht industry has seen a growth in terms of market size from 2016 to 2020, and the COVID-19 pandemic has to a certain extent changed the traditional customer perception and significantly increased the market desire for yachts, further stimulating industry growth. In pursuit of a lifestyle with a combination of both business and leisure, luxury yachts, which ensure privacy and security in terms of safety and possibility of social distancing, have become one of the best means and places for VHNWIs and UHNWIs. As a result, luxury yachting has demonstrated greater resilience under the COVID-19 pandemic than other luxury verticals. The global yacht industry is forecasted to continue to increase at a CAGR of 7.3% from €18.9 billion in 2020 to €26.8 billion in 2025, with a growth trend which is expected to become a “new normal” due to the

FINANCIAL INFORMATION

structural and long-lasting changes in spending behaviors. See “Industry Overview” for more details. We believe we are well positioned to capitalize on the continued growth of the global yacht industry.

Investments in Product Portfolio Expansion and Renewal

We have been continuously renewing and broadening our product portfolio. For the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021, we incurred research and development expenses of €24.6 million, €33.6 million, €35.4 million, and €20.7 million, respectively, in connection with our product development and innovation. During the Track Record Period, we developed and launched 28 new models, meaning that over 60% of our total product portfolio (comprising 46 models as of September 30, 2021) is less than four years old. These new models in the aggregate contributed approximately 53% of our order backlog as of September 30, 2021. We intend to continue making significant investments in renewing and broadening our product portfolio in the coming years, which we believe is a key driver to sustaining the growth of our business. See “Business — Our Strategies.”

Expansion of Production Capacity

During the Track Record Period, we strategically made significant investments ahead of the industry to modernize our shipyards and increase their total indoor areas by approximately 20% compared to that as of December 31, 2016. For example, we have recently both refurbished and expanded the La Spezia, Ancona, Forlì and Mondolfo shipyards by adding new hangars and working stations. We will keep investing in the internalization of high value-adding activities. See “Business — Our Strategies.”

Order Intake and Order Backlog

We define “order intake” as the total amount of orders signed, net of commissions, for new vessels. We define “order backlog” as the total amount of existing orders, net of commissions, for new vessels not yet delivered to customers. Our order intake and order backlog, as well as our ability to convert our order intake and order backlog into revenue, have impacted and will continue to impact the growth of our revenue. For the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021, our order intake was €574.1 million, €694.5 million, €541.8 million, and €821.8 million, respectively. Our order backlog was €708.5 million, €751.9 million, €691.6 million and €984.0 million, respectively, as of December 31, 2018, 2019 and 2020 and September 30, 2021. See “Business — Our Products and Brands — Our Product Portfolio.” Order backlog differs from the amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) shown on Note 6 to the Accountants’

FINANCIAL INFORMATION

Report set out in Appendix I to this prospectus, which refer to the amount of order backlog deducting revenue recognized in respect of vessels under construction and not yet delivered to customers.

The table below sets forth a reconciliation of order backlog and the amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	<i>(Euro in thousands)</i>				
	<i>(Unaudited)</i>				
Order backlog	708,528	751,878	691,618	586,100	983,996
Performance obligations partially satisfied	<u>(416,403)</u>	<u>(385,163)</u>	<u>(346,685)</u>	<u>(243,915)</u>	<u>(405,728)</u>
Amount expected to be recognized as revenue (remaining performance obligations, unsatisfied or partially unsatisfied)	292,125	366,715	344,933	342,185	578,268

Revenue Mix

We measure the profitability of our business lines based on net revenue less variable costs, including raw material costs, costs of outsourced activities, direct labor costs and other costs varying with revenue, divided by net revenue. The profitability of our super yachts is generally the lowest among our three business lines. According to Industry Consultant, it is an industry norm that the profitability of super yachts is relatively lower than that of composite and made-to-measure yachts, due to lower entry barriers for super yacht segment which requires limited investments in molds compared to composite and made-to-measure yacht segments. On the other hand, the profitability of our made-to-measure yachts is generally the highest. This is mainly because compared to composite models, the degree of customization of made-to-measure is substantially higher (the interior layouts, furnishings and fittings can be almost completely adapted to match customer requirements) for which we are able to charge a premium, while still maintaining cost advantages associated with our production cycle (based on molds) similar to that of composite yachts.

FINANCIAL INFORMATION

Our overall profitability is affected by our revenue mix, due to differences in the profitability across our broad and diverse product offerings. Specifically, under the same business line, every model/yacht is different in terms of size, materials used, degree of customization, mode of construction and required lead time. During the Track Record Period, we experienced fluctuations in the profitability of each of our three business lines, which were mainly attributable to changes in the mix of yachts sold year after year.

The COVID-19 Outbreak

The global COVID-19 pandemic has led to strict government controls on business operations and travel. Due to the outbreak of COVID-19 pandemic, we temporarily and partially suspended the operations of our six shipyards for two months in 2020 (namely, from March to April 2020), which was imposed by the Italian government (emergency statutory provisions adopted for coping with the pandemic). The suspension of operations of our shipyards contributed to decreases in our net revenue, change in inventories of work-in-progress, semi-finished and finished goods, raw materials and consumables used and personnel costs for the year ended December 31, 2020, compared to those for the years ended December 31, 2019. Our costs for trade shows, events and advertising also decreased, mainly due to the cancellation of major boat shows in 2020 as a result of the outbreak of COVID-19 pandemic. With our recovery from the short-term adverse impact of the COVID-19 pandemic, we have achieved significantly enhanced results of operations for the nine months ended September 30, 2021. See “— Period to Period Comparison of Results of Operations.”

With a significant portion of population in Italy vaccinated, the Italian government has started to lift most travel restrictions since May 2020. Therefore, the recent emergence of new variants, such as Delta and Omicron strains, did not have a material adverse impact on our procurement, production, logistics and sales activities.

We have also introduced targeted and tightened sanitary and monitoring protocols in response to epidemic disease control and prevention measures implemented by the local governments and incurred total costs of €2.4 million and €1.6 million for the year ended December 31, 2020 and the nine months ended September 30, 2021, respectively.

FINANCIAL INFORMATION

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We prepare our consolidated financial information in accordance with IFRSs, which requires us to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities on the date of the consolidated financial information and the reported amounts of revenue and expenses during the financial reporting period. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Because the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates. We will continuously assess our assumptions and estimates going forward. We consider the policies discussed below to be critical to an understanding of our consolidated financial information as their application places significant demands on our management's judgment.

For details of our significant accounting policies and estimates, see Note 2.4 and Note 3 to the Accountants' Report set out in Appendix I to this prospectus.

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 fulfilment 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;

FINANCIAL INFORMATION

- the terms of payment for the goods or services to be transferred may be identified;
- the contract has commercial substance; and
- 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 an entity assess all relevant facts and circumstances when they apply all steps of the model to contracts with customers. IFRS 15 also specifies the accounting treatment for the incremental costs of obtaining a contract and costs related directly to the fulfilment of a contract, and IFRS 15 also requires that ample disclosure be provided.

Contract work revenues represent performance obligations satisfied over time. In particular, revenue is recognized on a percentage of completion basis and is defined by IFRS 15 as contracts specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

When the outcome of a construction contract can be estimated reliably, contract revenue is 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 rewards transferred to the customer. Otherwise, revenue is 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 period in which they are incurred.

FINANCIAL INFORMATION

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

Revenue from the sale of pre-owned boats, brokerage services, sale of merchandising, spare parts and the provision of services are performance obligations satisfied at a point in time and revenue is recognized when the control of the asset or service is transferred to the customer. 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.

Trade and other receivables and contract assets

Trade receivables are amounts 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 under an expected credit loss (“ECL”) model to calculate expected losses in accordance with IFRS 9. Such losses are taken to the consolidated income statements where there is objective evidence that the receivables have become impaired. This ECL model is applied to trade and other receivables and contract assets.

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 weighted average costing 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 INFORMATION

Income taxes

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

The liability for current taxes is calculated using the rates in force or effectively in force at the end of each of the periods during the Track Record Period.

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.

Deferred tax liabilities are recognized on taxable temporary differences arising from investments in subsidiaries, 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 at the end of each of the Relevant Periods 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 at the end of each of the Relevant Periods. Deferred taxes are recognized directly in profit or loss, 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., C.R.N. S.p.A. and Zago S.p.A. have opted for group taxation pursuant to Articles 117 *et seq.* of the Italian Consolidated Law on Income Tax (Law No. 917 of 22 December 1986). This option, which has not been repealed, allows the holding company to immediately offset any loss incurred by its subsidiaries against the Group's overall profit.

FINANCIAL INFORMATION

DESCRIPTION OF KEY INCOME STATEMENTS ITEMS

The following table sets forth selected consolidated income statements items for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	<i>(Euro in thousands)</i>			(Unaudited)	
Revenue.	631,269	678,165	638,194	425,638	693,277
Commissions and other costs related to revenue.	(15,857)	(28,914)	(26,839)	(26,005)	(24,010)
NET REVENUE	615,412	649,251	611,355	399,633	669,267
Change in inventories of work-in-process, semi-finished and finished goods	15,356	331	(21,727)	7,723	(35,691)
Cost capitalized	25,371	35,834	34,076	24,637	20,889
Other income.	13,082	12,991	15,027	10,661	8,155
Raw materials and consumables used . . .	(332,729)	(335,559)	(291,768)	(205,409)	(310,576)
Contractors costs	(90,589)	(93,860)	(91,604)	(64,709)	(93,688)
Costs for trade shows, events and advertising.	(13,068)	(11,668)	(9,446)	(7,232)	(10,265)
Other service costs	(60,967)	(70,852)	(69,837)	(47,029)	(60,006)
Rentals and leases.	(8,195)	(6,671)	(5,582)	(4,691)	(5,354)
Personnel costs	(90,516)	(96,446)	(92,454)	(67,659)	(80,375)
Other operating expenses	(4,971)	(11,328)	(7,366)	(5,139)	(3,919)
Provisions and impairment	(15,553)	(20,857)	(17,272)	(14,585)	(16,399)
Depreciation and amortization	(25,100)	(38,155)	(42,493)	(33,319)	(35,836)
Share of loss of a joint venture.	—	—	—	—	(15)
Financial income	313	236	133	128	216
Financial expenses	(5,403)	(6,608)	(6,897)	(5,144)	(4,600)
Foreign exchange gains/(losses)	(1,786)	(209)	(618)	(30)	515
PROFIT/(LOSS) BEFORE TAX	20,657	6,430	3,527	(12,164)	42,318
Income tax	10,063	20,169	18,455	17,852	(10,229)
PROFIT FOR THE YEAR/PERIOD	30,720	26,599	21,982	5,688	32,089
Attributable to:					
Shareholders of the Company	30,720	26,628	22,006	5,669	32,111
Non-controlling interests	—	(29)	(24)	19	(22)

FINANCIAL INFORMATION

Non-IFRS Measure

To supplement our consolidated income statements which are presented in accordance with IFRS, we also use EBITDA as a non-IFRS measure, which is not required by, or presented in accordance with, IFRS. We believe that this measure facilitates comparison of operating performance from period to period by eliminating potential impacts of certain items.

We believe that this measure provides useful information to investors and others in understanding and evaluating our consolidated income statements in the same manner as they help our management. However, our presentation of EBITDA may not be comparable to similarly titled measures presented by other companies. The use of this measure has limitations as an analytical tool, as such, it should not be considered in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS.

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

The table below sets forth the reconciliations of our non-IFRS measure to the nearest measures prepared in accordance with IFRS for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	<i>(Euro in thousands)</i>			<i>(Unaudited)</i>	
Profit for the year/period	30,720	26,599	21,982	5,688	32,089
Income tax (benefit)/expense	(10,063)	(20,169)	(18,455)	(17,852)	10,229
Financial income	(313)	(236)	(133)	(128)	(216)
Financial expenses	5,403	6,608	6,897	5,144	4,600
Depreciation and amortization	25,100	38,155	42,493	33,319	35,836
EBITDA	50,847	50,957	52,784	26,171	82,538

Revenue

We design, produce and sell a broad and diverse range of luxury yachts, which are divided into three categories, namely (i) composite yachts; (ii) made-to-measure yachts; and (iii) super yachts. The key differences between these categories relate to size, mode of construction, materials used, degree of customization, required lead time and price. We manage and report our results of

FINANCIAL INFORMATION

operations across these three categories for the purpose of allocation of our resources and assessment of our performance. See “Business — Our Products and Brands” for further information on our products.

To a much lesser extent, we also generate revenue from ancillary businesses that provide synergies with our core business with an all-encapsulating portfolio, comprising: (i) yacht brokerage, chartering and management services; (ii) after-sales and refitting services; (iii) brand extension activities, such as our lifestyle merchandise collection; and (iv) manufacturing and installation of wooden furnishings for nautical interiors. In certain instances, we are also engaged in the trading of pre-owned yachts, offering trade-in opportunities to our customers as a complementary service and a lever to facilitate the sales of new yachts. In addition, we launched FSD (Ferretti Security Division) in 2016 to offer coastal patrol vessels. See “Business — Other Businesses.”

During the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2020 and 2021, we generated revenue of €631.3 million, €678.2 million, €638.2 million, €425.6 million and €693.3 million, respectively.

We paid commissions and other costs related to revenue of €15.9 million, €28.9 million, €26.8 million, €26.0 million and €24.0 million for the years ended December 31, 2018, 2019, 2020 and the nine months ended September 30, 2020 and 2021, respectively. These amounts principally relate to the commissions we pay to dealers and brokers when we directly invoice end customers for the sales of new yachts. Such commissions are separately recognized as a deduction of gross revenue when the sale of new yachts is directly invoiced to end customers. The average rate of commissions we paid to dealers and brokers was relatively stable during the Track Record Period, being 4.1%, 4.0%, 4.8% and 4.9%, respectively, in 2018, 2019, 2020 and the nine months ended September 30, 2021. When the sales of new yachts is made through dealers, the revenue from sales of new yachts is recognized at an amount net of commissions.

During the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2020 and 2021, we generated net revenue of €615.4 million, €649.3 million, €611.4 million, €399.6 million and €669.3 million, respectively.

FINANCIAL INFORMATION

Net Revenue by Business Lines

During the Track Record Period, we generated revenue from the four above-mentioned business lines, namely, (i) revenue from composite yachts; (ii) revenue from made-to-measure yachts; (iii) revenue from super yachts; and (iv) revenue from other businesses. The table below provides a breakdown of our net revenue by business lines during the Track Record Period:

	Year ended December 31,						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	<i>(Euro in thousands, except percentages)</i>									
	(Unaudited)									
Composite yachts	264,257	42.9%	321,368	49.5%	298,368	48.8%	205,394	51.4%	351,017	52.4%
Made-to-measure yachts	233,233	37.9%	195,386	30.1%	168,506	27.6%	108,169	27.1%	187,360	28.0%
Super yachts	44,286	7.2%	56,674	8.7%	63,742	10.4%	22,056	5.5%	56,210	8.4%
Other businesses										
Yacht brokerage, chartering and management services	7,071	1.1%	6,333	1.0%	5,932	1.0%	3,671	0.9%	10,283	1.5%
After-sales and refitting services and brand extension activities	5,808	0.9%	5,220	0.8%	6,051	1.0%	5,911	1.5%	6,997	1.0%
Manufacturing and installation of wooden furnishings for nautical interiors	14,534	2.4%	12,229	1.9%	10,231	1.7%	6,671	1.7%	10,908	1.6%
Trading of pre-owned yachts	37,485	6.1%	42,680	6.6%	39,451	6.5%	36,881	9.2%	36,345	5.4%
FSD	2,708	0.4%	9,361	1.4%	19,074	3.1%	10,880	2.7%	8,356	1.2%
Others	6,030	1.0%	—	—	—	—	—	—	1,791	0.3%
	73,636	12.0%	75,823	11.7%	80,739	13.2%	64,014	16.0%	74,680	11.2%
Total	615,412	100.0%	649,251	100.0%	611,355	100.0%	399,633	100.0%	669,267	100.0%

FINANCIAL INFORMATION

The table below shows the number of vessels we delivered to customers during the Track Record Period:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	Composite yachts	107	140	118	96
Made-to-measure yachts	21	19	22	18	20
Super yachts	1	3	2	2	1
FSD vessels	1	1	—	—	2
New vessels	130	163	142	116	167
Pre-owned yachts	31	21	24	22	12
Total	161	184	166	138	179

Net Revenue by Geographical Regions

We have a global sales and distribution network with presence in more than 70 countries and regions. Our geographic regions are divided as (i) EMEA; (ii) APAC; (iii) AMAS; (iv) Global; and (v) Other. The table below provides a breakdown by geographical regions of our net revenue during the Track Record Period:

	Year ended December 31,						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	<i>(Euro in thousands, except percentages)</i>									
<i>(Unaudited)</i>										
EMEA	272,051	44.2%	287,939	44.3%	254,027	41.6%	153,756	38.5%	268,388	40.1%
APAC	89,087	14.5%	51,520	7.9%	62,925	10.3%	38,879	9.7%	34,544	5.2%
AMAS	136,352	22.1%	177,295	27.3%	149,922	24.5%	120,928	30.3%	235,445	35.2%
Global ⁽¹⁾	44,286	7.2%	56,674	8.7%	63,742	10.4%	22,056	5.5%	56,210	8.4%
Other businesses ⁽²⁾	73,636	12.0%	75,823	11.8%	80,739	13.2%	64,014	16.0%	74,680	11.1%
Total	615,412	100.0%	649,251	100.0%	611,355	100.0%	399,633	100.0%	669,267	100.0%

Notes:

- (1) Representing revenue attributable to super yachts not allocable to an individual country because, for example, the customer's country of residence is different from the vessel's country of registration.
- (2) Mainly comprising revenue from ancillary businesses and the FSD business.

FINANCIAL INFORMATION

During the Track Record Period, the proportion of revenue from EMEA was relatively stable. Meanwhile, the launch of certain models well-received in AMAS has allowed us to achieve a very strong growth trajectory in terms of revenue contribution from AMAS; while the relatively lower revenue contribution from AMAS in 2020 was mainly due to the outbreak of COVID-19 pandemic, which resulted in postponement of certain deliveries to the first quarter of 2021. Revenue from APAC represented a larger proportion of our revenue in 2018, which was primarily due to the sales and delivery of mainly made-to-measure yachts in the region in 2018. APAC generated a smaller proportion of our revenue in 2019 and the nine months ended September 30, 2021, primarily due to (i) dampened market demand in Hong Kong, which is a key market for APAC, due to local disturbance that affected the investment appetite for the population of VHNWIs and UHNWIs in Hong Kong in 2019; and (ii) the outbreak of COVID-19 pandemic which caused significant travel restrictions for APAC customers to visit Europe in 2020 and therefore, resulted in a decrease in order intake from APAC, especially for larger footage yachts that have relatively longer production cycles.

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

Our change in inventories mainly represents changes in inventories of composite yachts not covered by sales contracts. In general, for made-to-measure yachts and super yachts, we only launch the production process after we have a sales contract in place. For the years ended December 31, 2018 and 2019 and the nine months ended September 30, 2020, we recorded increases in our inventory of work-in-process, semi-finished and finished goods (expressed as positive figures) of €15.4 million, €0.3 million and €7.7 million, respectively, while we recorded decreases in our inventory of work-in-process, semi-finished and finished goods (expressed as negative figures) of €21.7 million and €35.7 million for the year ended December 31, 2020 and the nine months ended September 30, 2021, respectively. See “— Certain Balance Sheet Items — Inventories/Advances on Inventories.”

Cost Capitalized

Our cost capitalized consists of costs incurred for labor, materials and manufacturing overheads capitalized in connection with development and production of our yachts. The costs are capitalized when they are identifiable, can be measured reliably and will generate future economic benefits. The fluctuations in our cost capitalized from period to period are a function of the timing of the development and launch of our new models and the production cycles for yachts with long lead times. For the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021, our cost capitalized amounted to €25.4 million, €35.8 million, €34.1 million, €24.6 million and €20.9 million, respectively.

FINANCIAL INFORMATION

For the year ended December 31, 2020 and the nine months ended September 30, 2020 and 2021, among our cost capitalized, we incurred Covid-19 extra-costs of €10 thousand, €123 thousand and €16 thousand, respectively.

Other Income

For the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021, we recorded other income of €13.1 million, €13.0 million, €15.0 million, €10.7 million and €8.2 million, respectively. The table below sets forth our other income during the Track Record Period:

	Year ended December 31			Nine months ended September 30	
	2018	2019	2020	2020	2021
	<i>(Euro in thousands)</i>			<i>(Unaudited)</i>	
Cost over-accruals	3,012	3,092	4,791	2,982	889
Compensation and settlement income . . .	3,314	2,747	2,101	1,814	749
Gain on disposal of property, plant and equipment	190	48	1,822	1,818	11
Discounts from suppliers	1,349	1,221	1,780	807	2,388
Rental income	273	244	641	420	525
Miscellaneous costs re-charged to customers and dealers	797	1,281	256	523	297
Others ⁽¹⁾	4,147	4,358	3,636	2,297	3,296
Total other income.	13,082	12,991	15,027	10,661	8,155

Note:

- (1) Mainly comprising (i) income derived from trademark co-branding agreements, and (ii) recharge to suppliers due to the non-conformity of materials received.

Our cost over-accruals mainly represent over-estimates of raw material costs, contractors costs and personnel costs recorded in closing of prior accounting periods, which is incidental in nature and considered part of normal course of our business. Our compensation and settlement income mainly comprise (i) proceeds of insurance compensation for damages to yachts due to unexpected events in the production and transportation, such as bad weather; and (ii) compensation from suppliers as a result of legal proceedings and disputes that arise in the ordinary course of business, such as non-compliant materials.

FINANCIAL INFORMATION

For the year ended December 31, 2018, among our other income, we recorded non-recurring income of €269 thousand. For the year ended December 31, 2019, among our other income, we recorded personnel related non-recurring income of €138 thousand. For the year ended December 31, 2020, among our other income, we recorded Covid-19 extra-income of €57 thousand, and personnel related non-recurring income of €11 thousand. For the nine months ended September 30, 2021, among our other income, we recorded Covid-19 extra-income of €4 thousand.

Raw Materials and Consumables Used

Our raw materials and consumables used consist of (i) purchases of raw materials and components used in the production of our new vessels, (ii) purchases of pre-owned yachts and (iii) changes in inventory of raw materials and consumables. The table below sets forth our raw materials and consumables during the Track Record Period:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	<i>(Euro in thousands)</i>			<i>(Unaudited)</i>	
Purchases of raw materials and components	285,868	300,406	265,865	181,360	276,337
Purchases of pre-owned yachts	38,779	44,959	49,058	34,175	24,949
Changes in inventory	8,082	(9,806)	(23,155)	(10,126)	9,290
Total	<u>332,729</u>	<u>335,559</u>	<u>291,768</u>	<u>205,409</u>	<u>310,576</u>

For the years ended December 31, 2018, among our raw materials and consumables used, we incurred non-recurring costs of €38 thousand. For the year ended December 31, 2019, among our raw materials and consumables used, we incurred IPO extra costs of €15 thousand, primarily comprising raw materials and consumables used in marketing and roadshow activities in connection with the previous listing attempt in Italy in 2019. For the year ended December 31, 2020, among our raw materials and consumables used, we incurred Covid-19 extra-costs of €641 thousand and litigation costs of €168 thousand. For the nine months ended September 30, 2020, among our raw materials and consumables used, we incurred Covid-19 extra-costs of €462 thousand and litigation costs of €12 thousand. For the nine months ended September 30, 2021, among our raw materials and consumables used, we incurred Covid-19 extra-costs of €290 thousand.

FINANCIAL INFORMATION

Contractors Costs

Our contractors costs mainly represent the costs associated with the use of contractors in our production process. We typically outsource to third-party contractors the production and construction of some more complex parts, components and systems of yachts (such as the assembly of fiberglass hulls and superstructures as well as the construction and installation of electrical parts and other systems). For the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021, we recorded contractors costs used of €90.6 million, €93.9 million, €91.6 million, €64.7 million and €93.7 million, respectively.

For the year ended December 31, 2018, among our contractors costs, we incurred non-recurring costs of €6 thousand. For the year ended December 31, 2020, among our contractors costs, we incurred Covid-19 extra-costs of €10 thousand, and litigation costs of €163 thousand. For the nine months ended September 30, 2020, among our contractors costs, we incurred Covid-19 extra costs of €10 thousand, and non-recurring costs of €3 thousand.

Costs for Trade Shows, Events and Advertising

Our costs for trade shows, events and advertising mainly consist of costs for boat shows and special events. See “Business — Brand Promotion.” For the years ended December 31, 2018, 2019 and 2020, and the nine months ended September 30, 2020 and 2021, our costs for trade shows, events and advertising amounted to €13.1 million, €11.7 million, €9.4 million, €7.2 million and €10.3 million, respectively.

For the year ended December 31, 2019, among our costs for trade shows, events and advertising, we incurred IPO extra costs of €219 thousand, primarily comprising costs for marketing and roadshow activities in connection with the previous listing attempt in Italy in 2019. For the year ended December 31, 2020 and the nine months ended September 30, 2020, among our costs for trade shows, events and advertising, we incurred Covid-19 extra-costs of €18 thousand and €18 thousand, respectively. For the nine months ended September 30, 2021, among our costs for trade shows, events and advertising, we incurred Covid-19 extra-costs of €15 thousand.

Other Service Costs

Our other service costs primarily consist of (i) service cost for building, comprising insurance, utilities, maintenance, cleaning and waste management, and surveillance costs, (ii) consulting services, comprising technical consulting (mainly relate to service fees paid to our external naval architects and designers), tax, legal and administrative consulting services, and outsourced general and administrative service costs; and (iii) transportation, insurance and customs

FINANCIAL INFORMATION

clearance costs; and (iv) service cost for employees, comprising recruitment and training costs and travel and per diem expenses. The table below sets forth our other service costs during the Track Record Period:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	<i>(Euro in thousands)</i>			<i>(Unaudited)</i>	
Service cost for building	13,027	13,980	15,844	10,668	12,915
Consulting services	14,847	18,808	20,829	13,063	15,366
Transportation, insurance and customs clearance costs	13,532	15,299	13,753	9,187	11,392
Service cost for employees	5,738	6,557	3,751	2,679	3,839
Fees paid to members of corporate governance bodies	2,607	2,316	3,402	2,695	2,693
Entertainment expenses	2,539	3,574	1,507	1,135	1,829
Bank charges and guarantees	992	1,333	1,907	1,476	1,333
Others ⁽¹⁾	7,684	8,985	8,844	6,126	10,639
Total	60,967	70,852	69,837	47,029	60,006

Note:

(1) Comprising other miscellaneous service costs.

For the year ended December 31, 2018, among our other service costs, we incurred bank charges and guarantees of €929 thousand, and non-recurring costs of €73 thousand. For the year ended December 31, 2019, among our other service costs, we incurred bank charges and guarantees of €990 thousand, non-recurring costs of €100 thousand, IPO extra costs of €2.2 million (mainly for marketing and roadshow activities in connection with the previous listing attempt in Italy in 2019), personnel related non-recurring costs of €615 thousand, and litigation costs of €59 thousand. For the year ended December 31, 2020, among our other service costs, we incurred bank charges and guarantees of €1.4 million, Covid-19 extra-costs of €1.3 million, personnel related non-recurring costs of €62 thousand, litigation costs of €702 thousand, and non-recurring costs of €10 thousand. For the nine months ended September 30, 2020, among our other service costs, we incurred bank charges and guarantees of €1.5 million, Covid-19 extra-costs of €751 thousand, personnel related non-recurring costs of €38 thousand, litigation costs of €620 thousand, and non-recurring costs of €25 thousand. For the nine months ended September 30, 2021, among our other service costs, we incurred Covid-19 extra-costs of €1.3 million, non-recurring costs of €112 thousand, and litigation costs of €28 thousand.

FINANCIAL INFORMATION

Rentals and Leases

Our rentals and leases comprise (i) charges paid on the properties and assets held under operating leases used in our business; and (ii) royalties paid to our external naval architects and designers. We recorded expenses relating to variable lease payments not included in the measurement of lease liabilities only in 2018, due to the adoption of IFRS 16 “Leases” from January 1, 2019, which provides new provisions for the accounting treatment of leases and requires lessees to recognize certain leases on the statements of financial position. Specifically, for any lease with a term of more than 12 months, unless the underlying asset is of low value (namely, a value under €5,000), we recognize a right-of-use asset representing our right to use the underlying leased asset in our consolidated statements of financial position and depreciation of the right-of-use asset is recognized over the lease term on a straight-line basis in our consolidated income statements. In addition, we record a lease liability representing our obligation to make lease payments based on present value, calculated by using the effective interest method, in our consolidated statements of financial position and interest on the lease liability is recognized in our consolidated income statements.

The table below sets forth our rentals and leases during the Track Record Period:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	<i>(Euro in thousands)</i>			<i>(Unaudited)</i>	
Expenses relating to:					
Short term leases	—	3,088	3,409	2,678	2,857
Leases of low-valued assets	—	1,369	370	269	250
Minimum lease payments under					
operating leases	6,929	—	—	—	—
Royalties	1,266	2,214	1,803	1,744	2,247
Total	8,195	6,671	5,582	4,691	5,354

For the year ended December 31, 2019, among our rentals and leases, we incurred IPO extra costs of €28 thousand in marketing and roadshow activities in connection with the previous listing attempt in Italy in 2019. For the year ended December 31, 2020, among our rentals and leases, we incurred litigation costs of €14 thousand. For the nine months ended September 30, 2020, among our rentals and leases, we incurred litigation costs of €2 thousand.

FINANCIAL INFORMATION

Personnel Costs

Our personnel costs comprise (i) wages and salaries to our employees; (ii) social security contributions we paid for our employees; and (iii) employee severance indemnities and other allocations which are primarily related to post-employment benefit obligations. The table below sets forth our personnel costs during the Track Record Period:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	<i>(Euro in thousands)</i>			<i>(Unaudited)</i>	
Wages and salaries	64,992	69,192	65,540	47,817	57,033
Social security contributions	21,329	22,866	22,438	16,644	19,858
Employee severance indemnities and other allocations	4,195	4,388	4,476	3,198	3,484
Total	90,516	96,446	92,454	67,659	80,375

For the year ended December 31, 2018, among our personnel costs, we incurred non-recurring costs of €7 thousand. For the year ended December 31, 2019, among our personnel costs, we incurred IPO extra costs of €586 thousand, and personnel related non-recurring costs of €1.3 million. For the year ended December 31, 2020, among our personnel costs, we incurred Covid-19 extra-costs of €51 thousand, personnel related non-recurring costs of €520 thousand, and litigation costs of €36 thousand. For the nine months ended September 30, 2020, among our personnel costs, we incurred Covid-19 extra-costs of €33 thousand, personnel related non-recurring costs of €444 thousand, litigation costs of €34 thousand, and non-recurring costs of €2 thousand. For the nine months ended September 30, 2021, among our personnel costs, we incurred Covid-19 extra-costs of €37 thousand.

FINANCIAL INFORMATION

Other Operating Expenses

Our other operating expenses comprise mainly cost under-accruals, compensation and settlement expenses and re-billable costs. The table below sets forth our other operating expenses during the Track Record Period:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	<i>(Euro in thousands)</i>			<i>(Unaudited)</i>	
Cost under-accruals	240	2,457	1,511	1,091	828
Compensation and settlement expenses . .	609	3,730	1,458	1,401	811
Other taxes	981	1,081	1,334	854	999
Membership fees	356	469	545	431	410
Advertising and promotional materials . .	501	694	454	243	276
Re-billable costs	1,847	2,119	447	260	240
Loss on disposal of property, plant and equipment	112	—	335	16	27
Others ⁽¹⁾	325	778	1,282	843	328
Total	4,971	11,328	7,366	5,139	3,919

Note:

(1) Primarily comprising charitable donations.

Our cost under-accruals represent under-estimates of costs recorded in prior accounting periods for the supplies of raw materials and services.

Compensation and settlement expenses mainly represent penalties and liquidated damages we paid for delay in delivery to customers. Re-billable costs represent certain costs we paid on behalf of, and recharged to, dealers and suppliers.

For the year ended December 31, 2018, among our other operating expenses, we incurred non-recurring costs of €3 thousand. For the year ended December 31, 2019, among our other operating expenses, we incurred bank charges and guarantees of €2 thousand, and IPO extra costs of €33 thousand. For the year ended December 31, 2020, among our other operating expenses, we incurred Covid-19 extra-costs of €435 thousand, personnel related non-recurring costs of €113 thousand. For the nine months ended September 30, 2020, among our other operating expenses, we incurred bank charges and guarantees of €6 thousand, Covid-19 related extra-costs of €353 thousand, personnel related non-recurring costs of €113 thousand.

FINANCIAL INFORMATION

Provisions and Impairment

Our provisions and impairment primarily comprise provisions for product warranties and provisions for miscellaneous risks. See “— Certain Balance Sheet Items — Provisions.” The table below sets forth our provisions and impairment during the Track Record Period:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	<i>(Euro in thousands)</i>			(Unaudited)	
Provision for product warranties	15,203	19,131	15,084	10,664	15,825
Provision for miscellaneous risks, net. . .	(311)	2,252	1,558	3,521	495
Impairment of trade receivables, net. . . .	661	(526)	630	400	79
Total	15,553	20,857	17,272	14,585	16,399

For the year ended December 31, 2019, among our provisions and impairment, we incurred litigation costs of €5.0 million. For the year ended December 31, 2020, among our provisions and impairment, we incurred non-recurring costs of €77 thousand.

Provisions for product warranties are based on our estimated future liabilities under warranties issued on new yachts sold to customers during the relevant accounting period and adjustments to past estimates of future liabilities on warranties issued on new yachts sold in the prior accounting periods. See “Business — After-sales Services and Warranties.” We calculate the reserves required to cover our expected warranty liabilities based on the level of historical claims incurred, our management’s best estimates of the costs required to repair or to replace items under product warranties and its projections of the nature, frequency and costs of potential future claims under performance warranties, as well as future expectations which takes into account the launch of new products and the impact of a warranty period of up to 24 months. Based on the foregoing, our Directors are of the view that the Group has made adequate product warranties provision during the Track Record Period. Based on the due diligence steps undertaken by the Sole Sponsor and provided that there were no misrepresentations and omissions to the Sole Sponsor’s due diligence enquiries, nothing has come to the attention of the Sole Sponsor that would lead them to cast doubts on our views as discussed above. Our impairment of trade receivables during the Track Record Period were made in accordance with IFRS 9.

FINANCIAL INFORMATION

Depreciation and Amortization

Our depreciation and amortization comprise depreciation of property, plant and equipment (including owned assets and right-of-use assets representing our rights to use the leased assets) and amortization of intangible assets. The table below sets forth our depreciation and amortization during the Track Record Period:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	<i>(Euro in thousands)</i>			<i>(Unaudited)</i>	
Depreciation of property, plant and equipment					
— Owned assets	22,734	29,645	30,782	25,534	25,940
— Right-of-use assets	—	3,819	5,772	4,174	4,783
Amortization of intangible assets	2,366	4,691	5,939	3,611	5,113
Total	25,100	38,155	42,493	33,319	35,836

Financial Income and Financial Expenses

Our financial income mainly consists of (i) interest income from our bank savings and (ii) other interest income mainly comprising interest we received from customers who delayed in payment; while our financial expenses primarily comprise (i) interest expenses on bank and other loans, and (ii) interest on amounts due to the immediate holding company, which represents the intercompany loan from FIH which was extinguished in 2019 (see “— Related Party Transactions”).

FINANCIAL INFORMATION

The table below sets forth our financial income and financial expenses during the Track Record Period:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	<i>(Euro in thousands)</i>			<i>(Unaudited)</i>	
<i>Financial income</i>					
Bank interest income	208	207	37	36	1
Other interest income	105	29	96	92	215
	313	236	133	128	216
<i>Financial expenses</i>					
Interest on bank and other loans	(1,886)	(2,539)	(5,975)	(4,566)	(3,562)
Interest on amounts due to the immediate holding company	(3,022)	(3,027)	—	—	—
Interest on lease liabilities	—	(108)	(163)	(118)	(135)
Interest on provision for severance benefits and pensions	(51)	(55)	(29)	(24)	(8)
Bank charges and others	(444)	(879)	(730)	(436)	(895)
	(5,403)	(6,608)	(6,897)	(5,144)	(4,600)
Financial expenses, net	(5,090)	(6,372)	(6,764)	(5,016)	(4,384)

For the year ended December 31, 2018, among our financial expenses, we incurred non-recurring costs of €3 thousand.

Foreign Exchange Gains/(Losses)

Our foreign exchange gains amounted to €0.5 million for the nine months ended September 30, 2021 and our foreign exchange losses amounted to €1.8 million, €0.2 million, €0.6 million and €30,000 for the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2020, respectively.

FINANCIAL INFORMATION

Income Tax

Our income tax consists of current tax and deferred tax. The table below sets forth our income tax during the Track Record Period:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	<i>(Euro in thousands)</i>			(Unaudited)	
Current tax					
Corporate income tax	(406)	(10)	—	—	(6,516)
Regional tax	(1,769)	(502)	(840)	(419)	(2,106)
Federal tax	(32)	(456)	(683)	(776)	(1,703)
Subtotal	(2,207)	(968)	(1,523)	(1,195)	(10,325)
<i>Less:</i>					
Under/(over)-provision in prior years . . .	3,417	2,420	1,543	(84)	108
Total	1,210	1,452	20	(1,279)	(10,217)
Deferred tax	8,853	18,717	18,435	19,131	(12)
Total income tax benefit/(expense) . . .	10,063	20,169	18,455	17,852	(10,229)

During the Track Record Period, we and our Italian subsidiaries were subject to corporate income tax (“**IRES**”) at the rate of 24.0%, as per Title II of Presidential Decree No. 917/1986, and regional production tax (“**IRAP**”) at the rate of 3.9%, as per Legislative Decree No. 446/1997.

We had a positive income tax base during the Track Record Period, and therefore, generated current income tax expense. However, we recorded income tax benefit for the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2020, primarily attributable to deferred tax assets recognized mainly arising of prior tax losses that are available to offset against future taxable profit with no time limit. Based on reasonable forecasts of future growth and industry outlook by our management, we expect to generate sufficient taxable profit in the forthcoming years to allow utilization of the deferred tax assets. We recorded income tax expense of €10.2 million for the nine months ended September 30, 2021 and our effective income tax rate for the same period was 24.2%.

FINANCIAL INFORMATION

During the Track Record Period and up to the Latest Practicable Date, we paid all relevant taxes that were due and applicable to us and had no disputes or unresolved tax issues with relevant tax authorities that would materially and adversely affect our business.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Nine Months Ended September 30, 2021 Compared to Nine Months Ended September 30, 2020

Revenue

Our revenue increased by €267.7 million, or 62.9%, from €425.6 million for the nine months ended September 30, 2020 to €693.3 million for the nine months ended September 30, 2021. Our commissions and other costs related to revenue decreased by €2.0 million, or 7.7%, from €26.0 million for the nine months ended September 30, 2020 to €24.0 million for the nine months ended September 30, 2021.

Our net revenue increased by €269.6 million, or 67.5%, from €399.6 million for the nine months ended September 30, 2020 to €669.3 million for the nine months ended September 30, 2021, which was due to (i) an increase of €145.6 million in sales of composite yachts; (ii) an increase of €79.2 million in sales of made-to-measure yachts; (iii) an increase of €34.2 million in sales of super yachts; and (iv) an increase of €10.7 million in revenue generated from other businesses. We delivered 167 new vessels for the nine months ended September 30, 2021, compared to 116 new vessels delivered for the nine months ended September 30, 2020.

Our revenue generated from sales of composite yachts increased by 70.9% from €205.4 million for the nine months ended September 30, 2020 to €351.0 million for the nine months ended September 30, 2021, primarily due to an increase in order intake mainly driven by (i) increased demand for our products as we have been continuously renewing and broadening our product portfolio and (ii) recovery from the short-term adverse impact of the COVID-19 pandemic. Specifically, our composite order intake increased from €215.9 million for the nine months ended September 30, 2020 to €492.7 million for the nine months ended September 30, 2021.

Our revenue generated from sales of made-to-measure yachts increase by 73.2% from €108.2 million for the nine months ended September 30, 2020 to €187.4 million for the nine months ended September 30, 2021, primarily due to an increase in order intake mainly driven by the same factors mentioned above. Specifically, our order intake for made-to-measure yachts increased from €84.4 million for the nine months ended September 30, 2020 to €232.0 million for the nine months ended September 30, 2021.

FINANCIAL INFORMATION

Our revenue generated from sales of super yachts increased by 154.9% from €22.1 million for the nine months ended September 30, 2020 to €56.2 million for the nine months ended September 30, 2021, primarily due to an increase in order intake mainly driven by (i) super yachts under Riva and Pershing brands which were newly launched in 2019 and proven to be successful, continuing to ramp up quickly in 2021; and (ii) organic growth of our CRN brand. Specifically, our order intake for super yachts increased from €24.7 million for the nine months ended September 30, 2020 to €82.3 million for the nine months ended September 30, 2021.

Our revenue generated from other businesses increased by 16.7% from €64.0 million for the nine months ended September 30, 2020 to €74.7 million for the nine months ended September 30, 2021, primarily due to an overall growth in our ancillary businesses.

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

We recorded an increase in inventories of work-in-process, semi-finished and finished goods of €7.7 million for the nine months ended September 30, 2020, while we recorded a decrease in inventories of work-in-process, semi-finished and finished goods of €35.7 million for the nine months ended September 30, 2021, primarily due to an increase in order intake for composite yachts.

Cost Capitalized

Our cost capitalized decreased by €3.7 million, or 15.2%, from €24.6 million for the nine months ended September 30, 2020 to €20.9 million for the nine months ended September 30, 2021, primarily because the value of new models launched in the nine months ended September 30, 2020 was higher.

Other Income

Our other income decreased by €2.5 million, or 23.5%, from €10.7 million for the nine months ended September 30, 2020 to €8.2 million for the nine months ended September 30, 2021, primarily due to (i) a decrease in our cost over-accruals of €2.1 million; and (ii) a decrease in our gain on disposal of property, plant and equipment of €1.8 million.

FINANCIAL INFORMATION

Raw Materials and Consumables Used

Our raw materials and consumables used increased by €105.2 million, or 51.2%, from €205.4 million for the nine months ended September 30, 2020 to €310.6 million for the nine months ended September 30, 2021, primarily due to (i) an increase in purchases of raw materials and components of €95.0 million and (ii) an increase in inventory of €9.3 million for the nine months ended September 30, 2021, compared to a decrease in inventory of €10.1 million for the nine months ended September 30, 2020, both of which were mainly attributable to an increase in production activities driven by (i) an increase in order intake and (ii) recovery from the short-term adverse impact of the COVID-19 pandemic as we temporarily and partially suspended the operations of our six shipyards for two months in 2020.

Contractors Costs

Our contractors costs increased by €29.0 million, or 44.8%, from €64.7 million for the nine months ended September 30, 2020 to €93.7 million for the nine months ended September 30, 2021, primarily due to an increase in production activities mainly driven by (i) an increase in order intake and (ii) recovery from the short-term adverse impact of the COVID-19 pandemic as we temporarily and partially suspended the operations of our six shipyards for two months in 2020.

Costs for Trade Shows, Events and Advertising

Our costs for trade shows, events and advertising increased by €3.0 million, or 41.9%, from €7.2 million for the nine months ended September 30, 2020 to €10.3 million for the nine months ended September 30, 2021, primarily due to the cancellation of major boat shows in 2020 (as a result of the outbreak of COVID-19 pandemic) which resumed in 2021.

Other Service Costs

Our other service costs increased by €13.0 million, or 27.6%, from €47.0 million for the nine months ended September 30, 2020 to €60.0 million for the nine months ended September 30, 2021, which was generally in line with the growth of our business.

Rentals and Leases

Our rentals and leases increased by €0.7 million, or 14.1%, from €4.7 million for the nine months ended September 30, 2020 to €5.4 million for the nine months ended September 30, 2021, primarily due to an increase in royalties of €0.5 million.

FINANCIAL INFORMATION

Personnel Costs

Our personnel costs increased by €12.7 million, or 18.8%, from €67.7 million for the nine months ended September 30, 2020 to €80.4 million for the nine months ended September 30, 2021, primarily due to (i) an increase in wages and salaries of €9.2 million; and (ii) an increase in social security contributions of €3.2 million, both of which were mainly attributable to an increase in the average headcount to support the growth of our business following our recovery from the short-term adverse impact of the COVID-19 pandemic.

Other Operating Expenses

Our other operating expenses decreased by €1.2 million, or 23.7%, from €5.1 million for the nine months ended September 30, 2020 to €3.9 million for the nine months ended September 30, 2021, primarily due to a decrease in compensation and settlement expenses of €0.6 million.

Provisions and Impairment

Our provisions and impairment increased by €1.8 million, or 12.4%, from €14.6 million for the nine months ended September 30, 2020 to €16.4 million for the nine months ended September 30, 2021, primarily due to an increase in provision for product warranties of €5.2 million, which was generally in line with the increase in new yachts delivered.

Depreciation and Amortization

Our depreciation and amortization increased by €2.5 million, or 7.6%, from €33.3 million for the nine months ended September 30, 2020 to €35.8 million for the nine months ended September 30, 2021, which was driven by the increases in our property, plant and equipment as well as intangible assets, reflecting the significant investments we made to renew and extend our product portfolio and upgrade our production facilities during the Track Record Period.

Share of Loss of a Joint Venture

Our share of loss of a joint venture increased from nil for the nine months ended September 30, 2020 to €15,000 for the nine months ended September 30, 2021.

FINANCIAL INFORMATION

Financial Income and Financial Expenses

Our financial income increased from €0.1 million for the nine months ended September 30, 2020 to €0.2 million for the nine months ended September 30, 2021. Our financial expenses decreased by €0.5 million, or by 10.6%, from €5.1 million for the nine months ended September 30, 2020 to €4.6 million for the nine months ended September 30, 2021, primarily due to a decrease in the interest on bank loans of €0.9 million, which was mainly attributable to a decrease in average bank loan balance driven by the substantial improvement of our net financial position and a significant increase in our cash and cash equivalents.

Foreign Exchange Gains/(Losses)

We recorded foreign exchange losses of €30,000 for the nine months ended September 30, 2020, compared to foreign exchange gain of €0.5 million for the nine months ended September 30, 2021, primarily due to the depreciation in exchange rate of U.S. dollars against Euro.

Income Tax

We recorded income tax benefit of €17.9 million for the nine months ended September 30, 2020, compared to income tax expense of €10.2 million for the nine months ended September 30, 2021, primarily because we recorded loss before tax for the nine months ended September 30, 2020 compared to profit before tax for the nine months ended September 30, 2021.

Profit for the Period

As a result of the foregoing, our profit for the period increased by €26.4 million, or by 464.2%, from €5.7 million for the nine months ended September 30, 2020 to €32.1 million for the nine months ended September 30, 2021. Our net profit margin, which represents profit for the period as a percentage of net revenue, increased from 1.4% for the nine months ended September 30, 2020 to 4.8% for the nine months ended September 30, 2021.

Year ended December 31, 2020 Compared to Year ended December 31, 2019

Revenue

Our revenue decreased by €40.0 million, or 5.9%, from €678.2 million for the year ended December 31, 2019 to €638.2 million for the year ended December 31, 2020. Our commissions and other costs related to revenue decreased by €2.1 million, or 7.3%, from €28.9 million for the year ended December 31, 2019 to €26.8 million for the year ended December 31, 2020.

FINANCIAL INFORMATION

Our net revenue decreased by €37.9 million, or 5.8%, from €649.3 million for the year ended December 31, 2019 to €611.4 million for the year ended December 31, 2020, which was due to (i) a decrease in sales of composite yachts of €23.0 million; and (ii) a decrease in sales of made-to-measure yachts of €26.9 million. The decrease was offset by (i) an increase in sales of super yachts of €7.1 million; and (ii) an increase in revenue generated from other businesses of €4.9 million. We delivered 142 new vessels for the year ended December 31, 2020, compared to 163 new vessels delivered for the year ended December 31, 2019.

Our revenue generated from sales of composite yachts decreased by 7.2% from €321.4 million for the year ended December 31, 2019 to €298.4 million for the year ended December 31, 2020, primarily due to (i) a decrease in order intake mainly because certain customers decided to postpone their orders in light of the outbreak of the COVID-19 pandemic and (ii) a decrease in production activities as we temporarily and partially suspended the operations of our six shipyards for two months in 2020 due to COVID-19 lock-down restrictions. Specifically, our composite order intake decreased from €326.3 million for the year ended December 31, 2019 to €315.7 million for the year ended December 31, 2020.

Our revenue generated from sales of made-to-measure yachts decreased by 13.8% from €195.4 million for the year ended December 31, 2019 to €168.5 million for the year ended December 31, 2020, primarily due to the same reasons as for composite yachts. Specifically, our order intake for made-to-measure yachts decreased from €211.1 million for the year ended December 31, 2019 to €155.6 million for the year ended December 31, 2020.

Our revenue generated from sales of super yachts increased by 12.5% from €56.7 million for the year ended December 31, 2019 to €63.7 million for the year ended December 31, 2020, primarily because we recognized a significant amount of revenue from super yachts whose orders were placed in 2018 and 2019, as super yachts have relatively longer production cycles. Specifically, our order intake for super yachts decreased from €107.7 million for the year ended December 31, 2019 to €68.4 million for the year ended December 31, 2020, primarily because certain customers decided to postpone their orders in light of the outbreak of the COVID-19 pandemic.

Our revenue generated from other businesses increased by 6.5% from €75.8 million for the year ended December 31, 2019 to €80.7 million for the year ended December 31, 2020, primarily due to an increase in revenue derived from FSD business.

FINANCIAL INFORMATION

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

We recorded an increase in inventories of work-in-process, semi-finished and finished goods of €0.3 million for the year ended December 31, 2019, while we recorded a decrease in inventories of work-in-process, semi-finished and finished goods of €21.7 million for the year ended December 31, 2020, primarily due to a decrease in production activities as we temporarily and partially suspended the operations of our six shipyards for two months in 2020 due to COVID-19 lock-down restrictions.

Cost Capitalized

Our cost capitalized remained relatively stable at €35.8 million for the year ended December 31, 2019 and €34.1 million for the year ended December 31, 2020.

Other Income

Our other income increased by €2.0 million, or 15.7%, from €13.0 million for the year ended December 31, 2019 to €15.0 million for the year ended December 31, 2020, primarily due to (i) an increase in our gain on disposal of property, plant and equipment of €1.8 million; and (ii) an increase in our cost over-accruals of €1.7 million.

Raw Materials and Consumables Used

Our raw materials and consumables used decreased by €43.8 million, or 13.1%, from €335.6 million for the year ended December 31, 2019 to €291.8 million for the year ended December 31, 2020, primarily due to (i) a decrease in purchases of raw materials and components of €34.5 million and (ii) a decrease in changes in inventory of €13.4 million, both of which were mainly attributable to a decrease in production activities driven by (i) a decrease in order intake and (ii) the short-term adverse impact of the COVID-19 pandemic as we temporarily and partially suspended the operations of our six shipyards for two months in 2020.

Contractors Costs

Our contractors costs remained relatively stable at €93.9 million for the year ended December 31, 2019 and €91.6 million for the year ended December 31, 2020.

FINANCIAL INFORMATION

Costs for Trade Shows, Events and Advertising

Our costs for trade shows, events and advertising decreased by €2.2 million, or 19.0%, from €11.7 million for the year ended December 31, 2019 to €9.4 million for the year ended December 31, 2020, mainly due to the cancellation of major boat shows in 2020 as a result of the outbreak of the COVID-19 pandemic.

Other Service Costs

Our other service costs remained relatively stable at €70.9 million for the year ended December 31, 2019 and €69.8 million for the year ended December 31, 2020.

Rentals and Leases

Our rentals and leases decreased by €1.1 million, or 16.3%, from €6.7 million for the year ended December 31, 2019 to €5.6 million for the year ended December 31, 2020, primarily due to a decrease in the expenses relating to leases of low-valued assets of €1.0 million.

Personnel Costs

Our personnel costs decreased by €4.0 million, or 4.1%, from €96.4 million for the year ended December 31, 2019 to €92.5 million for the year ended December 31, 2020, primarily due to a decrease in wages and salaries of €3.7 million mainly because we temporarily and partially suspended the operations of our six shipyards for two months in 2020 due to COVID-19 lock-down restrictions and we obtained subsidies from the Italian government to offset part of our personnel costs.

Other Operating Expenses

Our other operating expenses decreased by €4.0 million, or 35.0%, from €11.3 million for the year ended December 31, 2019 to €7.4 million for the year ended December 31, 2020, primarily due to (i) a decrease in compensation and settlement expenses of €2.3 million; and (ii) a decrease in our re-billable costs of €1.7 million.

Provisions and Impairment

Our provisions and impairment decreased by €3.6 million, or 17.2%, from €20.9 million for the year ended December 31, 2019 to €17.3 million for the year ended December 31, 2020, primarily due to a decrease in our provision for product warranties of €4.0 million which was generally in line with the decrease in new yachts delivered.

FINANCIAL INFORMATION

Depreciation and Amortization

Our depreciation and amortization increased by €4.3 million, or 11.4%, from €38.2 million for the year ended December 31, 2019 to €42.5 million for the year ended December 31, 2020, which was driven by the increases in our property, plant and equipment as well as intangible assets, reflecting the significant investments we made to renew and extend our product portfolio and upgrade our production facilities during the Track Record Period.

Financial Income and Financial Expenses

Our financial income decreased from €0.2 million for the year ended December 31, 2019 to €0.1 million for the year ended December 31, 2020. Our financial expenses increased by €0.3 million, or by 4.4%, from €6.6 million for the year ended December 31, 2019 to €6.9 million for the year ended December 31, 2020, primarily due to an increase in interest on bank loans of €2.5 million, which was mainly attributable to an increase in average bank loan balance.

Foreign Exchange Losses

Our foreign exchange losses increased from €0.2 million for the year ended December 31, 2019 to €0.6 million for the year ended December 31, 2020, primarily due to the appreciation in exchange rates of U.S. dollars against Euro.

Income Tax

Our income tax benefit decreased by €1.7 million, or by 8.5%, from €20.2 million for the year ended December 31, 2019 to €18.5 million for the year ended December 31, 2020, primarily due to a decrease in deferred tax assets recognized in respect of prior tax losses.

Profit for the Year

As a result of the foregoing, our profit for the year decreased by €4.6 million, or by 17.4%, from €26.6 million for the year ended December 31, 2019 to €22.0 million for the year ended December 31, 2020. Our net profit margin decreased from 4.1% for the year ended December 31, 2019 to 3.6% for the year ended December 31, 2020.

FINANCIAL INFORMATION

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Revenue

Our revenue increased by €46.9 million, or 7.4%, from €631.3 million for the year ended December 31, 2018 to €678.2 million for the year ended December 31, 2019. Our commissions and other costs related to revenue increased by €13.0 million, or 82.3%, from €15.9 million for the year ended December 31, 2018 to €28.9 million for the year ended December 31, 2019.

Our net revenue increased by €33.8 million, or 5.5%, from €615.4 million for the year ended December 31, 2018 to €649.3 million for the year ended December 31, 2019, which was due to (i) an increase in sales of composite yachts of €57.1 million; and (ii) an increase in sales of super yachts of €12.4 million. The increase was partially offset by a decrease in sales of made-to-measure yachts of €37.8 million. We delivered 163 new vessels for the year ended December 31, 2019, compared to 130 new vessels delivered for the year ended December 31, 2018.

Our revenue generated from sales of composite yachts increased by 21.6% from €264.3 million for the year ended December 31, 2018 to €321.4 million for the year ended December 31, 2019, primarily due to an increase in order intake mainly driven by increased demand for our products as we have been continuously renewing and broadening our product portfolio. Specifically, our composite order intake increased from €262.7 million for the year ended December 31, 2018 to €326.3 million for the year ended December 31, 2019.

Our revenue generated from sales of made-to-measure yachts decreased by 16.2% from €233.2 million for the year ended December 31, 2018 to €195.4 million for the year ended December 31, 2019, primarily due to a decrease in order intake. Specifically, our order intake for made-to-measure yachts decreased from €255.5 million for the year ended December 31, 2018 to €211.1 million for the year ended December 31, 2019.

Our revenue generated from sales of super yachts increased by 28.0% from €44.3 million for the year ended December 31, 2018 to €56.7 million for the year ended December 31, 2019, primarily due to the launch of the new super yachts under Riva and Pershing brands in 2019. Specifically, our order intake for super yachts increased from €55.9 million for the year ended December 31, 2018 to €107.7 million for the year ended December 31, 2019.

Our revenue generated from other businesses remained relatively stable at €73.6 million for the year ended December 31, 2018 and €75.8 million for the year ended December 31, 2019.

FINANCIAL INFORMATION

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

Our change in inventories of work-in-process, semi-finished and finished goods decreased significantly from €15.4 million for the year ended December 31, 2018 to €0.3 million for the year ended December 31, 2019, primarily due to an increase in order intake for composite yachts.

Cost Capitalized

Our cost capitalized increased by €10.5 million, or 41.2%, from €25.4 million for the year ended December 31, 2018 to €35.8 million for the year ended December 31, 2019, primarily due to the launch of new models in 2019 as part of our continuous efforts in renewing and broadening our product portfolio. See “Business — Product Development and Innovation.”

Other Income

Our other income remained relatively stable at €13.1 million for the year ended December 31, 2018 and €13.0 million for the year ended December 31, 2019.

Raw Materials and Consumables Used

Our raw materials and consumables used remained relatively stable at €332.7 million for the year ended December 31, 2018 and €335.6 million for the year ended December 31, 2019.

Contractors Costs

Our contractors costs remained relatively stable at €90.6 million for the year ended December 31, 2018 and €93.9 million for the year ended December 31, 2019.

Costs for Trade Shows, Events and Advertising

Our costs for trade shows, events and advertising decreased by €1.4 million, or 10.7%, from €13.1 million for the year ended December 31, 2018 to €11.7 million for the year ended December 31, 2019, reflecting our continuous efforts to contain costs in consideration of the significant investments we made to renew and extend our product portfolio and upgrade our production facilities during the Track Record Period.

FINANCIAL INFORMATION

Other Service Costs

Our other service costs increased by €9.9 million, or 16.2%, from €61.0 million for the year ended December 31, 2018 to €70.9 million for the year ended December 31, 2019, primarily due to an increase in consulting services of €4.0 million, which was mainly attributable to costs we incurred in connection with the previous listing attempt in Italy in 2019. See “History and Corporate Structure — Prior Listing, Privatization and Listing Attempts — Listing Attempts.”

Rentals and Leases

Our rentals and leases decreased by €1.5 million, or 18.6%, from €8.2 million for the year ended December 31, 2018 to €6.7 million for the year ended December 31, 2019, primarily due to a decrease in expenses relating to minimum lease payments under operating leases of €6.9 million as a result of our adoption of IFRS 16 “Leases” from January 1, 2019.

Personnel Costs

Our personnel costs increased by €5.9 million, or 6.6%, from €90.5 million for the year ended December 31, 2018 to €96.4 million for the year ended December 31, 2019, primarily due to an increase in wages and salaries of €4.2 million mainly attributable to an increase in the average headcount to support the growth of our business.

Other Operating Expenses

Our other operating expenses increased by €6.4 million, or 127.9%, from €5.0 million for the year ended December 31, 2018 to €11.3 million for the year ended December 31, 2019, primarily due to (i) an increase in compensation and settlement expenses of €3.1 million; and (ii) an increase in cost under-accruals of €2.2 million.

Provisions and Impairment

Our provisions and impairment increased by €5.3 million, or 34.1%, from €15.6 million for the year ended December 31, 2018 to €20.9 million for the year ended December 31, 2019, primarily due to an increase in provision for product warranties of €3.9 million which was generally in line with the increase in new yachts delivered.

FINANCIAL INFORMATION

Depreciation and Amortization

Our depreciation and amortization increased by €13.1 million, or 52.0%, from €25.1 million for the year ended December 31, 2018 to €38.2 million for the year ended December 31, 2019, which was driven by the increases in our property, plant and equipment as well as intangible assets, reflecting the significant investments we made to renew and extend our product portfolio and upgrade our production facilities during the Track Record Period.

Financial Income and Financial Expenses

Our financial income decreased from €0.3 million for the year ended December 31, 2018 to €0.2 million for the year ended December 31, 2019. Our financial expenses increased by €1.2 million, or 22.3%, from €5.4 million for the year ended December 31, 2018 to €6.6 million for the year ended December 31, 2019, primarily due to an increase in bank charges of €0.5 million.

Foreign Exchange Losses

Our foreign exchange losses decreased from €1.8 million for the year ended December 31, 2018 to €0.2 million for the year ended December 31, 2019, primarily due to the depreciation in exchange rate of U.S. dollars against Euro.

Income Tax

Our income tax benefit increased by €10.1 million, or 100.4%, from €10.1 million for the year ended December 31, 2018 to €20.2 million for the year ended December 31, 2019, primarily due to an increase in deferred tax assets recognized in respect of prior tax losses.

Profit for the Year

As a result of the foregoing, our profit for the year decreased by €4.1 million, or 13.4%, from €30.7 million for the year ended December 31, 2018 to €26.6 million for the year ended December 31, 2019. Our net profit margin decreased from 5.0% for the year ended December 31, 2018 to 4.1% for the year ended December 31, 2019.

FINANCIAL INFORMATION

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we financed our capital expenditure and working capital requirements mainly through cash generated from operating activities, bank borrowings and an intercompany loan, which was extinguished in exchange for Shares in September 2019. See “— Related Party Transactions.” As of December 31, 2018, 2019 and 2020 and the nine months ended and September 30, 2021, we had cash and cash equivalents of €38.5 million, €39.2 million, €32.8 million, and €187.5 million, respectively.

Cash Flows

The table below sets forth a summary of our cash flows for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	<i>(Euro in thousands)</i>			(Unaudited)	
Operating profit before changes in working capital	51,921	44,794	50,885	27,305	79,910
Operating profit after changes in working capital	20,515	61,654	57,341	44,315	245,963
Income tax paid	9,760	(7,278)	—	—	—
Net cash generated from operating activities	30,275	54,376	57,341	44,315	245,963
Net cash used in investing activities	(53,495)	(80,602)	(69,934)	(39,931)	(46,489)
Net cash generated from/(used in) financing activities	17,519	26,137	7,723	1,733	(43,723)
Net (decrease)/increase in cash and cash equivalents	(5,701)	(89)	(4,870)	6,117	155,751
Cash and cash equivalents at the beginning of the period	46,574	38,503	39,164	39,164	32,830
Effect of foreign exchange rate changes, net	(2,370)	750	(1,464)	414	(1,119)
Cash and cash equivalents at the end of the period	38,503	39,164	32,830	45,695	187,462

FINANCIAL INFORMATION

Net cash generated from Operating Activities

We derive our cash inflow from operating activities primarily from receipt of payments from yacht sales. Our cash outflow from operating activities is primarily for payments to our suppliers and contractors.

For the nine months ended September 30, 2021, we had net cash generated from operating activities of €246.0 million. This net cash inflow was primarily due to (i) profit before tax of €42.3 million, as adjusted to reflect non-cash items, which principally included depreciation and amortization of €35.8 million; (ii) a decrease in contract assets and contract liabilities of €141.2 million mainly reflecting the increase in order intake; and (iii) a decrease in inventories of €32.7 million mainly attributable to an increase in sales and delivery of yachts in line with the increase in order intake.

For the nine months ended September 30, 2020, we had net cash generated from operating activities of €44.3 million. This net cash inflow was primarily due to (i) a loss before tax of €12.2 million, as adjusted to reflect non-cash items, which principally included depreciation and amortization of €33.3 million; (ii) a decrease in contract assets and contract liabilities of €43.3 million mainly reflecting the decrease in our production activities in light of the outbreak of COVID-19 pandemic. This net cash inflow was partially offset by a decrease in trade and other payables of €26.7 million mainly attributable to a decrease in trade payables reflecting the decrease in our procurement in line with the decrease in our production activities in light of the outbreak of the COVID-19 pandemic.

For the year ended December 31, 2020, we had net cash generated from operating activities of €57.3 million. This net cash inflow was primarily due to profit before tax of €3.5 million, adjusted to reflect non-cash items which principally included depreciation and amortization of €42.5 million.

For the year ended December 31, 2019, we had net cash generated from operating activities of €54.4 million. This net cash inflow was primarily due to (i) profit before tax of €6.4 million, as adjusted to reflect non-cash items, which principally included depreciation and amortization of €38.2 million; and (ii) an increase in trade and other payables of €31.1 million mainly attributable to an increase in trade payables reflecting the increase in our procurement in line with the growth of our business. This net cash inflow was partially offset by an increase in trade and other receivables of €21.2 million, mainly attributable to orders received and invoiced in 2019 for coastal patrol vessels whose payments were due upon delivery in 2020.

FINANCIAL INFORMATION

For the year ended December 31, 2018, we had net cash generated from operating activities of €30.3 million. This net cash inflow was primarily due to (i) profit before tax of €20.7 million, as adjusted to reflect non-cash items, which principally included depreciation and amortization of €25.1 million; and (ii) an increase in trade and other payables of €34.2 million mainly attributable to an increase in trade payables reflecting the increase in our procurement in line with the growth of our business. This net cash inflow was partially offset by an increase in contract assets and contract liabilities of €50.8 million mainly reflecting the increases in our order intake and our production activities.

Net cash used in Investing Activities

Our cash outflow from investing activities primarily consisted of payments for the purchase of property, plant and equipment and intangible assets. See “— Capital Expenditures and Commitments.” Our cash inflow from investing activities primarily consisted of proceeds from the disposal of property plant and equipment and intangible assets.

For the nine months ended September 30, 2021, our net cash used in investing activities amounted to €46.5 million, primarily due to purchases of property, plant and equipment and intangible assets of €46.1 million.

For the nine months ended September 30, 2020, our net cash used in investing activities amounted to €39.9 million, primarily due to purchases of property, plant and equipment and intangible assets of €45.1 million.

For the year ended December 31, 2020, our net cash used in investing activities amounted to €69.9 million, primarily due to purchases of property, plant and equipment and intangible assets of €72.3 million.

For the year ended December 31, 2019, our net cash used in investing activities amounted to €80.6 million, primarily due to purchase of property, plant and equipment and intangible assets of €86.0 million.

For the year ended December 31, 2018, our net cash used in investing activities amounted to €53.5 million, primarily due to purchase of property, plant and equipment and intangible assets of €59.0 million.

FINANCIAL INFORMATION

Net cash generated from Financing Activities

Our cash inflow from financing activities primarily consisted of proceeds from new bank and other borrowings as well as capital contributions. We use cash in financing activities primarily for repayment of bank and other borrowings.

For the nine months ended September 30, 2021, our net cash used in financing activities amounted to €43.7 million, primarily due to repayment of bank and other borrowings of €92.3 million. This net cash outflow was partially offset by new bank and other borrowings of €56.7 million.

For the nine months ended September 30, 2020, our net cash generated from financing activities amounted to €1.7 million, primarily due to new bank and other borrowings of €78.6 million. This net cash inflow was partially offset by repayment of bank and other borrowings of €65.2 million.

For the year ended December 31, 2020, our net cash generated from financing activities amounted to €7.7 million, primarily due to new bank and other borrowings of €89.3 million. This net cash inflow was partially offset by repayment of bank and other borrowings of €68.1 million.

For the year ended December 31, 2019, our net cash generated from financing activities amounted to €26.1 million, primarily due to (i) new bank and other borrowings of €81.7 million; and (ii) proceeds from issue of Shares of €40.0 million in connection with the capital contributions by F Investments and Adtech as part of the Pre-IPO Investment. See “History and Corporate Structure — Pre-IPO Investment — Overview.” This net cash inflow was partially offset by repayment of bank and other borrowings of €76.8 million.

For the year ended December 31, 2018, our net cash generated from financing activities amounted to €17.5 million, primarily due to new bank and other borrowings of €76.0 million. This net cash inflow was partially offset by repayment of bank and other borrowings of €53.3 million.

FINANCIAL INFORMATION

NET CURRENT ASSETS

The following table sets forth our current assets, current liabilities and net current assets as of the dates indicated:

	As of December 31,			As of September 30,	As of February 28,
	2018	2019	2020	2021	2022
	<i>(Euro in thousands)</i>				
	(Unaudited)				
Current assets					
Cash and cash equivalents . . .	38,503	39,164	32,830	187,462	185,593
Trade and other receivables . .	28,336	48,901	36,422	35,615	43,175
Contract assets	158,381	155,130	176,037	111,826	133,854
Inventories	186,267	187,360	176,941	133,976	120,207
Advances on inventories	10,807	15,570	15,139	26,752	27,693
Other current assets	3,491	1,517	3,592	4,053	8,861
Income tax recoverable	2,064	3,213	2,114	3,099	917
	427,849	450,855	443,075	502,783	520,300
Current liabilities					
Due to the immediate holding company	398	—	—	—	—
Bank and other borrowings . .	87,843	89,310	79,024	28,483	31,579
Derivatives financial instruments	—	—	—	689	—
Provisions	42,623	38,788	37,148	35,300	31,609
Trade and other payables	208,488	240,234	222,476	242,737	253,977
Contract liabilities	46,814	45,810	55,704	132,669	154,139
Income tax payable	408	561	75	4,498	754
	386,574	414,703	394,427	444,376	472,058
Net current assets	41,275	36,152	48,648	58,407	48,242

We had net current assets of €48.2 million as of February 28, 2022, consisting of current assets of €520.3 million and current liabilities of €472.1 million.

FINANCIAL INFORMATION

We had net current assets of €58.4 million as of September 30, 2021, consisting of current assets of €502.8 million and current liabilities of €444.4 million, which represented an increase of €9.8 million from our net current assets of €48.6 million as of December 31, 2020, primarily due to (i) an increase in cash and cash equivalents of €154.6 million and (ii) a decrease in bank and other borrowings of €50.5 million. This was partially offset by (i) an increase in contract liabilities of €77.0 million mainly attributable to an increase in order intake; and (ii) a decrease in contract assets of €64.2 million mainly attributable to an increase in advances received from customers, reflecting the increase in order intake.

We had net current assets of €48.6 million as of December 31, 2020, consisting of current assets of €443.1 million and current liabilities of €394.4 million, which represented an increase of €12.5 million from our net current assets of €36.2 million as of December 31, 2019, primarily due to an increase in contract assets by €20.9 million mainly attributable to a decrease in advances received from customers, reflecting the decrease in order intake.

We had net current assets of €36.2 million as of December 31, 2019, consisting of current assets of €450.9 million and current liabilities of €414.7 million, which represented a decrease of €5.1 million from our net current assets of €41.3 million as of December 31, 2018, primarily due to an increase of our trade and other payables by €31.7 million mainly attributable to an increase in trade payables reflecting the increase in our procurement in line with the growth of our business. This was partially offset by an increase in our trade and other receivables by €20.6 million mainly attributable to orders received and invoiced in 2019 for coastal patrol vessels whose payments were due upon delivery in 2020.

As of December 31, 2018, we had net current assets of €41.3 million, consisting of current assets of €427.8 million and current liabilities of €386.6 million.

Working Capital Sufficiency

Taking into account the financial resources available to us, including cash flow from operating activities and the estimated net proceeds from the Global Offering, after due and careful enquiry, our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this prospectus.

FINANCIAL INFORMATION

CERTAIN BALANCE SHEET ITEMS

Inventories/Advances on Inventories

Our inventories consist of (i) raw materials and components for our production of yachts; (ii) work-in-progress and semi-finished goods, representing new yachts not covered by sales contracts whose production has not been completed yet; (iii) finished goods — new yachts, representing new yachts not covered by sales contracts whose production has been completed; and (iv) finished goods — pre-owned yachts, representing pre-owned yachts held in inventory. Advances on inventories represent our prepayments made to our suppliers and contractors. The table below sets forth a breakdown of our inventories and advances on inventories as of the dates indicated:

	As of December 31,			As of September 30,
	2018	2019	2020	2021
	<i>(Euro in thousands)</i>			
Raw materials and components	18,940	25,980	29,956	32,995
Advances on inventories	10,807	15,570	15,139	26,752
Work in progress and semi-finished goods	78,532	77,452	53,886	54,636
Finished goods — new yachts	73,182	67,474	62,124	25,761
Finished goods — pre-owned yachts . .	15,613	16,454	30,975	20,584
Total	197,074	202,930	192,080	160,728

FINANCIAL INFORMATION

The table below sets forth the movement of the amount of inventories during the Track Record Period:

	Amount
	<i>(Euro in thousands)</i>
Inventories as of December 31, 2018	186,267
Increase in raw materials	7,040
Increase in finished goods	
— pre-owned yachts	840
Work in progress capitalized ⁽¹⁾	(7,979)
Change in work in progress, semi-finished goods and finished goods	
— new yachts not covered by sales contracts	331
Others ⁽²⁾	861
Inventories as of December 31, 2019	187,360
Increase in raw materials	3,976
Increase in finished goods	
— pre-owned yachts	14,521
Change in work in progress, semi-finished goods and finished goods	
— new yachts not covered by sales contracts	(21,727)
Others ⁽²⁾	(7,189)
Inventories as of December 31, 2020	176,941
Increase in raw materials	3,038
Increase in finished goods	
— pre-owned yachts	(10,391)
Change in work in progress, semi-finished goods and finished goods	
— new yachts not covered by sales contracts	(35,691)
Others ⁽²⁾	79
Inventories as of September 30, 2021	133,976

Notes:

(1) In connection with certain demonstration yachts for boat show purpose.

(2) Others mainly comprise foreign exchange differences.

Our inventories and advances on inventories remained relatively stable at €197.1 million as of December 31, 2018 and €202.9 million as of December 31, 2019.

Our inventories and advances on inventories decreased by €10.9 million, or 5.3%, from €202.9 million as of December 31, 2019 to €192.1 million as of December 31, 2020, due to a decrease in work in progress and semi-finished goods of €23.6 million, reflecting the decrease in our production activities mainly because we temporarily and partially suspended the operations of

FINANCIAL INFORMATION

our six shipyards for two months in 2020 due to COVID-19 lock-down restrictions. The decrease was partially offset by an increase in finished goods — pre-owned yachts of €14.5 million, primarily due to an increase in demand for trade-in opportunities.

Our inventories and advances on inventories decreased by €31.4 million, or 16.3%, from €192.1 million as of December 31, 2020 to €160.7 million as of September 30, 2021, due to (i) a decrease in finished goods — new yachts of €36.4 million and (ii) a decrease in finished goods — pre-owned yachts of €10.4 million, both of which were primarily due to an increase in sales and delivery of yachts in line with the increase in order intake. The decrease was partially offset by an increase in advances on inventories of €11.6 million, reflecting the increase in our production activities mainly attributable to an increase in order intake, in order to meet our increased order backlog.

The table below sets forth an aging analysis of our inventories as of the dates indicated:

	As of December 31,			As of September 30,
	2018	2019	2020	2021
	<i>(Euro in thousands)</i>			
Less than one year	156,398	151,885	146,139	123,892
More than one year but less than two years	19,547	19,261	18,122	5,042
More than two years	10,322	16,214	12,680	5,042
	186,267	187,360	176,941	133,976

As of February 28, 2022, €64.9 million, or 48.4%, of our inventories as of September 30, 2021 had been subsequently utilized. The relatively low subsequent usage of inventories was due to the relatively long production cycles of our products which are considered part of the normal course of our business. We do not believe there is any recoverability issue for our inventories and that adequate provisions had been made during the Track Record Period. Based on the due diligence steps undertaken by the Sole Sponsor and provided that there were no misrepresentations and omissions to the Sole Sponsor's due diligence enquiries, nothing has come to the attention of the Sole Sponsor that would lead them to cast doubts on our views as discussed above.

FINANCIAL INFORMATION

Trade and Other Receivables

Our trade and other receivables consist of (i) trade receivables, representing accounts receivable from customers less impairment loss allowance; and (ii) other receivables, comprising other tax receivables and prepayment and sundry receivables. The table below sets forth a breakdown of our trade and other receivables as of the dates indicated:

	As of December 31,			As of
	2018	2019	2020	September 30, 2021
	<i>(Euro in thousands)</i>			
Trade Receivables				
Accounts receivable from customers . .	15,068	27,182	18,839	18,071
Impairment	(7,945)	(6,453)	(6,589)	(6,658)
	7,123	20,729	12,250	11,413
Other Receivables				
Other tax receivables	8,632	11,283	9,877	7,860
Prepayments and sundry receivables . .	12,581	16,889	14,295	16,342
	21,213	28,172	24,172	24,202
Total	28,336	48,901	36,422	35,615

Our accounts receivable from customers represent the outstanding amounts due from our customers in connection with our ancillary businesses (other than the sales of pre-owned yachts) and FSD business. Typically we only grant credit to selected customers with evaluated reliability and creditworthiness in connection with our other businesses. For our sales of yachts, the customers are required to pay upfront and must pay all amounts due before we deliver or transfer the ownership of a yacht to a customer. We do not believe there is any recoverability issue for our trade and other receivables and that adequate provisions had been made during the Track Record Period. Based on the due diligence steps undertaken by the Sole Sponsor and provided that there were no misrepresentations and omissions to the Sole Sponsor's due diligence enquiries, nothing has come to the attention of the Sole Sponsor that would lead them to cast doubts on our views as discussed above.

Other tax receivables mainly comprise VAT receivables and tax advances on IRAP. Prepayment and sundry receivables mainly comprise advances paid in connection with boat shows, prepaid commissions and other miscellaneous accrued income and prepaid expenses.

FINANCIAL INFORMATION

Our trade and other receivables increased by €20.6 million, or 72.6%, from €28.3 million as of December 31, 2018 to €48.9 million as of December 31, 2019, primarily due to an increase in trade receivables of €13.6 million mainly attributable to orders received and invoiced in 2019 for coastal patrol vessels whose payments were due upon delivery in 2020.

Our trade and other receivables decreased by €12.5 million, or 25.5%, from €48.9 million as of December 31, 2019 to €36.4 million as of December 31, 2020, primarily due to a decrease in trade receivables of €8.5 million mainly attributable to collection of payments in 2020 in connection with orders for coastal patrol vessels received and invoiced in 2019.

Our trade and other receivables remained relatively stable at €36.4 million as of December 31, 2020 and €35.6 million as of September 30, 2021.

The table below sets forth an aging analysis of our trade receivables, based on the due date and net of impairment loss allowance, as of the dates indicated:

	As of December 31,			As of September 30,
	2018	2019	2020	2021
	<i>(Euro in thousands)</i>			
Within one month	4,415	13,091	7,491	2,886
One to two months	532	105	1,231	2,467
Two to three months	298	83	103	598
Over three months	1,878	7,450	3,425	5,462
	7,123	20,729	12,250	11,413

We apply the simplified approach to assessing the expected recoverability of our trade receivables and providing for expected credit losses prescribed by IFRS 9. Such losses are taken to our consolidated income statements where there is objective evidence that the receivables have become impaired, which are considered on an individual case-by-case basis. As of December 31, 2018, 2019 and 2020 and September 30, 2021, our trade receivables that are past due up to three months were mainly related to a number of customers with high credit standing and a good track record of regular payments. As such, these balances are considered fully recoverable and our management believes that no impairment loss allowance is necessary. Therefore, the expected credit loss rate of our trade receivables that are past due up to three months remained at 0%. As of December 31, 2018, 2019 and 2020 and September 30, 2021, the expected credit loss rate of our trade receivables that are past due more than three months was 81%, 46%, 66% and 55%, respectively. The relatively higher expected credit loss rate as of December 31, 2018 was mainly attributable to certain receivables that were considered not recoverable and therefore, full

FINANCIAL INFORMATION

impairment loss allowance was made. Such amount was subsequently written off in full in 2019. The relatively lower expected credit loss rate as of December 31, 2019 was mainly attributable to certain receivables due from an Italian listed company that remained outstanding at December 31, 2019 and after taking into account of its high credit standing and settlement history, no impairment loss allowance was made. See Note 19 to the Accountants' Report set out in Appendix I to this prospectus.

As of February 28, 2022, €14.0 million, or 39.3%, of our trade and other receivables as of September 30, 2021 had been subsequently settled. In particular, as of February 28, 2022, €7.3 million, or 64.0%, of our trade receivable as of September 30, 2021 had been subsequently settled; and as of February 28, 2022, €6.7 million, or 27.7%, of our other receivables as of September 30, 2021 had been subsequently expensed in our consolidated income statements. Considering the nature of our trade and other receivables and after assessing the individual condition of counterparties, we do not believe we are subject to material credit risk and we do not foresee any significant recoverability issue with our trade and other receivables.

Contract Assets

Our contract assets consist of the accumulated amount of revenue earned for contract works in respect of new vessels completed, net of advance payments already received. The table below sets forth a breakdown of our contract assets as of the dates indicated:

	As of December 31,			As of September 30,
	2018	2019	2020	2021
	<i>(Euro in thousands)</i>			
Gross contract assets	427,141	389,561	351,958	409,632
Less: Advances received	(268,760)	(234,431)	(175,921)	(297,806)
	158,381	155,130	176,037	111,826

Our contract assets remained relatively stable at €158.4 million as of December 31, 2018 and €155.1 million as of December 31, 2019.

Our contract assets increased by €20.9 million, or 13.5%, from €155.1 million as of December 31, 2019 to €176.0 million as of December 31, 2020, due to a decrease in advances received of €58.5 million mainly attributable to a decrease in order intake, which was offset by a decrease in gross contracts assets of €37.6 million, reflecting the decrease in our production activities.

FINANCIAL INFORMATION

Our contract assets decreased by €64.2 million, or 36.5%, from €176.0 million as of December 31, 2020 to €111.8 million as of September 30, 2021, due to an increase in the advances received, of €121.9 million mainly attributable to an increase in order intake, which was offset by an increase in gross contract assets of €57.7 million, reflecting the increase in our production activities.

As of February 28, 2022, €110.9 million, or 99.2%, of our contract assets as of September 30, 2021 had been subsequently settled.

Intangible Assets

The table below sets forth our intangible assets as of the dates indicated:

	As of December 31,			As of September 30,
	2018	2019	2020	2021
	<i>(Euro in thousands)</i>			
Goodwill	1,631	1,631	1,631	1,631
Trademarks	219,567	243,701	243,840	243,928
Other intangible assets ⁽¹⁾	16,017	15,231	16,878	13,561
Total	237,215	260,563	262,349	259,120

Note:

- (1) Others intangible assets comprise (i) concessions relating to our docking rights; (ii) intellectual property rights which represent our investments in product development and innovation; and (iii) software.

Our intangible assets increased by €23.3 million, or 9.8%, from €237.2 million as of December 31, 2018 to €260.6 million as of December 31, 2019, primarily due to an increase in trademarks of €24.1 million, which was mainly attributable to our acquisition of Wally trademark in 2019. See “History and Corporate Structure — Major Acquisitions — Acquisition of 75% Interest in the Wally Trademark.”

Our intangible assets remained relatively stable at €260.6 million as of December 31, 2019, €262.3 million as of December 31, 2020 and €259.1 million as of September 30, 2021.

FINANCIAL INFORMATION

Impairment Testing of Intangible Assets with Indefinite Use Life

The key parameters used to determine the value in use are summarized in the following table, and are the same for all the cash generating units (“CGUs”):

	As of December 31,		
	2018	2019	2020
Risk-free rate	2.57%	2.00%	1.12%
Discount rate pre-tax	10.05%	8.18%	7.24%
Perpetual growth rate	1.50%	2.00%	2.00%

As of September 30, 2021, we did not identify any impairment indicators and therefore no impairment test has been done.

The headroom of each CGU (i.e., by how much the recoverable amount would exceed the carrying amount of the CGU when the key parameters have been applied in the impairment testing during the Track Record Period) is summarized in the following table:

	As of December 31,		
	2018	2019	2020
	<i>(Euro in millions)</i>		
Ferretti Yachts	27	74	62
Custom Line	65	133	112
Pershing	16	15	40
Riva	35	74	74
Wally	N/A	120	125
CRN	31	8	32
Zago	24	13	17

FINANCIAL INFORMATION

We conduct sensitivity analyses of the parameters applied in the base version of the impairment test to confirm whether a reasonably possible change in key parameters (discount rate and/or the perpetual growth rate) would cause the carrying amount of the CGU to exceed its recoverable amount. The results of the sensitivity analyses on the pre-tax discount rate (“**wacc**”) and the perpetual growth rate (“**g rate**”) are summarized in the following table:

Headroom	As of December 31,					
	2018	2019	2019	2019	2020	2020
	<i>(Euro in millions, except percentages)</i>					
wacc	10.55%	9.55%	8.68%	7.68%	7.74%	6.74%
g rate	1.25%	1.75%	1.75%	2.25%	1.75%	2.25%
Ferretti Yachts.....	15	41	55	98	37	96
Custom Line	50	84	107	167	79	156
Pershing	9	23	4	29	25	60
Riva	24	49	53	102	44	115
Wally	N/A	N/A	97	153	94	170
CRN	26	37	—	16	22	43
Zago	22	26	11	15	15	20

On the basis of the analyses done, our management 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 of December 31, 2018, 2019 and 2020 and September 30, 2020 and 2021.

FINANCIAL INFORMATION

Trade and Other Payables

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

	As of December 31,			As of
	2018	2019	2020	September 30, 2021
	<i>(Euro in thousands)</i>			
Trade payables	183,973	213,415	195,112	208,553
Other payables				
— <i>Payables to pension and social security institutions</i>	8,280	8,469	8,551	9,524
— <i>Payroll payables to employees</i>	10,576	11,538	11,534	16,229
— <i>Remuneration payables to directors</i>	1,243	1,355	1,389	802
— <i>Other tax payables</i>	3,563	3,953	3,392	2,794
— <i>Sundry payables</i>	1,425	898	1,226	4,213
— <i>Accrued expenses</i>	270	440	522	467
— <i>Deferred income</i>	156	170	750	155
— <i>Government grant</i>	816	659	509	393
	<u>26,329</u>	<u>27,482</u>	<u>27,873</u>	<u>34,577</u>
Total	<u>210,302</u>	<u>240,897</u>	<u>222,985</u>	<u>243,130</u>

Our trade payables primarily comprise the outstanding amounts due to our suppliers and contractors. We are required to pay our suppliers and contractors in installments according to pre-agreed milestones. We have entered into trade payable factoring arrangements with certain suppliers and assigned certain of our trade payables to certain banks. In this event, the bank (as factor) pays the amounts due by us to the specific supplier within the payment due date and we will pay such amounts to the factor within the due date without cost or at a later date together with accrued interest.

Our trade and other payables increased by €30.6 million, or by 14.5%, from €210.3 million as of December 31, 2018 to €240.9 million as of December 31, 2019, primarily due to an increase in trade payables of €29.4 million, which was mainly attributable to an increase in our procurement in line with the growth of our business.

FINANCIAL INFORMATION

Our trade and other payables decreased by €17.9 million, or by 7.4%, from €240.9 million as of December 31, 2019 to €223.0 million as of December 31, 2020, primarily due to a decrease in trade payables of €18.3 million, which was mainly attributable to decrease in our procurement in line with the decrease in our production activities in light of the outbreak of the COVID-19 pandemic.

Our trade and other payables increased by €20.1 million, or by 9.0%, from €223.0 million as of December 31, 2020 to €243.1 million as of September 30, 2021, primarily due to an increase in trade payables of €13.4 million, which was mainly attributable to an increase in our procurement in line with the growth of our business.

	As of December 31,			As of September 30,
	2018	2019	2020	2021
	<i>(Euro in thousands)</i>			
Within three months	135,912	147,542	136,863	155,195
Four to nine months	44,372	54,231	46,606	51,577
10 to 12 months	3,689	11,642	11,643	1,781
	183,973	213,415	195,112	208,553

As of February 28, 2022, €208.5 million, or 85.7%, of our trade and other payables as of September 30, 2021 had been subsequently settled.

Our Directors confirm that we had no material defaults in our trade payables or other payables during the Track Record Period and up to the Latest Practicable Date.

Provisions

The table below sets forth our provisions as of the dates indicated:

	As of December 31,			As of September 30,
	2018	2019	2020	2021
	<i>(Euro in thousands)</i>			
Provision for product warranties	13,833	15,949	15,258	17,875
Provision for legal disputes and other litigations	19,225	16,502	16,928	11,866
Provision for dealer incentives	9,937	8,670	6,798	7,128
Provision for boats to be completed . .	1,264	1,528	1,808	2,179
Provision for other risks	5,367	5,704	3,898	4,165
Total	49,626	48,353	44,690	43,213

FINANCIAL INFORMATION

Provision for product warranties reflects the best possible estimate based on available information of the warranty obligations that may be incurred after the end of the relevant accounting period for products sold before such date. See “Description of Key Income Statement Items — Provisions and Impairment.” Provision for legal disputes and other litigations represents potential liabilities attributable to pending disputes and other legal claims that arise in the ordinary course of our business. Provision for dealer incentive represents the bonuses we expect to pay to award our dealers which have reached pre-determined sales targets.

Our provisions remained relatively stable at €49.6 million as of December 31, 2018 and €48.4 million as of December 31, 2019. Our provisions decreased by €3.7 million, or 7.6%, from €48.4 million as of December 31, 2019 to €44.7 million as of December 31, 2020, primarily due to (i) a decrease in provision for dealer incentives of €1.9 million mainly attributable to our decreased sales caused by the outbreak of the COVID-19 pandemic and (ii) a decrease in provision for other risks of €1.8 million. Our provisions remained relatively stable at €44.7 million as of December 31, 2020 and €43.2 million as of September 30, 2021.

Contract Liabilities

Our contract liabilities represent amounts paid by our customers for sales contracts of new yachts not yet fulfilled, comprising advances received which exceed the contract works completed and advances received for which the corresponding contracts were yet to commenced as at the end of each of the relevant periods. Any variation of the contract liabilities in each of the relevant periods during the Track Record Period is considered part of the normal course of our business.

Our contract liabilities remained relatively stable at €46.8 million as of December 31, 2018 and €45.8 million as of December 31, 2019. Our contract liabilities increased by €9.9 million, or 21.6%, from €45.8 million as of December 31, 2019 to €55.7 million as of December 31, 2020, primarily due to a decrease in production activities mainly because we temporarily and partially suspended the operations of our six shipyards for two months in 2020 due to COVID-19 lock-down restrictions. Our contract liabilities increased by €77.0 million, or 138.2%, from €55.7 million as of December 31, 2020 to €132.7 million as of September 30, 2021, primarily due to an increase in the advances received mainly attributable to an increase in order intake.

We recognized revenue of €29.4 million, €46.1 million, €43.7 million, €41.3 million and €50.1 million, respectively, for the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2020 and 2021 in relation to carried-forward contract liabilities as of the beginning of the respective period.

As of February 28, 2022, €105.3 million, or 79.4%, of our contract liabilities as of September 30, 2021 had been subsequently recognized as revenue.

FINANCIAL INFORMATION

INDEBTEDNESS AND CONTINGENT LIABILITIES

Indebtedness

During the Track Record Period, our indebtedness consisted of (i) amounts due to the immediate holding company and (ii) bank and other borrowings which mainly comprised bank borrowings, maturity factoring liabilities and lease liabilities. The table below sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of September 30,	As of February 28,
	2018	2019	2020	2021	2022
	<i>(Euro in thousands)</i>				
	(Unaudited)				
Included in current liabilities					
Due to the immediate holding company ⁽¹⁾	398	—	—	—	—
Bank and other borrowings . .	87,843	89,310	79,024	28,483	31,579
Subtotal	88,241	89,310	79,024	28,483	31,579
Included in non-current liabilities					
Due to the immediate holding company ⁽¹⁾	211,081	—	—	—	—
Bank and other borrowings . .	7,589	36,253	84,846	71,882	56,088
Subtotal	218,670	36,253	84,846	71,882	56,088
	306,911	125,563	163,870	100,365	87,667

Note:

- (1) Representing an intercompany loan with principal amount of €211,670,000, bearing an interest rate at the six-month Euribor with a zero floor and an annual spread of 1.3% for €85,000,000 and of 1.5% for €126,670,000. As of December 31, 2018, the principal of the intercompany loan was included in non-current liabilities, while the accrued interest was included in current liabilities. See “— Related Party Transactions.”

FINANCIAL INFORMATION

The table below sets forth the interest rate profile of our indebtedness as of the dates indicated:

	As of December 31,									As of September 30,		
	2018			2019			2020			2021		
	<i>Effective interest rate (%)</i>	<i>Maturity</i>	<i>€'000</i>	<i>Effective interest rate (%)</i>	<i>Maturity</i>	<i>€'000</i>	<i>Effective interest rate (%)</i>	<i>Maturity</i>	<i>€'000</i>	<i>Effective interest rate (%)</i>	<i>Maturity</i>	<i>€'000</i>
<i>Current</i>												
Bank borrowings,				Euribor*			Euribor*			Euribor*		
secured	—	—	—	+2.6-3.0	2020	51,940	+2.6-3.0	2021	32,501	+1.8-2.9	2022	23,007
Bank borrowings,												
unsecured	1.2-2.0	2019	73,362	1.2-2.0	2020	9,291	1.2-2.0	2021	10,648	4.2-9.2	2022	803
Incidental borrowing costs			(867)			(509)			(1,532)			(1,383)
			72,495			60,772			41,617			22,427
Maturity factoring liabilities	1.5	2019	14,226	1.5	2020	23,768	1.5	2021	29,639	—	—	—
Lease liabilities	1.7	2019	1,122	1.7-2.0	2020	4,820	2.0-4.7	2021	7,768	1.7-4.7	2022	6,056
			87,843			89,310			79,024			28,483
<i>Non-current</i>												
Bank borrowings,				Euribor*			Euribor*			Euribor*		
secured	—	—	—	+2.6-3.0	2024	15,000	+2.6-3.0	2024	58,499	+1.5-2.9	2025	47,335
Bank borrowings,												
unsecured	1.2-2.0	2020	714	—	—	—	—	—	—	—	—	—
Incidental borrowing costs			—			(1,763)			(2,510)			(1,534)
			714			13,237			55,989			45,801
Lease liabilities	1.7	2023	6,875	1.7-2.0	2031	23,016	2.0-4.7	2031	28,857	1.7-4.7	2031	26,081
			7,589			36,253			84,846			71,882
			95,432			125,563			163,870			100,365

FINANCIAL INFORMATION

The table below sets forth the maturity profile of our bank and other borrowings as of the dates indicated:

	As of December 31,			As of
	2018	2019	2020	September 30, 2021
	<i>(Euro in thousands)</i>			
<i>Bank borrowings repayable:</i>				
Within one year or on demand	72,495	60,722	41,617	22,427
In the second to fifth years, inclusive .	714	13,237	55,989	45,801
	<u>73,209</u>	<u>73,959</u>	<u>97,606</u>	<u>68,228</u>
<i>Other borrowings repayable:</i>				
Within one year or on demand	15,348	28,588	37,407	6,056
In the second to fifth years, inclusive .	3,568	15,090	22,349	20,913
Beyond five years	3,307	7,926	6,508	5,168
	<u>22,223</u>	<u>51,604</u>	<u>66,264</u>	<u>32,137</u>
Total	<u>95,432</u>	<u>125,563</u>	<u>163,870</u>	<u>100,365</u>

Our bank borrowings during the Track Record Period were denominated in Euro and were used to finance our capital expenditure and working capital requirements. As of December 31, 2019 and 2020 and September 30, 2021, our bank borrowings were secured by certain of our buildings amounting to €69.7 million, €73.6 million and €78.6 million, respectively.

Under the terms of one of our credit agreements in relation to medium to long-term credit facilities in an aggregate principal amount of up to €170 million, we are required to comply with specified ratios between: (i) our net debt and our EBITDA (non-IFRS measure); and (ii) our order book and the amounts outstanding under one of such credit facilities, which are calculated on a semi-annual basis (namely, as of June 30 and December 31 of each year). In June 2020, we temporarily breached the first financial ratio covenant primarily due to COVID-19 restrictions imposed by the Italian government, which temporarily and partially led to a suspension of the operations of our six shipyards for two months in 2020 and banned travelling to foreigners, leading to a delay in achieving production milestones, a consequent delayed collection from customers and an order intake postponement. Such delay in orders has been more than recovered in the following months. This was resolved in July 2020, and we obtained a waiver from the lender.

FINANCIAL INFORMATION

As of the Latest Practicable Date, there was no material restrictive covenant in our indebtedness which could significantly limit our ability to undertake additional debt or equity financing, nor was there any breach of covenant during the Track Record Period and up to the Latest Practicable Date (save as otherwise disclosed above).

Our Directors confirm that there has been no material change in our indebtedness position since February 28, 2022, being the latest practicable date for the purpose of the indebtedness statement.

As of the Latest Practicable Date, except for bank borrowings, we did not have plans for other material external debt financing. As of February 28, 2022, we had unutilized credit facilities of €105 million. We do not anticipate any changes to the availability of bank financing to finance our operations in the future, although we cannot assure you that we will be able to access bank financing on favorable terms or at all.

Contingent Liabilities

Except as disclosed above, we did not have, as of February 28, 2022, any outstanding debt securities, mortgage, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or acceptance credits, or other similar indebtedness, leasing and financial leasing commitments, hire purchase commitments or other material contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into, nor do we expect to enter into, any off-balance sheet arrangements. We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties, except as those disclosed below. In addition, we have not entered into any derivative contracts that are indexed to our equity interest and classified as owners' equity, or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

FINANCIAL INFORMATION

Guarantees and Commitments

During the Track Record Period, certain guarantees were issued, and commitments were undertaken, by us to secure payables and other obligations. Typical examples of such include:

- guarantees issued by banks in favor of our customers for their advances paid for the construction of yachts;
- guarantees issued by banks in favor of our suppliers;
- surety policies issued for the benefit of tax agencies in connection with our VAT rebate, refund, credit or offsets;
- surety policies issued for the benefit of customs agencies in connection with our custom duties;
- insurance sureties for the benefit of municipal government development projects;
- insurance policies issued to government authorities in relation to concession charges;
- surety policies received for granting the use of public land; and
- surety policies received in relation to the excise incentives on diesel used in engine tests.

Our Directors confirm that, such guarantees and commitments will be released once the corresponding obligations are fulfilled, although might not be before the Listing Date. Our Directors also confirm that such guarantees and commitments are considered typical in the industry in which we operate. Moreover, we had a bank guarantee issued in relation to the process of being awarded the Wally brand, which our Directors estimate will be released upon the fulfillment of conditions stated in the relevant agreements. For details of such guarantees and commitments, please refer to Note 44 of the Accountants' Report set out in Appendix I to this prospectus.

FINANCIAL INFORMATION

CAPITAL EXPENDITURES AND COMMITMENTS

Capital Expenditures

The table below sets out our capital expenditures for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	<i>(Euro in thousands)</i>			<i>(Unaudited)</i>	
Property, plant and equipment	47,860	54,926	76,667	49,041	41,950
Intangible assets	10,022	31,356	8,983	7,981	1,904
Total capital expenditures	57,882	86,282	85,650	57,022	43,854

Our capital expenditures during the Track Record Period were primarily in connection with renewing and extending our product portfolio, including the acquisition of Wally trademark in 2019, and expanding and upgrading our production facilities. We expect to incur around €70 million in the year ended December 31, 2021 and around €122 million in the year ending December 31, 2022, primarily consisting of expenditures in connection with our continuous efforts in renewing and extending our product portfolio as well as expanding and upgrading our production facilities. We intend to fund our planned capital expenditures through a combination of the net proceeds from the Global Offering as well as cash generated from operating activities.

Our actual capital expenditures may differ from the amounts set forth above due to various factors, including our future cash flows, results of operations and financial condition, economic conditions in the market and changes in the regulatory environment. In addition, we may incur additional capital expenditures from time to time as we pursue new opportunities to expand our business.

Capital Commitments

As of December 31, 2018, we had a commitment for the acquisition of Wally trademark for an amount of €22.0 million. As of December 31, 2019, we had a commitment for the acquisition of Michelinini for an amount of €3.1 million and a commitment for the acquisition of a building for an amount of €3.8 million. See “History and Corporate Structure — Major Acquisitions.” As of September 30, 2021, we had commitment under foreign currency forward contracts with an aggregate nominal amount of US\$37.0 million.

FINANCIAL INFORMATION

RELATED PARTY TRANSACTIONS

The table below sets forth our material related party transactions for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	<i>(Euro in thousands)</i>				
	<i>(Unaudited)</i>				
Sale of vessels⁽¹⁾					
Shandong Weichai Import & Export Co., Ltd.	—	4,500	—	—	—
Unicredit Leasing S.p.A.	9,951	28,530	—	—	—
Wally S.A.M.	—	—	—	—	4
Others	—	—	—	—	368
Other income⁽²⁾					
Weichai Power Co., Ltd.	163	308	—	—	—
Financial expenses⁽³⁾					
Weichai Group.	—	10	—	—	—
FIH	3,766	3,032	—	—	—
Costs and other expenses					
Weichai Power Co., Ltd. ⁽⁴⁾	575	655	355	97	324
Unicredit Leasing S.p.A.	—	—	—	—	—
HPE S.r.l. ⁽⁵⁾	200	200	200	150	150
Ferrari S.p.A.	42	76	14	14	2
PEH S.r.l. ⁽⁶⁾	211	—	—	—	143
CoEnergetica S.a.s.	5	9	15	—	—
Angelo Raffaele S.r.l. ⁽⁷⁾	194	192	—	—	145
Wally S.A.M.	—	39	29	—	344
Others ⁽⁸⁾	435	753	774	511	780

FINANCIAL INFORMATION

Notes:

- (1) Shandong Weichai Import & Export Co., Ltd. is a subsidiary of Weichai Group. We sold certain yachts to a Director who subsequently transferred the sales contract to Unicredit Leasing S.p.A., an Independent Third Party leasing company. See “Business — Top Customers and Suppliers — Top Customers.”
- (2) Weichai Power Co., Ltd. is a subsidiary of Weichai Group. Other income for the years ended 31 December 2018 and 2019 represented certain research and development services we provided to Weichai Power Co., Ltd.
- (3) Financial expenses for the years ended December 31, 2018 and 2019 comprised interest expenses on an intercompany loan from FIH with principal amount of €211,670,000 and fees we paid on the outstanding guarantees in favor of the intercompany loan. We entered into a loan agreement with FIH on December 18, 2014, bearing an interest rate at the six-month Euribor with a zero floor and an annual spread of 1.3% for €85,000,000 and of 1.5% for €126,670,000. Its originally scheduled maturity date of December 18, 2017 was subsequently extended to December 18, 2020. On September 3, 2019, this loan was extinguished by FIH in exchange for 59,291,317 newly issued Shares at a price of €3.57 per Share.
- (4) Mainly comprising (i) the partial reimbursement by us to Weichai Power Co., Ltd. of certain costs associated with Riva’s sponsorship of the Ferrari racing team; (ii) rentals paid by us for the lease of properties owned by Weichai Power Co., Ltd.; and (iii) social security contributions we paid on behalf of Weichai Power Co., Ltd. who were seconded to us.
- (5) Representing fees we paid for design, engineering and marketing services provided by HPE S.r.l. in support of our product development efforts. HPE S.r.l. is beneficially owned by Mr. Piero Ferrari, who is the owner of 11.14% equity interest in us through F Investments.
- (6) Representing a success fee paid to PEH S.r.l. following the execution of agreement for the acquisition of Wally trademark. PEH S.r.l. is beneficially owned by the family of Mr. Stefano De Vivo, our chief commercial officer.
- (7) Representing rentals paid by us for the lease properties owned by Angelo Raffaele S.r.l. Angelo Raffaele S.r.l. is beneficially owned by a director of one of our subsidiaries.
- (8) Mainly comprising strategic consultancy costs we paid for the development of FSD and legal expenses.

FINANCIAL INFORMATION

The following table sets forth a breakdown of our balances due from/to related parties as of the dates indicated:

	As of December 31,			As of
	2018	2019	2020	September 30, 2021
	<i>(Euro in thousands)</i>			
Trade and other receivables⁽¹⁾				
Weichai Power Co., Ltd.	176	484	484	484
Shandong Weichai Import & Export Co., Ltd.	—	3,150	3,150	3,150
PEH S.r.l.	32	—	—	—
Others	—	28	28	96
Contract assets⁽²⁾				
Unicredit Leasing S.p.A.	—	15,240	—	—
Trade and other payables				
FIH ⁽³⁾	211,479	—	—	—
Weichai Power Co., Ltd.	129	387	516	613
HPE S.r.l.	50	50	100	100
Ferrari S.p.A.	37	27	13	20
PEH S.r.l.	27	—	—	—
CoEnergetica S.a.s.	5	9	15	—
Angelo Raffaele S.r.l.	—	59	—	—
Wally S.A.M.	—	—	29	—
Others	69	138	147	324

Notes:

- (1) Mainly comprising receivables for the provision of research and development services to Weichai Power Co., Ltd. and sales of a coastal patrol vessel to Shandong Weichai Import & Export Co., Ltd, which are trade in nature.
- (2) Representing amounts accrued under our sales contract with Unicredit Leasing S.p.A, which are trade in nature.
- (3) Representing the outstanding principal amount of the intercompany loan, the accrued interest and incidental borrowing costs payable to FIH, which are non-trade in nature.

We have settled all non-trade amounts due from/to related parties. We will discontinue all non-trade in nature related party transactions after the Listing, except as in compliance with the Listing Rules. It is the view of our Directors that each of the related party transactions set out in Note 39 of the Accountants' Report in Appendix I to this prospectus (i) was conducted on arm's length basis; and (ii) would not distort our Track Record Period results or make our historical results not reflective of future performance.

FINANCIAL INFORMATION

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates or for the periods indicated:

	Year ended December 31,			Nine months ended September 30,
	2018	2019	2020	2021
Profitability ratios				
Return on equity ⁽¹⁾	N/A	8.5%	4.8%	9.0%
Return on total assets ⁽²⁾	N/A	3.1%	2.3%	4.3%
	As of December 31,			As of September 30,
	2018	2019	2020	2021
Liquidity ratios				
Current ratio ⁽³⁾	1.1	1.1	1.1	1.1
Quick ratio ⁽⁴⁾	0.6	0.6	0.7	0.8
Capital adequacy ratio				
Gearing ratio ⁽⁵⁾	172.4%	27.9%	35.4%	20.5%

Notes:

1. Return on equity is calculated based on profit attributable to Shareholders of the Company for the period divided by the arithmetic mean of the opening and closing balances of equity attributable to Shareholders of the Company and multiplied by 100%. Our return on equity for the nine months ended September 30, 2021 is annualized based on profit attributable to Shareholders of the Company for the period divided by 273 and multiplied by 365, as a percentage of the arithmetic mean of the opening and closing balances of equity attributable to Shareholders of the Company.
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%. Our return on assets for the nine months ended September 30, 2021 is annualized based on profit for the period divided by 273 and multiplied by 365, as a percentage of the arithmetic mean of the opening and closing balances of total assets.
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%.

FINANCIAL INFORMATION

Return on Equity

Our return on equity decreased from 8.5% for the year ended December 2019 to 4.8% for the year ended December 31, 2020, primarily due to a decrease in profit. Our return on equity increased from 4.8% for the year ended December 31, 2020 to 9.0% for the nine months ended September 30, 2021, primarily due to an increase in profit.

Return on Total Assets

Our return on total assets decreased from 3.1% for the year ended December 31, 2019 to 2.3% for the year ended December 31, 2020, due to (i) a decrease in net profit and (ii) an increase in property, plant and equipment. Our return on total assets increased from 2.3% for the year ended December 31, 2020 to 4.3% for the nine months ended September 30, 2021, primarily because the increase in our profit outpaced the increase in our total assets.

Current Ratio

Our current ratio remained stable at 1.1 as of December 31, 2018, 2019 and 2020 and September 30, 2021

Quick Ratio

Consistent with the changes in our current ratio, our quick ratio remained relatively stable at 0.6, 0.6, 0.7, and 0.8 as of December 31, 2018, 2019 and 2020 and September 30, 2021, respectively.

Gearing Ratio

Our gearing ratio decreased from 172.4% as of December 31, 2018 to 27.9% as of December 31, 2019 primarily due to a significant decrease in the amount due to the immediate holding company and a significant increase in total equity, both of which were mainly because the intercompany loan from FIH was extinguished for newly issued Shares in 2019. Our gearing ratio increased from 27.9% as of December 31, 2019 to 35.4% as of December 31, 2020, primarily due to an increase in our borrowings. Our gearing ratio decreased from 35.4% as of December 31, 2020 to 20.5% as of September 30, 2021, primarily due to a decrease in our borrowings.

FINANCIAL INFORMATION

FINANCIAL RISKS

We are exposed to a variety of financial risks, including interest rate risk, credit risk, liquidity risk and currency risk, as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. See Note 5 to the Accountants' Report included in Appendix I to this prospectus for further details.

Currency Risk

We are primarily exposed to exchange rate risk in relation to the U.S. dollars. See Note 5 to the Accountants' Report included in Appendix I to this prospectus for further details, including relevant sensitivity analysis.

We use foreign currency forward contracts to hedge our exposure to foreign currency risk in connection with forecast transactions and firm commitments. As of December 31, 2018, 2019 and 2020 and September 30, 2021, the fair value of financial liability in relation to our foreign currency forward contracts amounted to nil, nil, nil and €0.7 million, respectively.

Credit Risk

Our exposure to credit risk arises from the potential inability or unwillingness of our customers to pay amounts due. However, due to the generally creditworthy nature of our VHNWI and UHNWI customers and our conservative commercial policies that require customers to make milestone payments (and pursuant to which we do not deliver yachts to customers before we receive full payment), we believe this risk to be not material.

In addition, we believe that we are not subject to material credit risks from milestone payments because in the event of customer default, neither milestone payments received, nor contract works completed, will be materially affected on the basis of the following:

- For advance payments received, pursuant to the standard sales contracts, (i) if a customer fails to pay a milestone payment during the construction of the yacht, after a grace period of generally 14 days, we may terminate the contract due to customer payment default and retain all milestone payments received from the defaulting customer; (ii) if a customer cancels the order during the construction of the yacht, as a consequence, we retain all milestone payments received from the defaulting customer. In other words, our customers will not be able to ask for refunds at their own will even if they cancel their order; and

FINANCIAL INFORMATION

- For contract works completed, as we retain the ownership of the yachts until the full payment of the sales price from the customer, in any case of (i) or (ii), we, by retaining the milestones payments as revenue, will also be able to freely sell the yacht to another customer, thereby generating additional revenue. Due to the nature and uniqueness of the luxury industry, we did not experience in the past, nor do we expect to face in the future, any material difficulty in reselling our yachts to other customers. In fact, in such cases, the new customer will appreciate that the delivery time of the yacht is materially reduced because the customer is purchasing the yacht in an advanced stage of the construction (in other words the time between the signing of the contract and the delivery of the yacht is significantly lower).

Interest Rate Risk

Our interest rate risk arises from interest-bearing borrowings. We currently do not use any interest rate swap contracts or other financial instruments to hedge against interest rate exposure. See Note 5 to the Accountants' Report included in Appendix I to this prospectus for further details, including relevant sensitivity analysis.

Liquidity Risk

As of December 31, 2018, 2019 and 2020 and the nine months ended and September 30, 2021, we had cash and cash equivalents of €38.5 million, €39.2 million, €32.8 million, and €187.5 million, respectively, which is sufficient to cover our working capital requirements, providing ample liquidity for our continuing business operations. We continuously monitor our cash flow position through the planning of the expected cash flows and the necessary financing sources on a weekly basis, over a monthly horizon to ensure that we maintain sufficient reserve of cash to meet our liquidity requirements in the short and long term. See Note 5 to the Accountants' Report set forth in Appendix I to this prospectus for more details about our financial liabilities by different maturity groups.

DIVIDENDS

We have 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 of the Company for the relevant year, after deduction of mandatory legal reserves (5%). The dividends will be distributed to Shareholders based on a payment proposal by the Board, after taking into consideration of compliance with any applicable financial covenants and, if any, with further financial needs of the Company. Assuming the Listing occurs in 2022, 2022 will be the first year when our profit attributable to Shareholders of the Company will be used for purpose of declaring and paying dividends in accordance with the aforementioned general annual dividend policy.

FINANCIAL INFORMATION

The declaration of dividends is subject to the discretion of our Directors, and, if necessary, the approval of our Shareholders. Our Board will take into account market conditions, our 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 our constitutional documents and applicable restrictions under Italian law, including the approval from our 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.

We may distribute dividends by way of cash or by other means that we consider 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.

We declared and paid dividends of €6.6 million and €3.5 million in 2020 and the nine months ended September 30, 2021, respectively. Other than that, no dividend has been proposed, paid or declared by us during the Track Record Period.

DISTRIBUTABLE RESERVES

As of September 30, 2021, our Company had earnings reserves of €30.9 million.

LISTING EXPENSES

Our listing expenses mainly include sponsor's fee, underwriting commissions, professional fees paid to legal advisers, the Reporting Accountants and other professional advisers for their services rendered in relation to the Listing and the Global Offering. The estimated total listing expenses (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised) for the Global Offering are approximately €17.3 million (equivalent to HK\$148.5 million), representing 7.1% of the gross proceeds (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised) of the Global Offering. Our listing expenses are categorized into underwriting-related expenses of approximately €9.9 million (equivalent to HK\$85.0 million) and non-underwriting-related expenses of approximately €7.4 million (equivalent to HK\$63.5 million), representing 4.0% and 3.1%, respectively, of the gross proceeds (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised) of the Global Offering. The non-underwriting-related expenses can be further classified into fees and expenses of legal

FINANCIAL INFORMATION

advisor(s) and accountant(s) of approximately €5.0 million (equivalent to HK\$42.9 million) and other fees and expenses of approximately €2.4 million (equivalent to HK\$20.6 million), representing 2.1% and 1.0%, respectively, of the gross proceeds (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised) of the Global Offering. During the Track Record Period, we did not incur any listing expenses in relation to the Listing and the Global Offering. We expect approximately €5.6 million (equivalent to HK\$47.9 million) to be recognized as administrative and other operating expenses and the remaining approximately €11.7 million (equivalent to HK\$100.6 million) is expected to be recognized as a deduction in equity directly upon the Listing.

APPLICATION FOR RECOGNITION OF EY ITALY AS RECOGNIZED PIE AUDITORS BY THE FINANCIAL REPORTING COUNCIL

Background

We have appointed Ernst & Young (Certified Public Accountants, Hong Kong) (“**EY Hong Kong**”) and EY S.p.A. (Recognised PIE Auditor, Italy) (“**EY Italy**”) to act as our Company’s joint reporting accountants in our application for Listing and the audit of our consolidated financial statements for the year ended December 31, 2021. We intend to appoint EY Italy to act as our sole auditor for our consolidated financial statements for the year ending December 31, 2022 and thereafter.

The amendments to the Financial Reporting Council Ordinance, Cap. 588, laws of Hong Kong have become effective

As from 1 October 2019 (the “**Effective Date**”), the amendments to the Financial Reporting Council Ordinance (Cap. 588) (“**FRCO**”) takes effect and the Financial Reporting Council (“**FRC**”) has become Hong Kong’s independent regulator of listed entity auditors.

After the Effective Date, all audit firms intending to carry out any engagement with a public interest entity (the “**PIE**”) are subject to a system of registration (for Hong Kong auditor firms) and recognition (for non-Hong Kong audit firms) as recognized PIE auditors (the “**Recognized PIE Auditors**”). A PIE is either (a) a listed corporation whose listed securities comprise at least shares or stocks; or (b) a listed collective investment scheme. Hence, after the Listing, our Company will become a public interest entity.

Any non-Hong Kong audit firm is required to be recognized by the FRC as Recognized PIE Auditors before the audit firm can (i) “undertake” (i.e. accept an appointment to carry out) any PIE Engagement; and (ii) carry out any PIE Engagement for an overseas entity.

FINANCIAL INFORMATION

Under the FRCO, the overseas PIE, like our Company, must seek a statement of no objection (the “SNO”) from the Stock Exchange to engage its non-Hong Kong auditors to undertake its PIE Engagement. After the issue of the SNO, the FRC will consider the application for recognition of the non-Hong Kong auditor as a Recognized PIE Auditor (as defined in section 3A of the FRCO).

If an overseas auditor has not accepted an appointment to carry out a PIE engagement for an overseas entity but is expected to do so after 1 October 2019, the overseas entity is strongly encouraged to make an application for the recognition of its overseas auditor with the FRC 45 business days before it appoints the overseas auditor to allow for sufficient time for the FRC to consider the application.

Our application for the recognition of EY Italy as Recognized PIE Auditors by the FRC under the FRCO

Considering that we will become a PIE after the Listing and we intend to engage EY Italy as joint reporting accountant for the Listing and as our auditors after the Listing, we must apply to the FRC for its recognition of EY Italy as Recognized PIE Auditors.

On 3 December 2021, we applied to the Stock Exchange for a SNO to support our Company’s application to the FRC for its recognition of EY Italy as a Recognized PIE Auditor. On 7 December 2021, we received the SNO from the Stock Exchange.

We and EY Italy filed the relevant Application to the FRC for its recognition of EY Italy as a Recognized PIE auditor on 9 December 2021. On 23 December 2021, we received an approval-in-principle from the FRC recognizing EY Italy as a PIE auditor of our Company. The approval-in-principle is valid for a 6-month period beginning on 23 December 2021. The recognition of EY Italy as a PIE auditor of the Company takes effect when EY Italy undertakes a PIE engagement for our Company within the 6-months validity period and expires on 31 December 2021.

On 24 December 2021, we and EY Italy filed the relevant Application to the FRC for its recognition of EY Italy as a Recognized PIE auditor for the 2022 financial year. On 31 December 2021, we received an approval-in-principle from the FRC recognizing EY Italy as a PIE auditor of our Company. The approval-in-principle is valid for a 6-month period beginning on 1 January 2022. The recognition of EY Italy as a PIE auditor of the Company takes effect when EY Italy undertakes a PIE engagement for our Company within the 6-months validity period and expires on 31 December 2022.

FINANCIAL INFORMATION

Details of EY Italy's background are as follows:

- 1 EY Italy is a member firm of Ernst & Young Global Limited ("**EYG**"), a global leader in assurance, tax, transaction and advisory services.
- 2 EY Italy is registered with the Registro dei Revisori Legali (Register of Independent Auditors) maintained by the Italian Ministry of Economy and Finance. EY Italy is subject to independent oversight by the Commissione Nazionale per le Società e la Borsa ("**CONSOB**"), the Italian regulatory body that is part of the International Organization of Securities Commissions Multilateral MOU Concerning Consultation and Cooperation and the Exchange of Information ("**IOSCO MMOU**"). The key responsibilities of CONSOB are:
 - CONSOB is responsible for the supervision of auditors of public interest entities;
 - CONSOB conducts inspections and monitoring programs on auditors to assess the degree of compliance with auditing and ethical standards. In discharging the above responsibilities, the CONSOB may inspect an audit firm of PIEs under a regular inspection program or a special inspection program. Under either program, a CONSOB inspection may be carried out at the firm level or engagement level or both. A firm review focuses on the review of an audit firm's quality control systems and practices. An engagement review aims to assess the degree of compliance with auditing and ethical standards of an audit engagement conducted by an auditor.
- 3 EY Italy and both the Engagement Partner ("**EP**") and Engagement Quality Control Reviewer ("**EQCR**") for the Company audit are registered with the Registro dei Revisori Legali (Register of Independent Auditors) maintained by the Italian Ministry of Economy and Finance. In addition, both the EP and the EQCR are members of the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (CNDCEC), the Italian member of International Federation of Accountants.
- 4 EY Italy will conduct the audit of our Company in accordance with International Standards on Auditing ("**ISAs**"). EY Italy has also complied with the independence and ethical requirements of International Code of Ethics for Professional Accountants (including International Independence Standards) ("**IESBA Code**").

FINANCIAL INFORMATION

- 5 EY Italy has provided audit services to clients in similar business as our Company, giving them the necessary capabilities and experience. In addition, collectively between the EP, EQCR and the two other members of key engagement team, they have experience auditing more than 10 other EY Italy clients (including multinationals and public interest entities) similar to our Company.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

For details of our unaudited pro forma adjusted combined net tangible assets, see Appendix II to this prospectus.

NO MATERIAL ADVERSE CHANGE

After due and careful consideration, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial and trading position or prospects since September 30, 2021, and there is no event since September 30, 2021, which would materially affect the information shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules upon the Listing of the Shares on the Stock Exchange.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See the section headed “Business — Our Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK\$25.03 per Share (being the mid-end of the Offer Price range stated in this prospectus), will be approximately HK\$1,943.9 million (equivalent to €226.5 million), after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering and assuming the Over-allotment Option is not exercised.

We intend to use the net proceeds of the Global Offering for the following purposes:

- approximately 68.0% (or HK\$1,321.8 million, equivalent to €154.0 million) will be used for the expansion of our product portfolio and further boost to our end-to-end operational excellence. Specifically, within a period of 24 to 36 months from the Listing, we intend to:
 - use approximately 23.0% (or HK\$447.1 million, equivalent to €52.1 million) of the net proceeds to consolidate our leadership positioning in the luxury yacht industry and increase our market share and coverage through (i) keeping investing in research and development to launch an average of more than seven new composite or made-to-measure models every year. This is a continuation of the investment in research and development of €98.2 million made during the Track Record Period to upgrade existing models and launch new ones, strengthening our market positioning, (ii) expanding our product portfolio in highly profitable segments and niches, such as the larger footage yacht sector (over 80 feet) (see “Industry Overview — Competitive Landscape of the Global Yacht Industry”) and the sailing yacht segment, and (iii) high-end acquisitions in the North Mediterranean area. According to CIC, there are approximately 14 potential targets based on our selection criteria;
 - use approximately 25.0% (or HK\$486.0 million, equivalent to €56.6 million) of the net proceeds to develop new flagship models of super yachts under our iconic Riva, Wally, Pershing, and Custom Line brands, by leveraging the extensive know-how and experience accumulated with CRN. We plan to acquire and refurbish a production facility located in Italy that will be dedicated to such flagship super yachts. According to CIC, there are less than 10 potential targets

FUTURE PLANS AND USE OF PROCEEDS

based on our selection criteria. When we identify the most suitable target, we will perform a detailed analysis of the target and consider purchasing additional equipment and adding new hangars to meet our production requirements if necessary; and

- use approximately 20.0% (or HK\$388.8 million, equivalent to €45.3 million) of the net proceeds to vertically integrate strategic and high value-adding production activities to ensure the uncompromised excellence in the luxurious design, performance, quality and reliability of our yachts. Specifically, we plan to acquire a production facility for sailing yachts located in Italy to support our growth in the promising sailing segment. According to CIC, there are approximately 18 potential targets based on our selection criteria. When we identify the most suitable target, we will perform a detailed analysis of the target and consider purchasing additional equipment and adding new hangars to meet our production requirements if necessary. In addition, we plan to acquire four to five suppliers of key production inputs such as hulls and superstructures, kinematics components and interior furnishings. We will target highly profitable companies currently supplying us with annual revenue of €5 million to €10 million. According to CIC, there are approximately 36 potential targets based on our selection criteria;

These investments will ensure that we are well prepared to benefit from the strong growth dynamics of the yachting sector fostered by the expanding VHNWI and UHNWI customer base, especially in APAC;

- approximately 24.0% (or HK\$466.5 million, equivalent to €54.4 million) will be used for enhancing our unique portfolio of ancillary services and expanding our offering in the most promising verticals such as yacht brokerage, chartering and management services and after-sales and refitting services. Specifically, within a period of 12 to 24 months from the Listing, we intend to:
- use approximately 7.0% (or HK\$136.1 million, equivalent to €15.9 million) of the net proceeds to grow our yacht brokerage, chartering and management services by complementing our offering with additional services and by acquiring a leading global brokerage house characterized by a solid client portfolio and a strategic location in Europe, which will enable us to address the demand for these services in EMEA. According to CIC, there are approximately five potential targets based on our selection criteria; and

FUTURE PLANS AND USE OF PROCEEDS

- use approximately 17.0% (or HK\$330.5 million, equivalent to €38.5 million) of the net proceeds to expand our after-sales and refitting service offering and market presence by acquiring and expanding a large-sized company operating a number of refitting facilities in the northern Mediterranean area with a focus on repairing, restoring, renewing and renovating luxury yachts. According to CIC, there are approximately nine potential targets based on our selection criteria; and

- approximately 8.0% of the net proceeds from the Global Offering (or HK\$155.5 million, equivalent to €18.1 million) will be used for the further development of our brand extension activities and for other general corporate purposes. Specifically, we plan to further strengthen the positioning of our restoration boat service for Riva classic models with new, high-end and complementary offerings such as a dedicated brokerage channel for Riva classic models and the creation of Riva limited editions to further nurture our collector customer base. Furthermore, we plan to launch new lifestyle merchandize collections leveraging our iconic brands (such as Wally). Brand extension activities are instrumental to our sales of new yachts because they help us retain customers, creating a deep sense of belonging, while also attracting new ones.

We believe the above-mentioned business plans will help us further increase our market share because (i) the expansion of our product portfolio will enable us to keep staying abreast of the rapidly evolving preferences and expectations of our clientele, attracting potential new customers and offering more alternatives to existing customers; and (ii) enhancing our portfolio of ancillary services and further development of our brand extension activities will provide additional synergies with our core business and enhance customer satisfaction and loyalty; both of which are expected to increase our sales and drive our future business growth.

As of the Latest Practicable Date, we had not entered into any letters of intent or agreements with respect to acquisitions and had not identified any definite acquisition targets. We will seek potential acquisition targets through internal market research and/or recommendations from our business partners. In evaluating acquisition targets, we will consider various factors including the level of synergy, the target's compatibility with our business strategies as well as the potential growth and profitability of the target's business.

FUTURE PLANS AND USE OF PROCEEDS

If the Offer Price is fixed at HK\$28.24 per Share (being the high-end of the Offer Price range stated in this prospectus) and assuming the Over-allotment Option is not exercised, we will receive additional net proceeds of approximately HK\$257.5 million (equivalent to €30.0 million). If the Offer Price is fixed at HK\$21.82 per Share (being the low-end of the Offer Price range stated in this prospectus) and assuming the Over-allotment Option is not exercised, the net proceeds we receive will be reduced by approximately HK\$257.5 million (equivalent to €30.0 million). The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-end of the estimated Offer Price range.

The additional net proceeds that we would receive if the Over-allotment Option were exercised in full would be (i) HK\$339.9 million (equivalent to €39.6 million) (assuming an Offer Price of HK\$28.24 per Share, being the high-end of the Offer Price range stated in this prospectus), (ii) HK\$301.2 million (equivalent to €35.1 million) (assuming an Offer Price of HK\$25.03 per Share, being the mid-end of the Offer Price range stated in this prospectus) and (iii) HK\$262.6 million (equivalent to €30.6 million) (assuming an Offer Price of HK\$21.82 per Share, being the low-end of the Offer Price range stated in this prospectus). Additional net proceeds received due to the exercise of any Over-allotment Option will be used for the above purposes accordingly on a pro rata basis in the event that the Over-allotment Option is exercised.

To the extent that the net proceeds are not immediately applied to the above purposes, we intend to deposit them in interest-bearing accounts with licensed commercial banks or financial institutions. In such event, we will also comply with the appropriate disclosure requirements under the Listing Rules.

In the event of any material change in our use of net proceeds of the Global Offering from the purposes described above or in our allocation of the net proceeds among the purposes described above, a formal announcement will be made.

CORNERSTONE INVESTORS

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a “**Cornerstone Investment Agreement**”, and, collectively the “**Cornerstone Investment Agreements**”) with cornerstone investors (the “**Cornerstone Investors**”, and each a “**Cornerstone Investor**”), pursuant to which, subject to certain conditions precedent, the Cornerstone Investors have agreed to subscribe, or cause their designated entities (including qualified domestic institutional investor as approved by the relevant PRC authorities (“**QDII**”)) to subscribe, at the Offer Price for certain number of our Offer Shares (the “**Cornerstone Placing**”).

Based on the Offer Price of HK\$21.82 per Offer Share, being the low end of the range of the Offer Price set out in this prospectus, the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 46,469,100, representing, assuming that the Over-allotment Option is not exercised, approximately (i) 13.9% of the Shares in issue upon completion of the Global Offering; and (ii) 13.4% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is fully exercised.

Based on the Offer Price of HK\$25.03 per Offer Share, being the mid-point of the range of the Offer Price set out in this prospectus, the total number of Shares to be subscribed for by the Cornerstone Investors would be 40,509,500, representing, assuming that the Over-allotment Option is not exercised, approximately (i) 12.1% of the Offer Shares in issue upon completion of the Global Offering; and (ii) 11.7% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is fully exercised.

Based on the Offer Price of HK\$28.24 per Offer Share, being the high end of the range of the Offer Price set out in this prospectus, the total number of Shares to be subscribed for by the Cornerstone Investors would be 35,904,800, representing, assuming that the Over-allotment Option is not exercised, approximately (i) 10.7% of the Offer Shares in issue upon completion of the Global Offering; and (ii) 10.4% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is fully exercised.

The Directors believe that introducing the Cornerstone Investors to the Global Offering can secure the subscription of a certain amount of the Offer Shares, thus reducing the risk of unsuccessful issuance under volatile market conditions. In addition, we are of the view that the investments of the Cornerstone Investors demonstrate to the potential investors that they are confident in our business (in respect of, for instance, our brand image and reputation, and the level of synergy our products could bring to different geographical locations) and prospects.

CORNERSTONE INVESTORS

For the purpose of the cornerstone investment, Hainan Free Trade Port Fund (as defined below), Sanya Development Holdings (as defined below) and Hainan Financial Holdings (as defined below) have engaged Galaxy Jinhui Security Asset Management Corporation Limited (“**Galaxy Jinhui**”), an asset manager that is a QDII to subscribe for and hold such Offer Shares on behalf of each of them. In addition, the fund manager of Hainan Free Trade Port Fund is Galaxy Capital Management Co., Ltd. (“**Galaxy Capital**”). As Galaxy Jinhui and Galaxy Capital are members of a group of companies controlled by China Investment Co., Ltd., each of Galaxy Jinhui and Galaxy Capital is a “connected client” of China International Capital Corporation Hong Kong Securities Limited (“**CICC**”) (the Sole Sponsor, the Sole Global Coordinator, one of the Joint Bookrunners, and the Joint Lead Manager) under paragraph 13(7) of Appendix 6 to the Listing Rules. As such, an application has been made to the Stock Exchange for, and the Stock Exchange has granted us, a consent under paragraph 5(1) of Appendix 6 to the Listing Rules to allow the Offer shares to be allocated to Galaxy Jinhui and Galaxy Capital as connected client of CICC. For further details, please refer to the section headed “Waivers from Strict Compliance with the Listing Rules and Exemptions from Strict Compliance with the Companies (WUMP) Ordinance” of this Prospectus.

Furthermore, Haifa Holding (as defined below) is indirect wholly-owned by Qingdao SASAC. Shandong SASAC, which directly and indirectly holds 90% of the share capital in SHIG, has certain supervisory power over Qingdao SASAC, and hence Haifa Holding is regarded as a close associate of Shandong SASAC. Haifa Holding has been permitted to participate in the Cornerstone Placing pursuant to paragraph 5.2 of the Stock Exchange Guidance Letter HKEX-GL92-18 under a waiver from strict compliance with the requirements under Rule 10.04 of, and a consent under paragraph 5(2) of Appendix 6 to, the Listing Rules granted by the Stock Exchange. For further details, please refer to the section headed “Waivers from Strict Compliance with the Listing Rules and Exemptions from Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance” of this Prospectus.

The Cornerstone Placing forms part of the International Offering, and the Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Shares in issue upon completion of the Global Offering. Save for the Offer Shares to be subscribed by Haifa Holding (as defined below), all of the Cornerstone Placing will be counted towards the public float of our Company. Our Company became acquainted with each of the Cornerstone Investors mainly through the introduction by an Underwriter, or alternatively after such Cornerstone Investors noticed the Listing and approached us.

CORNERSTONE INVESTORS

Immediately following the completion of the Global Offering, none of the Cornerstone Investors will have any board representation in our Company, nor will any of the Cornerstone Investors become a substantial shareholder of us (as defined under the Hong Kong Listing Rules).

Save for (i) the Offer Shares to be allocated to Galaxy Jinhui and Galaxy Capital, who are connected clients of CICC; and (ii) the Offer Shares to be subscribed by Haifa Holding (who is a close associate of Shandong SASAC; to the best knowledge of our Directors, each of the Cornerstone Investors (and, for Cornerstone Investors who will subscribe for our Offer Shares through a QDII, such QDII) is an Independent Third Party, not our connected person and not our existing shareholder or its close associates. In addition, we confirm that (i) there are no side agreements or arrangements between us and the Cornerstone Investors; (ii) none of the Cornerstone Investors are accustomed to take instructions from us, our Directors, chief executive, the Controlling Shareholders, our substantial Shareholders or existing Shareholders or any of its subsidiaries or their respective close associates in relation to the acquisition, disposal or other disposition of the Shares registered in their name or otherwise held by them; and (iii) none of the subscription of the Shares by the Cornerstone Investors are financed by us, our Directors, chief executive, the Controlling Shareholders, our substantial Shareholders or existing Shareholders or any of its subsidiaries or their respective close associates.

As confirmed by each Cornerstone Investor, its subscription under the Cornerstone Placing would be financed by its own internal financial resources. Each of the Cornerstone Investors has confirmed that all necessary approvals have been obtained with respect to the Cornerstone Placing, none of the Cornerstone Investors or their shareholders are listed on any stock exchange and no specific approval from any stock exchange is required for the relevant cornerstone investment.

If there is over-allocation in the International Offering, there may be deferred delivery of the Offer Shares to be subscribed by the Cornerstone Investors under the Cornerstone Placing. All Cornerstone Investors have agreed that the Sole Global Coordinator may, in their sole discretion, defer the delivery of all or part of the Offer Shares that such Cornerstone Investors have subscribed for to a date later than the Listing Date. All of the Cornerstone Investors, including the aforesaid Cornerstone Investors who have agreed to a potential delayed delivery arrangement, have agreed to pay for the relevant Offer Shares that they have subscribed before dealings in the Offer Shares commence on the Stock Exchange. The Offer Shares to be subscribed by the Cornerstone Investors may be affected by the reallocation in the event of over-subscription under the Hong Kong Public Offering. See “Structure of the Global Offering — the Hong Kong Public Offering — Reallocation” for details. Details of the allocations to the Cornerstone Investors will be disclosed in the allotment results announcement in the Hong Kong Public Offering to be published on or around March 30, 2022.

CORNERSTONE INVESTORS

The table below sets forth details of the Cornerstone Placing:

Based on an Offer Price of HK\$21.82
(being the low-end of the Offer Price range)

Cornerstone Investor (each as defined below)	Subscription amount (U.S. dollar million) ⁽¹⁾	Number of Offer Shares	Assuming the Over-Allotment Option is not exercised		Assuming the Over-Allotment Option is fully exercised	
			Approximate % of Offer Shares	Approximate completion of the Global Offering	Approximate % of Offer Shares	Approximate completion of the Global Offering
					Approximate % of issued share capital immediately following the completion of	Approximate % of issued share capital immediately following the completion of
Sunshine Insurance	40.0	14,353,400	17.2%	4.3%	14.9%	4.1%
Sanya Development Holdings	28.0	10,047,400	12.0%	3.0%	10.5%	2.9%
Hainan Free Trade Port Fund	21.0	7,535,500	9.0%	2.3%	7.8%	2.2%
Hainan Financial Holdings	21.0	7,535,500	9.0%	2.3%	7.8%	2.2%
Haifa Holding	19.5	6,997,300	8.4%	2.1%	7.3%	2.0%
Total	129.5	46,469,100	55.6%	13.9%	48.3%	13.4%

Based on an Offer Price of HK\$25.03
(being the mid-point of the Offer Price range)

Cornerstone Investor (each as defined below)	Subscription amount (U.S. dollar million) ⁽¹⁾	Number of Offer Shares	Assuming the Over-Allotment Option is not exercised		Assuming the Over-Allotment Option is fully exercised	
			Approximate % of Offer Shares	Approximate completion of the Global Offering	Approximate % of Offer Shares	Approximate completion of the Global Offering
					Approximate % of issued share capital immediately following the completion of	Approximate % of issued share capital immediately following the completion of
Sunshine Insurance	40.0	12,512,600	15.0%	3.7%	13.0%	3.6%
Sanya Development Holdings	28.0	8,758,800	10.5%	2.6%	9.1%	2.5%
Hainan Free Trade Port Fund	21.0	6,569,100	7.9%	2.0%	6.8%	1.9%
Hainan Financial Holdings	21.0	6,569,100	7.9%	2.0%	6.8%	1.9%
Haifa Holding	19.5	6,099,900	7.3%	1.8%	6.3%	1.8%
Total	129.5	40,509,500	48.5%	12.1%	42.1%	11.7%

CORNERSTONE INVESTORS

Based on an Offer Price of HK\$28.24
(being the high-end of the Offer Price range)

Cornerstone Investor (each as defined below)	Subscription amount (U.S. dollar million) ⁽¹⁾	Number of Offer Shares	Assuming the Over-Allotment Option is not exercised		Assuming the Over-Allotment Option is fully exercised	
			Approximate % of Offer Shares	Approximate completion of the Global Offering	Approximate % of Offer Shares	Approximate completion of the Global Offering
Sunshine Insurance	40.0	11,090,300	13.3%	3.3%	11.5%	3.2%
Sanya Development Holdings	28.0	7,763,200	9.3%	2.3%	8.1%	2.2%
Hainan Free Trade Port Fund	21.0	5,822,400	7.0%	1.7%	6.1%	1.7%
Hainan Financial Holdings	21.0	5,822,400	7.0%	1.7%	6.1%	1.7%
Haifa Holding	19.5	5,406,500	6.5%	1.6%	5.6%	1.6%
Total	129.5	35,904,800	43.0%	10.7%	37.4%	10.4%

Note:

- (1) Excluding brokerage, SFC transaction levy, Hong Kong Stock Exchange trading fee and Financial Reporting Council transaction levy.

THE CORNERSTONE INVESTORS

The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing.

Hainan Free Trade Port Construction Investment Fund Co., Ltd. (“Hainan Free Trade Port Fund”)

Hainan Free Trade Port Fund was established on 13 January 2022 and completed the filing with the China’s Fund Industry Association on 14 February 2022. Hainan Free Trade Port Fund is principally engaged in equity investment, investment management, asset management and other activities with private funds. Hainan Free Trade Port Fund is wholly and directly owned by Hainan Caijin Group Co., Ltd., which is ultimately controlled by the People’s Government of Hainan Province. The fund manager of Hainan Free Trade Port Fund is Galaxy Capital, which is wholly owned by China Galaxy Securities Co., Ltd. and is ultimately controlled by China Investment Co., Ltd.

CORNERSTONE INVESTORS

For the purpose of this cornerstone investment, Hainan Free Trade Port Fund has engaged Galaxy Jinhui, an asset manager which is a QDII, to subscribe for and hold such Offer Shares on its behalf on a discretionary basis.

Sanya Development Holdings Co., Ltd. (“Sanya Development Holdings”)

Sanya Development Holdings was established on 19 February 2019 and is mainly engaged in the equity operation of various special financial funds and state-owned natural resources, the establishment and management of investment funds, capital operation, industrial investment, equity investment, asset management, and investment to various financial institutions, investment management and consulting, financing services and consulting, financial consulting, investment and establishment of equity, commodity, transaction service and other property rights transaction institutions and transaction service institutions, land consolidation and development, industrial investment and operation, and other business allowed by laws, regulations or municipal government. Sanya Development Holdings is wholly and directly owned by Sanya State-owned Assets Supervision and Administration Commission.

For the purpose of this cornerstone investment, Sanya Development Holdings has engaged Galaxy Jinhui, an asset manager which is a QDII, to subscribe for and hold such Offer Shares on its behalf on a discretionary basis.

Hainan Financial Holdings Co., Ltd. (“Hainan Financial Holdings”)

Hainan Financial Holdings was established on 12 May 2016. It is principally engaged in investments in banking, securities, insurance, trust, funds, asset management, financial leasing, corporate information services, guarantee and re-guarantee industries, capital operation, investment and financing, financial research and consultation service on corporate restructuring, mergers and acquisitions. Hainan Financial Holdings is a subsidiary of Hainan Development Holding Co., Ltd. Hainan Development Holding Co., Ltd. is owned as to 90% by Hainan Provincial State-owned Assets Supervision and Administration Commission and as to 10% by Hainan Provincial Department of Finance.

For the purpose of this cornerstone investment, Hainan Financial Holdings has engaged Galaxy Jinhui, an asset manager which is a QDII, to subscribe for and hold such Offer Shares on its behalf on a discretionary basis.

CORNERSTONE INVESTORS

Sunshine Life Insurance Corporation Limited (“Sunshine Insurance”)

Sunshine Insurance is principally engaged in various insurance business and securities investment funds trading business and is a company limited by shares incorporated under the laws of PRC. Sunshine Insurance is owned as to 99.9999% and 0.0001% by Sunshine Insurance Group Co., Ltd., of which none of its shareholders holds more than one-third of its equity interest, and Lahsa Huiju Enterprise Consultation Co., Ltd., a company ultimately controlled by an Independent Third Party, Mr. Song Ning, respectively.

For the purpose of this cornerstone investment, Sunshine Insurance has engaged Sunshine Asset Management Corporation Limited, an asset manager which is a QDII, to subscribe for and hold such Offer Shares on its behalf on a discretionary basis.

Qingdao Haifa Holding Development Co., Ltd. (“Haifa Holding”)

Haifa Holding was established on 26 October 2012 with a registered capital of RMB100 million. Haifa Holding controls Prosper Construction Holdings Limited, a company listed on the Stock Exchange (stock code: 06816), a housing construction company, a curtain wall construction company (indirect control) and holds equity interest in one domestic main board listed company and three industrial funds. It is mainly engaged in investment and operation activities such as modern industry investment and operation, improvement, development and investment of state-owned resources, and industrial investment consulting. Haifa Holding is a wholly-owned subsidiary of Qingdao Haifa State-owned Capital Investment and Operation Group Co., Ltd. which is ultimately owned by Qingdao State-owned Assets Supervision and Administration Commission.

For the purpose of this cornerstone investment, Haifa Holding has engaged China Merchants Securities Asset Management Co., Ltd., an asset manager which is a QDII, to subscribe for and hold such Offer Shares on its behalf on a discretionary basis.

CORNERSTONE INVESTORS

CLOSING CONDITIONS

The subscription obligation of each Cornerstone Investor under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

- (a) the underwriting agreements for the Hong Kong Public Offering and the International Offering being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in these underwriting agreements, and neither of the aforesaid underwriting agreements having been terminated;
- (b) the Offer Price having been agreed according to the underwriting agreements and the price determination agreement to be signed among the parties thereto in connection with the Global Offering;
- (c) the Listing Committee of the Hong Kong Stock Exchange having granted the listing of, and permission to deal in, the Shares (including the number of Shares to be subscribed for by the Cornerstone Investors in the International Offering in accordance with the terms and conditions in the Cornerstone Investment Agreements) as well as other applicable waivers and approvals and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Hong Kong Stock Exchange;
- (d) no laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or herein and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions;
- (e) the respective representations, warranties, acknowledgements, undertakings and confirmations of the Cornerstone Investor under the Cornerstone Investment Agreement are (as of the date of the Cornerstone Investment Agreement) and will be (as of the Listing Date or the delayed delivery date, as applicable) accurate and true in all material respects and not misleading in any material respect and that there is no material breach of the Cornerstone Investment Agreement on the part of the Cornerstone Investor; and

CORNERSTONE INVESTORS

- (f) the representations, warranties, acknowledgements, undertakings and confirmations of our Company under the Cornerstone Investment Agreement are (as of the date of the Cornerstone Investment Agreement) and will be (as of the Listing Date or the delayed delivery date, as applicable) accurate and true in all material respects and not misleading in any material respect and that there is no material breach of the Cornerstone Investment Agreement on the part of our Company.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six (6) months starting from and inclusive of the Listing Date (the “**Lock-up Period**”), directly or indirectly, (i) dispose of, in any way, any of the Shares subscribed for by it under the relevant Cornerstone Investment Agreement (the “**Relevant Shares**”) or any interest in any company or entity holding any Relevant Shares; (ii) allow itself to undergo a change of control (as defined in The Codes on Takeovers and Mergers and Share Buy-backs promulgated by the SFC) at the level of its ultimate beneficial owner; or (iii) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transaction; and (b) in the event of a disposal of any Relevant Shares at any time after the Lock-up Period, the Cornerstone Investor will ensure that such disposal will comply with all applicable laws, and will use its best endeavours to ensure that any such disposal does not create a disorderly or false market in the Shares.

UNDERWRITING

HONG KONG UNDERWRITERS

China International Capital Corporation Hong Kong Securities Limited

BNP Paribas Securities (Asia) Limited

Zhongtai International Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering 8,358,000 Hong Kong Offer Shares (subject to reallocation) for subscription by the public in Hong Kong on the terms and subject to the conditions in this prospectus and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (a) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering as mentioned in this prospectus (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and such approval not having been withdrawn, and (b) certain other conditions set out in the Hong Kong Underwriting Agreement (including, amongst other things, Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and our Company, agreeing upon the Offer Price), the Hong Kong Underwriters have agreed, severally (and not jointly or jointly and severally) to subscribe, or procure subscribers to subscribe for their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions as set out in this prospectus and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, amongst other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

UNDERWRITING

Grounds for Termination

The Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) shall be entitled by a notice in writing to the Company to terminate the Hong Kong Underwriting Agreement with immediate effect if, at any time at or prior to 8:00 a.m. on the Listing Date:

- (a) there shall have developed, occurred, existed or come into effect:
 - (i) any new Law or any change or any development involving a prospective change in existing Law, or change or development involving a prospective change in the interpretation or application thereof by any court or other competent Authority in or affecting Italy, Hong Kong, the PRC, the United States, the United Kingdom the European Union (or any member thereof), Japan, Singapore or any other jurisdiction relevant to the Group or the Global Offering (each a “**Relevant Jurisdiction**”);
 - (ii) any change or development involving a prospective change or development, or any event or series of events likely to result in or representing a change or development involving a prospective change, in local, national, regional or international financial, political, military, industrial, economic, trading, currency market, fiscal or regulatory currency, or market conditions, securities or exchange control or any monetary or trading settlement system or financial markets (including conditions in stock and bond markets, money and foreign exchange markets, inter-bank markets and credit markets) in or affecting any Relevant Jurisdiction;
 - (iii) any event or a series of events, in the nature of force majeure (including any act of government or order of any court, strike, calamity, crisis, lock-out, other industrial actions, fire, explosion, flooding, earthquake, tsunami, volcanic eruption, civil commotion, act of war, outbreak or escalation of hostilities (whether or not war is declared), paralysis in government operations, interruptions or delay in transportation, act of God, act of terrorism (whether or not responsibility has been claimed), declaration of a regional, national or international emergency, riot, public disorder, outbreak of diseases, adverse mutation of diseases, economic sanctions, pandemics (including SARS, swine or avian flu, H5N1, H1N1, H7N9, COVID-19 or such related/mutated forms) or epidemics, in each case in any Relevant Jurisdiction;

UNDERWRITING

- (iv) any moratorium, suspension or limitation (including any imposition of or requirement for any minimum or maximum price limit or price range) on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Singapore Stock Exchange or the Tokyo Stock Exchange;
- (v) (a) any change or prospective change in taxation, foreign exchange controls, currency exchange rates or foreign investment regulations (including a devaluation of the Euro or the Hong Kong dollar against any foreign currencies, a change in the system under which the value of the Euro is linked to any foreign currency or currencies) in any Relevant Jurisdiction or the implementation of any exchange control in any Relevant Jurisdiction, (b) any change or prospective change in taxation in any Relevant Jurisdiction adversely affecting an investment in the Offer Shares;
- (vi) any general moratorium on commercial banking activities in any Relevant Jurisdiction or any disruption in commercial banking or foreign exchange trading or securities trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdictions;
- (vii) the imposition of economic sanctions, in whatever form, or the withdrawal of the trading privileges in whatever form, directly or indirectly, by, or for, any Relevant Jurisdictions;
- (viii) the issue or requirement to issue by the Company of a supplemental or amendment to this prospectus, **GREEN** Application Form, the preliminary offering circular issued by the Company in connection with the International Offering and circulated to the International Underwriters, and stated therein to be subject to amendment and completion, as amended or supplemented by any including all amendments and supplements thereto (the “**Preliminary Offering Circular**”) or offering circular or other documents in connection with the offer and sale of the Shares pursuant to the Companies (WUMP) Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange or the SFC without the prior written consent of the Sole Sponsor, Sole Global Coordinator, in circumstances where the matter to be disclosed could adversely affect the marketing for or implementation of the Global Offering;
- (ix) any Director being charged with an indictable offence or prohibited by operation of Laws or otherwise disqualified from taking part in the management of a company;

UNDERWRITING

- (x) the chairman or chief executive officer or any of the Directors vacating his or her office;
- (xi) any litigation, dispute, legal action or claim or regulatory or administrative investigation or action of any third party being threatened or instigated or announced against any member of the Group;
- (xii) an Authority or a political body or organisation in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or
- (xiii) a contravention by any member of the Group or any Director of the Listing Rules or applicable Laws; or
- (xiv) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable Laws; or
- (xv) a valid demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity;
- (xvi) any adverse change or any development involving a prospective adverse change in or prejudicially affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profitability, results of operations, financial position or condition or performance of any member of the Group or the Group as a whole (including any litigation or claim of any third party being threatened or instigated against any member of the Group);
- (xvii) any petition being presented for the winding-up or liquidation of the Company or the Company making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of the Company or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of the Company or anything analogous thereto occurs in respect of the Company,

which, in any such case individually or in the aggregate, in the sole opinion of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters): (a) is, will be or may result in material adverse change in or materially and prejudicially affects, the assets, liabilities, business, management, prospects,

UNDERWRITING

shareholder's equity, profitability, results of operations, position or condition (financial or otherwise), or performance of any member of the Group or the Group as a whole; or (b) has, will have or may have a material adverse effect on the success or marketability of the Global Offering or the level of Offer Shares being applied for, under the Hong Kong Public Offering or the level of interest under the International Offering; or (c) makes, will make it or is likely to make it impracticable or inadvisable or incapable to proceed with the Hong Kong Public Offering and/or the International Offering or market the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus, the **GREEN** Application Form, or the final offering circular expected to be issued by the Company in connection with the International Offering, including all amendments and supplements to it (the "**Final Offering Circular**"); or (d) has or will or may have the effect of making any material part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof, and provided that in respect of any epidemic, pandemic, large scale outbreaks of diseases, hostilities or emergency (regional, national or international) existing at the date of the Hong Kong Underwriting Agreement referred to in sub-paragraph (iii) above, the Sole Global Coordinator shall only be entitled to terminate the Hong Kong Underwriting Agreement in accordance with such clause if, in its sole opinion (acting reasonably), there has been a material escalation in any such epidemic, pandemic, large scale outbreaks of diseases, hostilities or emergency (regional, national or international) after the date of the Hong Kong Underwriting Agreement; or

- (b) there comes to the notice of any of the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters (each an "**Appointee**" and collectively the "**Appointees**"):
 - (i) a prohibition by a competent Authority on the Company for whatever reason from issuing or selling the Offer Shares (as the case may be) pursuant to the terms of the Global Offering;
 - (ii) that any statement contained in this prospectus, the **GREEN** Application Form, the formal notice and any announcement issued (by or on behalf of the Company) in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) (collectively the "**Offering Related Documents**") was or has become untrue, inaccurate, incorrect or misleading in any material respect, or any

UNDERWRITING

forecast, estimate, expression of opinion, intention or expectation expressed in any of such Offering Related Documents is not fair and honest and made on reasonable grounds or, where appropriate, based on reasonable assumptions, when taken as a whole;

- (iii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of issue of this prospectus, constitute a material omission or misstatement in any of the following documents including this prospectus, the **GREEN** Application Form, the Preliminary Offering Circular, the pricing information set out in Schedule IV to the International Underwriting Agreement, the Final Offering Circular and any other announcement, document, document materials, communications or information made, issued, given or used in connection with the Global Offering, including any materials and documents issued, given or presented in any of the investor presentations and/or roadshow presentations conducted by or on behalf of the Company in connection with the Global Offering and, in each case, all amendments or supplements thereto, whether or not approved by the Sole Sponsor, the Sole Global Coordinator or any of the Underwriters;
- (iv) either (a) there has been a breach of any of the representations, warranties, undertakings or provisions of either the Hong Kong Underwriting Agreement or the International Underwriting Agreement by the Company or FIH or (b) any of the representations, warranties and undertakings given by the Company or FIH in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, is or become (or would when repeated be) untrue, inaccurate or misleading;
- (v) any of the (a) the Reporting Accountants; (b) Pedersoli Studio Legale, legal advisers to the Company as to Italian laws, of via Monte di Pieta, 15, 20121, Milan, Italy; and (c) China Insights Industry Consultancy Limited, the industry consultant appointed by the Company in anticipation of the Global Offering has withdrawn its consent to the issue of this prospectus with the inclusion of its reports, letters, summaries or legal opinions (as the case may be) and references to its name included in the form and context in which they respectively appear;
- (vi) any event, act or omission which gives or is likely to give rise to any material liability of (a) the Appointees; (b) the respective delegates (as referred to in Clause 4.4 in the Hong Kong Underwriting Agreement), branches, subsidiaries, associates and affiliates (which means, in relation to a particular company, any company or entity which is its holding company or subsidiary, or any subsidiary of its holding

UNDERWRITING

company or which, directly or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the company specified) of the persons referred to in (a); and (c) the respective shareholders, representatives, partners, directors, officers, employees and assignees of the persons referred to in (a) and (b) (as the case may be) pursuant to Clause 13 of the Hong Kong Underwriting Agreement;

- (vii) any material adverse change affecting the assets, liabilities, business, prospects, shareholders' equity, profitability, results of operations, condition (financial or otherwise) or performance of the Group;
- (viii) the materialisation of any of the risks set out in the section of each of this prospectus, the Preliminary Offering Circular and the post hearing information pack captioned "Risk Factors";
- (ix) a significant portion of the orders placed or confirmed in the book-building process or the investment commitments by any cornerstone investors after signing of the cornerstone investor agreements (if any), has been withdrawn, terminated or cancelled;
- (x) the Company has withdrawn this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or
- (xi) the approval of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering on the Main Board of the Stock Exchange of Hong Kong Limited by the Listing Committee is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld.

UNDERWRITING

Undertakings by Our Company

Undertakings Pursuant to the Listing Rules

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that we will not issue any further Shares or securities convertible into equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except:

- (a) in certain circumstances prescribed by Rule 10.08 of the Listing Rules; or
- (b) pursuant to the Global Offering (including the Over-allotment Option).

Undertakings Pursuant to the Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we have undertaken to each Appointee not to (except for the offer, allotment and issue of the Offer Shares pursuant to the Global Offering, including pursuant to any exercise of the Over-allotment Option), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Six-Month Period**”), without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, hedge, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create any claim, charge, mortgage, lien, option, equitable right, power of sale, pledge, hypothecation, retention of title, right of pre-emption, right of first refusal, third party right, security interest, preference or any other encumbrance of any kind, or an agreement, arrangement or obligation to create any of the foregoing (the “**Encumbrance**”) over, or contract or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in any Shares or any other securities of the Company, as applicable, or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to subscribe for or purchase, any Shares or any other securities of the Company, as applicable) or deposit any of the foregoing with a depository in connection with the issue of depository receipts;

UNDERWRITING

- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of any legal or beneficial interest in any Shares or any other securities of the Company, as applicable, or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to subscribe for or purchase, any Shares or any other securities of the Company, as applicable);
- (iii) enter into any transaction with the same economic effect as any transaction specified in sub-paragraphs (i) or (ii) above; or
- (iv) offer to or agree to or announce any intention to effect any transaction specified in sub-paragraphs (i), (ii) or (iii) above,

in each case, whether the transaction is to be settled by delivery of the Shares or such other securities of the Company or in cash or otherwise (whether or not the allotment or issue of Shares or such other securities of the Company will be completed within the First Six-Month Period).

In the event that, during the period of six months immediately following the expiry of the First Six-Month Period (the “**Second Six-Month Period**”), the Company enters into any of the transactions specified in sub-paragraphs (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, the Company undertakes to take all reasonable steps to ensure that any such transaction, offer, agreement or announcement will not create a disorderly or false market in the Shares or any other securities of the Company.

Undertaking by the Controlling Shareholders

Undertakings Pursuant to the Listing Rules

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to our Company and to the Stock Exchange that, save as disclosed in this prospectus and except pursuant to the Global Offering, it will not, and shall procure that any other registered holder(s) (if any) will not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with applicable requirements of the Listing Rules:

- (a) in the period commencing on the date by reference to which disclosure of its shareholding in our company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, or enter into any agreement to dispose of

UNDERWRITING

or otherwise create any options, rights, interests or encumbrances in respect of, any Shares in respect of which it is shown in this prospectus to be the beneficial owner(s) (as defined in Rule 10.07(2) of the Listing Rules); and

- (b) in the period of six months commencing from the expiry of the period referred to in paragraph (i) above, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in the preceding paragraph to that extent, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or Encumbrances, it would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company,

provided that the above shall not prevent the Controlling Shareholders from using securities of the Company beneficially owned by them as security (including a charge or a pledge) in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the laws of Hong Kong)) for a bona fide commercial loan.

The Controlling Shareholders further undertake to the Company and the Stock Exchange that they will, within the period commencing from the date by reference to which disclosure for their shareholding in the Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, immediately inform the Company and the Stock Exchange in writing of:

- (a) any pledge(s) or charge(s) of any Shares or securities of the Company beneficially owned by any of the Controlling Shareholders in favor of any authorized institution as permitted under the Listing Rules, and the number of such Shares or securities of the Company so pledged or charged; and
- (b) any indication(s) received by any of the Controlling Shareholders, either verbal or written, from any pledgee or chargee of any Shares or other securities of the Company pledged or charged that any of such Shares or other share capital will be sold, transferred or disposed of.

Our Company will also inform the Stock Exchange as soon as it has been informed of the above matters, if any, by the Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed.

UNDERWRITING

Undertakings by FIH

Undertakings Pursuant to the Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, FIH, one of our Controlling Shareholders has made the undertaking to the Company and each Appointee that, without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules (including pursuant to Note (2) to Rule 10.07 of the Listing Rules):

- (a) it will not and will procure that the relevant registered holder(s) will not during the First Six-Month Period,
 - (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, hedge, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in any Shares or any other securities of the Company or such member of the Group, as applicable, or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any other securities of the Company or such member of the Group, as applicable) beneficially owned by it as at the Listing Date (the “**Locked-up Securities**”) or deposit any of the foregoing with a depository in connection with the issue of depository receipts;
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Locked-up Securities;
 - (iii) enter into any transaction with the same economic effect as any transaction specified in sub-paragraphs (i) or (ii) above; or
 - (iv) offer to or agree to or announce any intention to effect any transaction specified in sub-paragraphs (i), (ii) or (iii) above,

in each case, whether the transaction is to be settled by delivery of Shares or such other securities of the Company or in cash or otherwise;

UNDERWRITING

- (b) it will not, at any time during the Second Six-Month Period, enter into any of the transactions specified in sub-paragraphs (a)(i), (a)(ii) or (a)(iii) above in respect of the Locked-up Securities or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, it will cease to be a “controlling shareholder” (as the term is defined under the Listing Rules) of the Company;
- (c) until the expiry of the Second Six-Month Period, in the event that it enters into any of the transactions specified in (a)(i), (a)(ii) or (a)(iii) in respect of the Locked-up Securities or offers to or agrees to or announces any intention to effect any such transaction, it will take all reasonable steps to ensure that any such transaction, offer, agreement or announcement will not create a disorderly or false market in the Shares or any other securities of the Company; and
- (d) at any time from the date of the Hong Kong Underwriting Agreement up to and including the date falling 12 months after the Listing Date, it will (a) if and when it pledges or charges any Shares or other securities of the Company beneficially owned by it, immediately inform the Company in writing of such pledge or charge together with the number of Shares or other securities of the Company so pledged or charged; and (b) if and when it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or other securities of the Company will be disposed of, immediately inform the Company in writing of such indications.
- (e) The Company agrees and undertakes to the Appointees that, in accordance with Note (3) to Rule 10.07(2) of the Listing Rules, upon receiving the relevant information in writing from FIH, it will, as soon as practicable, notify the Stock Exchange and make public disclosure in relation to such information by way of an announcement.
- (f) For the avoidance of doubt, the foregoing restrictions shall not prevent FIH from purchasing additional Shares and selling any such additional Shares so purchased, subject to compliance with the requirement of Rule 8.08 of the Listing Rules to maintain an open market in the securities and a sufficient public float.

UNDERWRITING

Indemnity

We have agreed to indemnify the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer, including, among other matters, losses incurred arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Commission and Expenses and Sole Sponsor's Fee

The Sole Global Coordinator (for itself and on behalf of the Underwriters) will receive an underwriting commission equal to 3% of the aggregate Offer Price in respect of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option). In addition, at the sole discretion of our Company, the Sole Global Coordinator may also receive an incentive fee of up to 1% of the aggregate Offer Price in respect of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option).

Assuming the Over-allotment Option is not exercised and based on an Offer Price of HK\$25.03 (being the mid-point of our Offer Price range stated in this prospectus), the aggregate commissions and fees, together with the Stock Exchange listing fees, the Stock Exchange trading fee of 0.005% per Share, SFC transaction levy of 0.0027% per Share, Financial Reporting Council transaction levy of 0.00015% per Share, brokerage fee, legal and other professional fees and printing and other expenses relating to the Global Offering, are estimated to be approximately HK\$148.2 million, which is subject to adjustment to be agreed by the Company, the Sole Global Coordinator and other parties.

An aggregate amount of US\$800,000 (excluding expenses) is payable by the Company as sponsor fees to the Sole Sponsor.

Hong Kong Underwriters' Interests in Our Company

Save for the obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding or beneficial interests in any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

UNDERWRITING

The International Offering

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with, among others, the International Underwriters. Under the International Underwriting Agreement and subject to the Over-allotment Option, it is expected that the International Underwriters would, subject to certain conditions set out therein, severally (and not jointly or jointly and severally), agree to procure purchasers for, or to purchase, the International Offering Shares being offered pursuant to the International Offering or procure purchasers for their respective applicable proportions of International Offering Shares. See “Structure of the Global Offering — The International Offering”.

Over-allotment Option and Stabilization

For more details of the arrangements relating to the Over-allotment Option and stabilization, see “Structure of the Global Offering.”

Restrictions on the Offer Shares

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Hong Kong Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

ACTIVITIES BY SYNDICATE MEMBERS

We describe below a variety of activities that underwriters of the Hong Kong Public Offering and the International Offering, together referred to as “Syndicate Members,” may each individually undertake, and which do not form part of the underwriting or the stabilizing process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

- (a) under the agreement among the Syndicate Members, all of them (except for the Stabilization Manager or its designated affiliate as the Stabilization Manager) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to

UNDERWRITING

the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

- (b) all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the accounts of others. In relation to our Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period, see “Structure of the Global Offering.” Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- (a) the Hong Kong Public Offering of initially 8,358,000 Offer Shares (subject to reallocation) in Hong Kong as described below. See “— The Hong Kong Public Offering”; and
- (b) the International Offering of initially 75,222,000 Offer Shares (subject to reallocation and the Over-allotment Option) outside the United States in reliance on Regulation S and in the United States to QIBs in reliance on Rule 144A or other available exemption from the registration requirements of the U.S. Securities Act.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest in International Offer Shares under the International Offering, but may not do both.

References in this prospectus to applications, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares Initially Offered

We are initially offering 8,358,000 Hong Kong Offer Shares, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price for subscription by the public in Hong Kong. Subject to the reallocation of Offer Shares between (i) the International Offering, and (ii) the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 2.5% of our Company’s enlarged issued share capital immediately after completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

The Hong Kong Public Offering open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers and companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in “— Conditions of the Global Offering.”

STRUCTURE OF THE GLOBAL OFFERING

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of the Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of the Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of the Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) will be divided into two pools for allocation purposes, Pool A and Pool B with any odd board lots being allocated to Pool A:

Pool A: The Hong Kong Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with a total subscription price of HK\$5 million (excluding the brokerage, SFC transaction levy, the Stock Exchange trading fee and Financial Reporting Council transaction levy payable) or less.

Pool B: The Hong Kong Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with a total subscription price of more than HK\$5 million (excluding the brokerage, SFC transaction levy, the Stock Exchange trading fee and Financial Reporting Council transaction levy payable) and up to the total value of pool B.

For the purpose of this sub-section only, the “subscription price” for the Hong Kong Offer Shares means the price payable on application (without regard to the Offer Price as finally determined).

Applicants should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the two pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Applicants can only receive an allocation of the Hong Kong Offer Shares from either Pool A or Pool B, but not from both pools. Multiple or suspected multiple applications and any application for more than 4,179,000 Hong Kong Offer Shares (being 50% of the 8,358,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offering) will be rejected.

STRUCTURE OF THE GLOBAL OFFERING

Reallocation

Paragraph 4.2 of Practice Note 18 of the Listing Rules and the Guidance Letter HKEX-GL91-18 issued by the Stock Exchange require a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if the Offer Shares under the International Offering are fully subscribed or oversubscribed and certain prescribed total demand levels in the Hong Kong Public Offering are reached as further described below:

- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then no Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 8,358,000 Offer Shares, representing 10% of the Offer Shares initially available under the Global Offering;
- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 25,074,000 Offer Shares, representing approximately 30% of the Offer Shares initially available under the Global Offering.
- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 33,432,000 Offer Shares, representing approximately 40% of the Offer Shares initially available under the Global Offering.
- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 41,790,000 Offer Shares, representing approximately 50% of the Offer Shares initially available under the Global Offering.

STRUCTURE OF THE GLOBAL OFFERING

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Sole Global Coordinator deem appropriate.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator. Subject to the foregoing paragraph, the Sole Global Coordinator may in their discretion reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

In addition to any mandatory allocation which may be required, the Sole Global Coordinator may, at their discretion, reallocate Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in pool A and pool B under the Hong Kong Public Offering in accordance with Guidance Letter HKEX-GL-91-18. In the event that (i) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times; or (ii) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed as to less than 15 times of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, then the Sole Global Coordinator may only reallocate Offer Shares from the International Offering to the Hong Kong Public Offering other than pursuant to Practice Note 18 of the Listing Rules on the following conditions in accordance with Guidance Letter HKEX-GL91-18: (i) the total number of Offer Shares available under the Hong Kong Public Offering following such reallocation shall be not more than double the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering (i.e. 8,358,000 Offer Shares); and (ii) the final Offer Price shall be fixed at the bottom of the Offer Price range stated in this prospectus.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest in, and will not apply for or take up, or indicate an interest in, any International Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Offer Shares under the International Offering.

STRUCTURE OF THE GLOBAL OFFERING

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$28.24 per Offer Share in addition to the brokerage, SFC transaction levy, the Stock Exchange trading fee and Financial Reporting Council transaction levy payable on each Offer Share. If the Offer Price, as finally determined in the manner described in “— Pricing and Allocation” below, is less than the maximum price of HK\$28.24 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy, the Stock Exchange trading fee and Financial Reporting Council transaction levy attributable to the surplus application monies) will be made to successful applicants, without interest. For further details, see “How to Apply for the Hong Kong Offer Shares.”

THE INTERNATIONAL OFFERING

Number of Offer Shares Offered

Subject to the reallocation as described above, the number of Offer Shares to be initially offered under the International Offering will be 75,222,000, representing approximately 90% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering, the number of Offer Shares initially offered under the International Offering will represent approximately 22.5% of our Company’s enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Allocation

Pursuant to the International Offering, the International Offer Shares will be conditionally placed on behalf of our Company by the International Underwriters or through selling agents appointed by them. International Offer Shares will be selectively placed with certain professional and institutional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S and in the United States to QIBs as defined in Rule 144A. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in “— Pricing and Allocation” below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to hold

STRUCTURE OF THE GLOBAL OFFERING

or sell the Shares, after the listing of our Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our shareholders as a whole.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in “— The Hong Kong Public Offering — Reallocation” above, the exercise of the Over-allotment Option in whole or in part described in “— Over-allotment Option” below, and any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering and/or any Offer Shares from the International Offering to the Hong Kong Public Offering at the discretion of the Sole Global Coordinator.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that we will grant the Over-allotment Option to the International Underwriters, which will be exercisable by the Sole Global Coordinator on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Sole Global Coordinator on behalf of the International Underwriters at any time from the Listing Date to the 30th day after the last day for lodging applications under the Hong Kong Public Offering, to require us to issue up to 12,537,000 additional Offer Shares, representing approximately 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering, to cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional International Offer Shares to be issued pursuant thereto will represent approximately 3.6% of our Company’s enlarged issued share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a public announcement will be made.

STRUCTURE OF THE GLOBAL OFFERING

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to curb and, if possible, prevent any decline in the market price of the securities below the offer price. It may be effected in jurisdictions where it is permissible to do so and subject to all applicable laws and regulatory requirements. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the Offer Price.

China International Capital Corporation Hong Kong Securities Limited has been appointed by us as the Stabilization Manager for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilizing) Rules made under the SFO. In connection with the Global Offering, the Stabilization Manager or any person acting for it, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the Offer Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilization Manager of a greater number of Shares than the Underwriters are required to purchase in the Global Offering. “Covered” short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilization Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional Offer Shares or purchasing Shares in the open market. In determining the source of the Offer Shares to close out the covered short position, the Stabilization Manager will consider, among other things, the price of Offer Shares in the open market as compared to the price at which they may purchase additional Offer Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or curbing a decline in the market price of the Offer Shares while the Global Offering is in progress. Any market purchases of our Offer Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilization Manager or any person acting for it to conduct any such stabilizing action. Such stabilizing activity, if commenced, will be done at the absolute discretion of the Stabilization Manager and may be discontinued at any time.

Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of the Offer Shares that may be over-allocated will not exceed the number of the Shares that may be sold under the Over-allotment Option, namely, 12,537,000 Offer Shares, which is 15% of the number of Offer Shares initially available under the Global Offering, and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or a combination of these means.

STRUCTURE OF THE GLOBAL OFFERING

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules. Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules include:

- (a) over-allocating for the purpose of preventing or minimizing any reduction in the market price of our Shares;
- (b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares;
- (c) purchasing or subscribing for, or agreeing to purchase or subscribe for, our Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;
- (d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price;
- (e) selling or agreeing to sell any of our Shares in order to liquidate any position established as a result of those purchases; and
- (f) offering or attempting to do anything as described in (b), (c), (d) or (e) above.

Stabilizing actions by the Stabilization Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

As a result of effecting transactions to stabilize or maintain the market price of the Shares, the Stabilization Manager, or any person acting for it, may maintain a long position in the Shares. The size of the long position, and the period for which the Stabilization Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilization Manager and is uncertain. In the event that the Stabilization Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the Shares.

Stabilizing action by the Stabilization Manager, or any person acting for it, is not permitted to support the price of the Shares for longer than the stabilizing period, which begins on the day on which trading of the Shares commences on the Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to end on Sunday, April 24, 2022. As a result, demand for the Shares, and their market price, may fall after the end of the stabilizing period. These activities by the Stabilization Manager may stabilize, maintain or otherwise affect the market price of the Shares. As a result, the price of the Shares may be higher than the price that otherwise may exist in the open market. Any

STRUCTURE OF THE GLOBAL OFFERING

stabilizing action taken by the Stabilization Manager, or any person acting for it, may not necessarily result in the market share of the Shares staying at or above the Offer Price either during or after the stabilizing period. Bids for or market purchases of the Shares by the Stabilization Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for the Shares by purchasers. A public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

PRICING AND ALLOCATION

Determining the Offer Price

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about Friday, March 25, 2022 and in any event on or before Sunday, March 27, 2022, by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

Offer Price Range

The Offer Price per Offer Share under the Hong Kong Public Offering will be identical to the offer price per Offer Share under the International Offering based on the Hong Kong dollar price per Offer Share under the International Offering, as determined by the Sole Global Coordinator (for itself and on behalf of the Underwriters), and our Company.

The Offer Price will not be more than HK\$28.24 per Offer Share and is expected to be not less than HK\$21.82 per Offer Share.

STRUCTURE OF THE GLOBAL OFFERING

Price Payable on Application

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$28.24 per each Hong Kong Offer Share (plus 1% brokerage, 0.0027% SFC transaction levy, 0.005% Stock Exchange trading fee and 0.00015% Financial Reporting Council transaction levy). If the Offer Price is less than HK\$28.24, appropriate refund payments (including the brokerage, SFC transaction levy, the Stock Exchange trading fee and Financial Reporting Council transaction levy attributable to the surplus application monies, without any interest) will be made to successful applications.

If, for any reason, our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price on or before Sunday, March 27, 2022 the Global Offering will not proceed and will lapse.

Reduction in Indicative Offer Price Range and/or Number of Offer Shares

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause to be posted on the website of the Stock Exchange at www.hkexnews.hk and on the website of our Company at www.ferrettigroup.com, notices of the reduction. Upon issue of such a notice, the revised number of Offer Shares and/or the indicative Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Sole Global Coordinator, for itself and on behalf of the Underwriters, and our Company, will be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus and any other financial information which may change materially as a result of such reduction.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Sole Global Coordinator, for itself and on behalf of the Underwriters, and our Company, will under no circumstances be set outside the offer price range as stated in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants under the Hong Kong Public Offering will be entitled to withdraw their applications unless positive confirmations from the applicants to proceed are received, and all unconfirmed applications will not be valid.

In the event of a reduction in the number of Offer Shares, the Sole Global Coordinator (for itself and on behalf of the Underwriters) may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Sole Global Coordinator (for itself and on behalf of the Underwriters).

Announcement of Offer Price and Basis of Allocations

The final Offer Price, the level of indications of interest in the Global Offering, the results of allocations and the basis of allotment of the Hong Kong Offer Shares are expected to be announced on Wednesday, March 30, 2022 on the website of the Stock Exchange at www.hkexnews.hk and on the website of our Company at www.ferrettigroup.com.

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to, among other things, our Company and the Sole Global Coordinator, for itself and on behalf of the Underwriters, agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on or about the Price Determination Date.

For details of these underwriting arrangements, and the Hong Kong Underwriting Agreement and the International Underwriting Agreement, see “Underwriting.”

STRUCTURE OF THE GLOBAL OFFERING

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

- (a) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option), and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (b) the Offer Price having been duly agreed between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters);
- (c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and
- (d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times).

If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before Sunday, March 27, 2022, the Global Offering will not proceed and will lapse immediately.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the websites of Stock Exchange at www.hkexnews.hk and our Company at www.ferrettigroup.com on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in “How to Apply for the Hong Kong Offer Shares.” In the meantime,

STRUCTURE OF THE GLOBAL OFFERING

all application monies will be held in (a) separate bank account(s) with the receiving banks or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares will only become valid evidence of title at 8:00 a.m. on the Listing Date provided that (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination” has not been exercised.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any Shares that may be issued under the Over-allotment Option).

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, our Shares and our Company complies with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, March 31, 2022 it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, March 31, 2022. Our Shares will be traded in board lots of 100 Shares. The stock code of our Shares will be 9638.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

IMPORTANT NOTICE TO INVESTORS:

FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide any printed copies of this prospectus or any printed copies of any application forms for use by the public.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the “*HKEXnews > New Listings > New Listing Information*” section, and our website at www.ferrettigroup.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Hong Kong Offer Shares electronically. We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public.

If you are an **intermediary, broker or agent**, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

If you have any questions about the application for the Hong Kong Offer Shares, you may call the enquiry hotline of our Hong Kong Share Registrar and **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited, at +852 2862 8600 on the following dates:

Tuesday, March 22, 2022 — 9:00 a.m. to 9:00 p.m.
Wednesday, March 23, 2022 — 9:00 a.m. to 9:00 p.m.
Thursday, March 24, 2022 — 9:00 a.m. to 9:00 p.m.
Friday, March 25, 2022 — 9:00 a.m. to 12:00 noon

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

HOW TO APPLY

We will not provide any printed application forms for use by the public.

To apply for the Hong Kong Offer Shares, you may:

- (1) apply online through the **White Form eIPO** service at www.eipo.com.hk; or
- (2) apply through **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
 - (a) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or
 - (b) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Center at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you apply through channel (1) above, the Hong Kong Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (2)(a) or (2)(b) above, the Hong Kong Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

We, the Sole Global Coordinator, the **White Form eIPO** Service Provider and our or their respective agents may reject or accept any application, in full or in part, for any reason at their discretion.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

WHO CAN APPLY

Eligibility for the Application

You can apply for the Hong Kong Offer Shares if you or any person(s) for whose benefit you are applying:

- (a) are 18 years of age or older;
- (b) have a Hong Kong address;
- (c) are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- (d) are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If an application is made by a person under a power of attorney, we and the Sole Global Coordinator may accept it at our or their discretion, and on any conditions we think fit, including requiring evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules or any relevant waivers that have been granted by the Stock Exchange, you cannot apply for any Hong Kong Offer Shares if:

- (a) you are an existing beneficial owner of Shares and/or a substantial shareholder of any of the Company's subsidiaries;
- (b) you are the Company's Director or chief executive and/or a director or chief executive officer of its subsidiaries;
- (c) you are a close associate of any of the above persons; or
- (d) you have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

APPLYING FOR HONG KONG OFFER SHARES

Items Required for the Application

If you apply for the Hong Kong Offer Shares online through the **White Form eIPO** service, you must:

- (a) have a valid Hong Kong identity card number; and
- (b) provide a valid e-mail address and a contact telephone number.

If you are applying for the Hong Kong Offer Shares online by instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals, please contact them for the items required for the application.

TERMS AND CONDITIONS OF AN APPLICATION

By applying through the application channels specified in this prospectus you:

- (a) undertake to execute all relevant documents and instruct and authorize the Company and/or the Sole Global Coordinator (or their agents or nominees), as their agents, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (b) agree to comply with the Company's Memorandum and Articles of Association and the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (c) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- (d) confirm that you have received and read this prospectus and have relied only on the information and representations in this prospectus in making your application and will not rely on any other information or representations, except those in any supplement to this prospectus;
- (e) confirm that you are aware of the restrictions on the Global Offering set out in this prospectus;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (f) agree that none of the Company, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering (the “**Relevant Persons**”) and the **White Form eIPO** Service Provider is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);
- (g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;
- (h) agree to disclose to the Company, the Hong Kong Share Registrar, the receiving banks and the Relevant Persons any personal data that any of them may require about you and the person(s) for whose benefit you have made the application;
- (i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and neither the Company nor the Relevant Persons will breach any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions in this prospectus;
- (j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (k) agree that your application, any acceptance of it and the resulting contract will be governed by, and construed in accordance with the laws of Hong Kong;
- (l) warrant that the information you have provided is true and accurate;
- (m) agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (n) authorize (i) the Company to place your name(s) or the name of HKSCC Nominees on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you and such other registers as required under the Company's Memorandum and Articles of Association and (ii) the Company and/or its agents to send any Share certificate(s) and/or any e-Refund payment instructions and/or any refund check(s) to you or the first-named applicant for joint applications by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in "— Personal Collection" below to collect the Share certificate(s) and/or refund check(s) in person;
- (o) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (p) understand that the Company, its Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Manager and the Hong Kong Underwriters, will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (q) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC directly or indirectly or through the **White Form eIPO** service or by any one as your agent or by any other person; and
- (r) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant and CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

MINIMUM APPLICATION AMOUNT AND PERMITTED NUMBERS

Your application through the **White Form eIPO** service or the **CCASS EIPO** service must be for a minimum of 100 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

Ferretti S.p.A. (HK\$28.24 per Hong Kong Offer Share) NUMBER OF HONG KONG OFFER SHARES THAT MAY BE APPLIED FOR AND PAYMENTS							
No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
	<i>HK\$</i>		<i>HK\$</i>		<i>HK\$</i>		<i>HK\$</i>
100	2,852.46	2,000	57,049.22	10,000	285,246.16	300,000	8,557,385.05
200	5,704.92	2,500	71,311.55	20,000	570,492.34	400,000	11,409,846.73
300	8,557.38	3,000	85,573.86	30,000	855,738.50	500,000	14,262,308.42
400	11,409.84	3,500	99,836.16	40,000	1,140,984.67	600,000	17,114,770.11
500	14,262.31	4,000	114,098.47	50,000	1,426,230.84	700,000	19,967,231.79
600	17,114.78	4,500	128,360.77	60,000	1,711,477.01	800,000	22,819,693.47
700	19,967.23	5,000	142,623.08	70,000	1,996,723.18	900,000	25,672,155.15
800	22,819.69	6,000	171,147.69	80,000	2,281,969.35	1,000,000	28,524,616.84
900	25,672.16	7,000	199,672.32	90,000	2,567,215.51	2,000,000	57,049,233.68
1,000	28,524.61	8,000	228,196.94	100,000	2,852,461.69	3,000,000	85,573,850.52
1,500	42,786.92	9,000	256,721.55	200,000	5,704,923.37	4,179,000 ⁽¹⁾	119,204,373.77
						⁽¹⁾ Maximum number of Hong Kong Offer Shares you may apply for.	

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

APPLYING THROUGH THE WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in “— Who can apply” above may apply through the **White Form eIPO** service for the Offer Shares to be allocated and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through the **White Form eIPO** service are set out on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** Service Provider.

If you have any questions on how to apply through the White Form eIPO service for the Hong Kong Offer Shares, please contact the telephone enquiry line of the White Form eIPO Service Provider at +852 2862 8600 on the following dates:

Tuesday, March 22, 2022 — 9:00 a.m. to 9:00 p.m.
Wednesday, March 23, 2022 — 9:00 a.m. to 9:00 p.m.
Thursday, March 24, 2022 — 9:00 a.m. to 9:00 p.m.
Friday, March 25, 2022 — 9:00 a.m. to 12:00 noon

Time for submitting applications under the White Form eIPO service

You may submit your application through the **White Form eIPO** service through the designated website at www.eipo.com.hk (24 hours daily, except on the last day for applications) from 9:00 a.m. on Tuesday, March 22, 2022 until 11:30 a.m. on Friday, March 25, 2022 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, March 25, 2022, the last day for applications, or such later time as described in “— Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists” below.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application**

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

instruction under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Commitment to sustainability

The obvious advantage of **White Form eIPO** service is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 for each “**Ferretti S.p.A.**” **White Form eIPO** application submitted via www.eipo.com.hk to support sustainability.

APPLYING THROUGH CCASS EIPO SERVICE

General

You may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf. CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC’s Customer Service Center at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Hong Kong Share Registrar.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Applying through CCASS EIPO service

Where you have applied through **CCASS EIPO** service (either indirectly through a **broker** or **custodian** or directly) and an application is made by HKSCC Nominees on your behalf:

- (a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this prospectus; and
- (b) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as its agent;
 - confirm that you understand that the Company, its directors, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
 - authorize the Company to place HKSCC Nominees' name on its register of members as the holder of the Hong Kong Offer Shares allocated to you, and despatch Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between the Company and HKSCC;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and read this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made and will not rely on any other information or representations, except those in any supplement to this prospectus;
- agree that neither the Company nor any of the Relevant Persons is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);
- agree to disclose to the Company, the Hong Kong Share Registrar, the receiving banks and the Relevant Persons any personal data which they may require about you;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable on or before the fifth day after the time of the opening of the application lists (excluding any days which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with the Company, and to become binding when you give the instructions and such collateral contract to be in consideration of the Company's agreement that it will not offer any Hong Kong Offer Shares to any person on or before the fifth day after the time of the opening of the application lists (excluding any days which is a Saturday, Sunday or public holiday in Hong Kong) except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application on or before the fifth day after the time of the opening of the application lists (excluding any days which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this prospectus;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the results of the Hong Kong Public Offering;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for the Hong Kong Offer Shares;
- agree with the Company, for itself and for the benefit of each shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for the Company and on behalf of each shareholder, with each CCASS Participant giving **electronic application instructions**) to observe and comply with its Memorandum and Articles of Association and the Companies (Winding Up and Miscellaneous Provisions) Ordinance; and
- agree that your application, any acceptance of it and the resulting contract will be governed by, and construed in accordance with the laws of Hong Kong.

Effect of Applying through CCASS EIPO Service

By applying through **CCASS EIPO** service, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will be liable to the Company or any other person in respect of the things mentioned below:

- (a) instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- (b) instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy, Stock Exchange trading fee and Financial Reporting Council transaction levy by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price initially paid on application, refund of the application monies (including brokerage, SFC transaction levy, Stock Exchange trading fee and Financial Reporting Council transaction levy) by crediting your designated bank account; and

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (c) instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this prospectus.

Time for Inputting Electronic Application Instruction⁽¹⁾

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Tuesday, March 22, 2022 — 9:00 a.m. to 8:30 p.m.
Wednesday, March 23, 2022 — 8:00 a.m. to 8:30 p.m.
Thursday, March 24, 2022 — 8:00 a.m. to 8:30 p.m.
Friday, March 25, 2022 — 8:00 a.m. to 12:00 noon

Note:

- (1) The times in this subsection are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing Participants, CCASS Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, March 22, 2022 until 12:00 noon on Friday, March 25, 2022 (24 hours daily, except on Friday, March 25, 2022, the last day for applications).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, March 25, 2022, the last day for applications, or such later time as described in “— Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists” below.

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Personal data

The following Personal Information Collection Statement applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving banks and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By applying through **CCASS EIPO** service, you agree to all of the terms of the “— Personal Information Collection Statement” below.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Personal Information Collection Statement

This Personal Information Collection Statement informs applicant for, and holder of, the Hong Kong Offer Shares, of the policies and practices of the Company and its Hong Kong Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Reasons for the Collection of Your Personal Data

It is necessary for applicants and registered holders of the Hong Kong Offer Shares to supply correct personal data to the Company or its agents and the Hong Kong Share Registrar when applying for the Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of the Hong Kong Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Offer Shares being rejected, or in delay or the inability of the Company or its Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform the Company and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- (a) processing your application and refund check, where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of the Hong Kong Offer Shares;
- (b) compliance with applicable laws and regulations in Hong Kong and elsewhere;
- (c) registering new issues or transfers into or out of the names of the holders of the Company's Shares including, where applicable, HKSCC Nominees;
- (d) maintaining or updating the Company's Register of Members;
- (e) verifying identities of the holders of the Company's Shares;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (f) establishing benefit entitlements of holders of the Company's Shares, such as dividends, rights issues, bonus issues, etc.;
- (g) distributing communications from the Company and its subsidiaries;
- (h) compiling statistical information and profiles of the holder of the Company's Shares;
- (i) disclosing relevant information to facilitate claims on entitlements; and
- (j) any other incidental or associated purposes relating to the above and/or to enable the Company and the Hong Kong Share Registrar to discharge their obligations to holders of the Company's Shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

Transfer of Personal Data

Personal data held by the Company and its Hong Kong Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential but the Company and its Hong Kong Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- (a) the Company's appointed agents such as financial advisers, receiving banks and overseas principal share registrar;
- (b) where applicants for the Hong Kong Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;
- (c) any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the Hong Kong Share Registrar in connection with their respective business operation;
- (d) the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and
- (e) any persons or institutions with which the holders of the Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers etc.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Retention of Personal Data

The Company and its Hong Kong Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Offer Shares for as long as necessary to fulfill the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the *Personal Data (Privacy) Ordinance*.

Access to and Correction of Personal Data

Holders of the Hong Kong Offer Shares have the right to ascertain whether the Company or the Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company, at the Company's registered address disclosed in "Corporate Information" or as notified from time to time, for the attention of the secretary, or the Company's Hong Kong Share Registrar for the attention of the privacy compliance officer.

WARNING FOR ELECTRONIC APPLICATIONS

The application for the Hong Kong Offer Shares by **CCASS eIPO** service (directly or indirectly through your **broker** or **custodian**) is only a facility provided to CCASS Participants. Similarly, the application for the Hong Kong Offer Shares through the **White Form eIPO** service is only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day for applications to make your electronic application. The Company, the Relevant Persons, the **White Form eIPO** Service Provider take no responsibility for such applications and provide no assurance that any CCASS Participant applying through **CCASS eIPO** service or person applying through the **White Form eIPO** service will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS internet System for submission of **electronic application instructions**, they should go to HKSCC's Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, March 25, 2022.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees.

All of your applications will be rejected if more than one application through the **CCASS eIPO** service (directly or indirectly through your **broker** or **custodian**) or through the **White Form eIPO** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**), and the number of Hong Kong Offer Shares applied by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your behalf.

For the avoidance of doubt, giving an **electronic application instruction** under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. However, any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your behalf to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

If an unlisted company makes an application and:

- (a) the principal business of that company is dealing in securities; and
- (b) you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

“**Unlisted company**” means a company with no equity securities listed on the Stock Exchange.

“**Statutory control**” means you:

- (a) control the composition of the board of directors of the company;
- (b) control more than half of the voting power of the company; or
- (c) hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK\$28.24 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005% and Financial Reporting Council transaction levy of 0.00015%. This means that for one board lot of 100 Hong Kong Offer Shares, you will pay HK\$2,852.46.

You must pay the maximum Offer Price, together with brokerage, SFC transaction levy, Stock Exchange trading fee and Financial Reporting Council transaction levy, in full upon application for the Hong Kong Offer Shares.

You may submit an application through the **White Form eIPO** service or the **CCASS EIPO** service in respect of a minimum of 100 Hong Kong Offer Shares. If you make an **electronic application instruction** for more than 100 Hong Kong Offer Shares, the number of Hong Kong Offer Shares you apply for must be in one of the specified numbers set out in “— Minimum application amount and permitted numbers.”

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy, the Stock Exchange trading fee and Financial Reporting Council transaction levy will be paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see “Structure of the Global Offering — Pricing and allocation.”

EFFECT OF BAD WEATHER AND EXTREME CONDITIONS ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open or close if there is/are:

- a tropical cyclone warning signal number 8 or above;
- a “black” rainstorm warning; and/or
- Extreme Conditions

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, March 25, 2022. Instead, they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have any of those warnings or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

If the application lists do not open and close on Friday, March 25, 2022 or if there is/are a tropical cyclone warning signal number 8 or above, a “black” rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in “Expected Timetable,” the Company will make an announcement on its website at www.ferrettigroup.com and the website of the Stock Exchange at www.hkexnews.hk.

PUBLICATION OF RESULTS

The Company expects to announce the pricing of the Offer Shares on Wednesday, March 30, 2022 on its website at www.ferrettigroup.com and on the website of the Stock Exchange at www.hkexnews.hk.

The Company expects to announce the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares on Wednesday, March 30, 2022 on its website at www.ferrettigroup.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and dates and in the manner set out below:

- (a) in the announcement to be posted on the Company’s website and the website of the Stock Exchange at www.ferrettigroup.com and www.hkexnews.hk, respectively, by no later than 9:00 a.m. on Wednesday, March 30, 2022;
- (b) from the designated results of allocations website at www.iporesults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a “search by ID function” on a 24 hour basis from 8:00 a.m. from Wednesday, March 30, 2022 to 12:00 midnight on Tuesday, April 5, 2022; and
- (c) from the allocation results telephone enquiry line by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. from Wednesday, March 30, 2022 to Monday, April 4, 2022 (except Saturday, Sunday and Hong Kong Public Holiday).

If the Company accepts your offer to purchase (in whole or in part), which the Company may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. See “Structure of the Global Offering.”

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED THE HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allocated to you:

If your application is revoked:

By applying through the **CCASS EIPO** service or through the **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding any days which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the time of the opening of the application lists (excluding any days which is a Saturday, Sunday or public holiday in Hong Kong) in the following circumstances:

- (a) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this prospectus; or
- (b) if any supplement to this prospectus is issued, in which case the Company will notify applicants who have already submitted an application that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

If the Company or its agents exercise their discretion to reject your application:

The Company, the Sole Global Coordinator (for itself and on behalf of other Hong Kong Underwriters), the **White Form eIPO** Service Provider and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

If:

- (a) you make multiple applications or are suspected of making multiple applications;
- (b) you or the person for whose benefit you apply for, have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) the Hong Kong Offer Shares and the International Offer Shares;
- (c) your payment is not made correctly;
- (d) your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website at www.eipo.com.hk;
- (e) you apply for more than 4,179,000 Hong Kong Offer Shares, being 50% of the 8,358,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offering;
- (f) the Company or the Sole Global Coordinator believe that by accepting your application, a violation of applicable securities or other laws, rules or regulations would result; or
- (g) the Underwriting Agreements do not become unconditional or are terminated.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price per Offer Share (excluding brokerage, SFC transaction levy, Stock Exchange trading fee and Financial Reporting Council transaction levy payable thereon) paid on application, or if the conditions of the Global Offering as set out in “Structure of the Global Offering — Conditions of the Global Offering” are not satisfied or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy, Stock Exchange trading fee and Financial Reporting Council transaction levy, will be refunded, without interest.

Any refund of your application monies will be made on or before Wednesday, March 30, 2022.

DESPATCH/COLLECTION OF SHARE CERTIFICATES/E-REFUND PAYMENT INSTRUCTIONS/REFUND CHEQUES

You will receive one Share certificate for all Hong Kong Offer Shares allocated to you under the Hong Kong Public Offering (except pursuant to applications made through the **CCASS EIPO** service where the Share certificates will be deposited into CCASS as described below).

The Company will not issue temporary document of title in respect of the Offer Shares. The Company will not issue receipt for sums paid on application.

Subject to arrangement on despatch/collection of Share certificates and refund cheques as mentioned below, any refund cheques and Share certificate(s) are expected to be posted on or before Wednesday, March 30, 2022. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of check(s) or banker’s cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, March 31, 2022 provided that the Global Offering has become unconditional in all respects at or before that time and the right of termination described in “Underwriting” has not been exercised.

Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Personal Collection

If you apply through **White Form eIPO** service:

- (a) If you apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, March 30, 2022, or any other place or date notified by the Company.
- (b) If you do not personally collect your Share certificate(s) within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post and at your own risk.
- (c) If you apply for less than 1,000,000 Hong Kong Offer Shares through the **White Form eIPO** service, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, March 30, 2022 by ordinary post and at your own risk.
- (d) If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address specified in your application instructions in the form of refund check(s) by ordinary post and at your own risk.

If you apply through **CCASS EIPO** service:

Allocation of the Hong Kong Offer Shares

- (a) For the purposes of allocating the Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Deposit of Share Certificates into CCASS and Refund of Application Monies

- (a) If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, March 30, 2022 or on any other date determined by HKSCC or HKSCC Nominees.
- (b) The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card/passport/Hong Kong business registration number or other identification code (Hong Kong business registration number for corporations) and the basis of allocations of the Hong Kong Offer Shares in the manner as described in "— Publication of results" above on Wednesday, March 30, 2022. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, March 30, 2022 or such other date as determined by HKSCC or HKSCC Nominees.
- (c) If you have instructed your **broker or custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you can also check the number of the Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you with that **broker or custodian**.
- (d) If you have applied as a CCASS Investor Participant, you can also check the number of the Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, March 30, 2022. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of the Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- (e) Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy, Stock Exchange trading fee and Financial Reporting Council transaction levy but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, March 30, 2022.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

The Company has made all necessary arrangements to enable the Shares to be admitted into CCASS.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF FERRETTI S.p.A. AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED**Introduction**

We report on the historical financial information of Ferretti S.p.A. (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-4 to I-160, which comprises the consolidated income statements, consolidated comprehensive income statements, consolidated statements of changes in equity and consolidated cash flow statements of the Group for each of the years ended 31 December 2018, 2019 and 2020, and the nine months ended 30 September 2021 (the “**Relevant Periods**”), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2018, 2019 and 2020 and 30 September 2021 and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-4 to I-160 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 22 March 2022 (the “**Prospectus**”) in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and the consolidation area and consolidation principles set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and the consolidation area and consolidation principles set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2018, 2019 and 2020 and 30 September 2021 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation and the consolidation area and consolidation principles set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated income statements, consolidated comprehensive income statements, consolidated statements of changes in equity and consolidated cash flow statements of the Group for the nine months ended 30 September 2020 (the "**Interim Comparative Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of preparation and the consolidation area and consolidation principles set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review

procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and the consolidation area and consolidation principles set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

The Historical Financial Information is stated after making such adjustments to the Historical Financial Statements as defined on page I-4 as were considered necessary.

Dividends

We refer to note 35 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

EY S.p.A.
Recognised PIE Auditor
Milan
22 March 2022

Ernst & Young
Certified Public Accountants
Hong Kong
22 March 2022

I HISTORICAL FINANCIAL INFORMATION**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information in this report was prepared based on previously issued financial statements of the Group for the Relevant Periods. The previously issued financial statements were audited by EY S.p.A. in accordance with International Standards on Auditing (ISA Italia) (the "**Historical Financial Statements**").

The Historical Financial Information is presented in Euro ("€") and all values are rounded to the nearest thousand (€'000) except when otherwise indicated.

CONSOLIDATED INCOME STATEMENTS

		Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2020	Nine months ended 30 September 2020	Nine months ended 30 September 2021
	Notes	€'000	€'000	€'000	€'000 (unaudited)	€'000
Revenue	6	631,269	678,165	638,194	425,638	693,277
Commissions and other costs related to revenue	6	(15,857)	(28,914)	(26,839)	(26,005)	(24,010)
NET REVENUE	6	615,412	649,251	611,355	399,633	669,267
Change in inventories of work-in-process, semi-finished and finished goods	7	15,356	331	(21,727)	7,723	(35,691)
Cost capitalized.	7	25,371	35,834	34,076	24,637	20,889
Other income	8	13,082	12,991	15,027	10,661	8,155
Raw materials and consumables used		(332,729)	(335,559)	(291,768)	(205,409)	(310,576)
Contractors costs	9	(90,589)	(93,860)	(91,604)	(64,709)	(93,688)
Costs for trade shows, events and advertising.		(13,068)	(11,668)	(9,446)	(7,232)	(10,265)
Other service costs.		(60,967)	(70,852)	(69,837)	(47,029)	(60,006)
Rentals and leases	10	(8,195)	(6,671)	(5,582)	(4,691)	(5,354)
Personnel costs	11	(90,516)	(96,446)	(92,454)	(67,659)	(80,375)
Other operating expenses	12	(4,971)	(11,328)	(7,366)	(5,139)	(3,919)
Provisions and impairment	13	(15,553)	(20,857)	(17,272)	(14,585)	(16,399)
Depreciation and amortization	14	(25,100)	(38,155)	(42,493)	(33,319)	(35,836)
Share of loss of a joint venture		—	—	—	—	(15)
Financial income	15	313	236	133	128	216
Financial expenses	16	(5,403)	(6,608)	(6,897)	(5,144)	(4,600)
Foreign exchange gains/(losses).		(1,786)	(209)	(618)	(30)	515
PROFIT/(LOSS) BEFORE TAX.		20,657	6,430	3,527	(12,164)	42,318
Income tax.	17	10,063	20,169	18,455	17,852	(10,229)
PROFIT FOR THE YEAR/PERIOD		30,720	26,599	21,982	5,688	32,089

		Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2020	Nine months ended 30 September 2020	Nine months ended 30 September 2021
	<i>Notes</i>	€'000	€'000	€'000	€'000 (unaudited)	€'000
Attributable to:						
Shareholders of the Company .		30,720	26,628	22,006	5,669	32,111
Non-controlling interests		—	(29)	(24)	19	(22)
EARNINGS PER SHARE						
ATTRIBUTABLE TO						
SHAREHOLDERS OF THE						
COMPANY						
Basic and diluted (€).	36	0.17	0.13	0.09	0.02	0.13

CONSOLIDATED COMPREHENSIVE INCOME STATEMENTS

	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2020	Nine months ended 30 September 2020	Nine months ended 30 September 2021
	€'000	€'000	€'000	€'000 (unaudited)	€'000
PROFIT FOR THE YEAR/PERIOD	30,720	26,599	21,982	5,688	32,089
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:					
Profit/(loss) on defined benefits plan	212	(269)	116	162	(16)
Income tax effect	(51)	112	(28)	(39)	4
	161	(157)	88	123	(12)
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:					
Changes in fair value of hedging instruments	—	—	—	—	(689)
Income tax effect	—	—	—	—	192
	—	—	—	—	(497)
Gains/(losses) from the translation of foreign operations	(3,481)	1,330	(1,488)	414	(1,116)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD	(3,320)	1,173	(1,400)	537	(1,625)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	27,400	27,772	20,582	6,225	30,464
Attributable to:					
Shareholders of the Company	27,400	27,801	20,606	6,206	30,486
Non-controlling interests	—	(29)	(24)	19	(22)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		31 December 2018	31 December 2019	31 December 2020	30 September 2021
	Notes	€'000	€'000	€'000	€'000
CURRENT ASSETS					
Cash and cash equivalents	18	38,503	39,164	32,830	187,462
Trade and other receivables	19	28,336	48,901	36,422	35,615
Contract assets	20	158,381	155,130	176,037	111,826
Inventories	21	186,267	187,360	176,941	133,976
Advances on inventories	21	10,807	15,570	15,139	26,752
Other current assets	22	3,491	1,517	3,592	4,053
Income tax recoverable		2,064	3,213	2,114	3,099
		<u>427,849</u>	<u>450,855</u>	<u>443,075</u>	<u>502,783</u>
NON-CURRENT ASSETS					
Property, plant and equipment	23	154,189	199,660	231,651	244,725
Intangible assets	24	237,215	260,563	262,349	259,120
Other non-current assets	25	1,751	6,748	3,019	4,409
Deferred tax assets	26	—	859	18,349	11,708
		<u>393,155</u>	<u>467,830</u>	<u>515,368</u>	<u>519,962</u>
TOTAL ASSETS		<u>821,004</u>	<u>918,685</u>	<u>958,443</u>	<u>1,022,745</u>
CURRENT LIABILITIES					
Due to the immediate holding company . . .	27	398	—	—	—
Bank and other borrowings	28	87,843	89,310	79,024	28,483
Derivatives financial instruments	5	—	—	—	689
Provisions	29	42,623	38,788	37,148	35,300
Trade and other payables	31	208,488	240,234	222,476	242,737
Contract liabilities	32	46,814	45,810	55,704	132,669
Income tax payable		408	561	75	4,498
		<u>386,574</u>	<u>414,703</u>	<u>394,427</u>	<u>444,376</u>
NON-CURRENT LIABILITIES					
Due to the immediate holding company . . .	27	211,081	—	—	—
Bank and other borrowings	28	7,589	36,253	84,846	71,882
Provisions	29	7,003	9,565	7,542	7,913
Non-current employee benefits	30	8,399	8,176	7,794	7,902
Trade and other payables	31	1,814	663	509	393
Deferred tax liabilities	26	20,563	—	—	—
		<u>256,449</u>	<u>54,657</u>	<u>100,691</u>	<u>88,090</u>
TOTAL LIABILITIES		<u>643,023</u>	<u>469,360</u>	<u>495,118</u>	<u>532,466</u>
SHARE CAPITAL AND RESERVES					
Share capital	33	180,239	250,735	250,735	250,735
Reserves	34	(2,258)	198,616	212,640	239,616
Equity attributable to shareholders of the Company		<u>177,981</u>	<u>449,351</u>	<u>463,375</u>	<u>490,351</u>
Non-controlling interests		<u>—</u>	<u>(26)</u>	<u>(50)</u>	<u>(72)</u>
TOTAL EQUITY		<u>177,981</u>	<u>449,325</u>	<u>463,325</u>	<u>490,279</u>
TOTAL LIABILITIES AND EQUITY		<u>821,004</u>	<u>918,685</u>	<u>958,443</u>	<u>1,022,745</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2018

	Share capital	Share premium*	Legal reserve*	Translation reserve*	Other reserves*	Equity attributable to the shareholders of the Company	Non-controlling interests	Total equity
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
At 1 January 2018	180,239	100,119	—	7,222	(136,999)	150,581	—	150,581
Profit for the year	—	—	—	—	30,720	30,720	—	30,720
Other comprehensive income for the year								
Profit on defined benefits plan	—	—	—	—	161	161	—	161
Exchange differences on translation of foreign operations	—	—	—	(3,481)	—	(3,481)	—	(3,481)
Total comprehensive income for the year	—	—	—	(3,481)	30,881	27,400	—	27,400
Transfer to the legal reserve	—	—	2,629	—	(2,629)	—	—	—
At 31 December 2018	180,239	100,119	2,629	3,741	(108,747)	177,981	—	177,981

Year ended 31 December 2019

	Share capital	Share premium*	Legal reserve*	Translation reserve*	Other reserves*	Equity attributable to the shareholders of the Company	Non-controlling interests	Total equity
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
At 1 January 2019	180,239	100,119	2,629	3,741	(108,747)	177,981	—	177,981
Profit for the year	—	—	—	—	26,628	26,628	(29)	26,599
Other comprehensive income for the year:								
Loss on defined benefits plan	—	—	—	—	(157)	(157)	—	(157)
Exchange differences on translation of foreign operations	—	—	—	1,330	—	1,330	—	1,330
Total comprehensive income for the year	—	—	—	1,330	26,471	27,801	(29)	27,772
Issue of shares	33	11,205	28,795	—	(7,137)	32,863	—	32,863
Capitalization of a shareholder's loan	33	59,291	152,379	—	(961)	210,709	—	210,709
Disposal of a partial interest in a subsidiary	—	—	—	—	(3)	(3)	3	—
Transfer to the legal reserve	—	—	1,725	—	(1,725)	—	—	—
At 31 December 2019	250,735	281,293	4,354	5,071	(92,102)	449,351	(26)	449,325

Year ended 31 December 2020

		Share capital	Share premium*	Legal reserve*	Translation reserve*	Other reserves*	Equity attributable to the shareholders of the Company	Non- controlling interests	Total equity
	Note	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
At 1 January 2020		250,735	281,293	4,354	5,071	(92,102)	449,351	(26)	449,325
Profit for the year		—	—	—	—	22,006	22,006	(24)	21,982
Other comprehensive income for the year:									
Profit on defined benefits plan		—	—	—	—	88	88	—	88
Exchange differences on translation of foreign operations		—	—	—	(1,488)	—	(1,488)	—	(1,488)
Total comprehensive income for the year		—	—	—	(1,488)	22,094	20,606	(24)	20,582
Transfer to the legal reserve		—	—	1,465	—	(1,465)	—	—	—
Dividends	35	—	—	—	—	(6,582)	(6,582)	—	(6,582)
At 31 December 2020		250,735	281,293	5,819	3,583	(78,055)	463,375	(50)	463,325

Nine months ended 30 September 2020

		Share capital	Share premium*	Legal reserve*	Translation reserve*	Other reserves*	Equity attributable to the shareholders of the Company	Non- controlling interests	Total equity
		€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
At 1 January 2020		250,735	281,293	4,354	5,071	(92,102)	449,351	(26)	449,325
Profit for the period (unaudited)		—	—	—	—	5,669	5,669	19	5,688
Other comprehensive income for the year:									
Profit on defined benefits plan (unaudited)		—	—	—	—	123	123	—	123
Exchange differences on translation of foreign operations (unaudited)		—	—	—	414	—	414	—	414
Total comprehensive income for the year (unaudited)		—	—	—	414	5,792	6,206	19	6,225
Transfer to the legal reserve (unaudited)		—	—	1,465	—	(1,465)	—	—	—
Dividends (unaudited)		—	—	—	—	(6,582)	(6,582)	—	(6,582)
At 30 September 2020 (unaudited)		250,735	281,293	5,819	5,485	(94,357)	448,975	(7)	448,968

Nine months ended 30 September 2021

		Share capital	Share premium*	Legal reserve*	Translation reserve*	Other reserves*	Equity attributable to the shareholders of the Company	Non- controlling interests	Total equity
	Note	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
At 1 January 2021		250,735	281,293	5,819	3,583	(78,055)	463,375	(50)	463,325
Profit for the period		—	—	—	—	32,111	32,111	(22)	32,089
Other comprehensive income for the year:									
Loss on defined benefits plan . . .		—	—	—	—	(12)	(12)	—	(12)
Changes in fair value of hedging instruments		—	—	—	—	(497)	(497)	—	(497)
Exchange differences on translation of foreign operations		—	—	—	(1,116)	—	(1,116)	—	(1,116)
Total comprehensive income for the year		—	—	—	(1,116)	31,602	30,486	(22)	30,464
Transfer to the legal reserve		—	—	1,291	—	(1,291)	—	—	—
Dividends	35	—	—	—	—	(3,510)	(3,510)	—	(3,510)
At 30 September 2021		<u>250,735</u>	<u>281,293</u>	<u>7,110</u>	<u>2,467</u>	<u>(51,254)</u>	<u>490,351</u>	<u>(72)</u>	<u>490,279</u>

* These reserve accounts comprise the consolidated reserve deficits of €2,258,000, consolidated reserves of €198,616,000, €212,640,000 and €239,616,000 in the consolidated statements of financial position as at 31 December 2018, 2019 and 2020 and 30 September 2021, respectively.

CONSOLIDATED CASH FLOW STATEMENTS

		Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2020	Nine months ended 30 September 2020	Nine months ended 30 September 2021
	Notes	€'000	€'000	€'000	€'000 (unaudited)	€'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit/(loss) before tax		20,657	6,430	3,527	(12,164)	42,318
Adjustments for:						
Depreciation and amortization . .	14	25,100	38,155	42,493	33,319	35,836
Loss/(gain) on disposal of property, plant and equipment.		(78)	(48)	(1,487)	(1,802)	16
Provisions		364	(1,652)	(3,930)	2,536	(1,386)
Financial income	15	(313)	(236)	(133)	(128)	(216)
Financial expenses	16	5,403	6,608	6,897	5,144	4,600
Impairment of trade receivables, net		661	(526)	630	400	79
Provision against inventories, net		127	(3,937)	2,888	—	(1,337)
		51,921	44,794	50,885	27,305	79,910
Decrease/(increase) in inventories		(12,645)	(1,918)	7,961	(10,790)	32,690
Decrease/(increase) in contract assets and contract liabilities .		(50,791)	2,248	(11,013)	43,344	141,177
Decrease/(increase) in trade and other receivables.		(3,704)	(21,188)	12,948	11,160	(531)
Increase/(decrease) in trade and other payables		34,181	31,135	(4,798)	(26,680)	(7,281)
Change in other operating liabilities and assets.		1,553	6,583	1,358	(24)	(2)
		20,515	61,654	57,341	44,315	245,963
Income tax paid		9,760	(7,278)	—	—	—
Cash flows from operating activities		30,275	54,376	57,341	44,315	245,963
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of property, plant and equipment and intangible assets		(58,994)	(85,959)	(72,278)	(45,082)	(46,055)
Proceeds from disposal of property, plant and equipment and intangible assets		5,186	5,121	5,526	5,023	69
Acquisition of subsidiaries		—	—	(3,315)	—	(719)
Interest received		313	236	133	128	216
Cash flows used in investing activities		(53,495)	(80,602)	(69,934)	(39,931)	(46,489)

	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2020	Nine months ended 30 September 2020	Nine months ended 30 September 2021
<i>Notes</i>	€'000	€'000	€'000	€'000 (unaudited)	€'000
CASH FLOWS FROM					
FINANCING ACTIVITIES					
Proceeds from issue of shares . . .	—	40,000	—	—	—
Dividends paid	—	—	(6,582)	(6,582)	(3,510)
New bank and other borrowings.	75,990	81,706	89,343	78,621	56,727
Repayment of bank and other borrowings	(53,256)	(76,775)	(68,141)	(65,162)	(92,340)
Incidental costs related to borrowings and capital	—	(12,015)	—	—	—
Interest paid	(5,215)	(6,779)	(6,897)	(5,144)	(4,600)
Cash flows from/(used in) financing activities	<u>17,519</u>	<u>26,137</u>	<u>7,723</u>	<u>1,733</u>	<u>(43,723)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS					
	<u>(5,701)</u>	<u>(89)</u>	<u>(4,870)</u>	<u>6,117</u>	<u>155,751</u>
Cash and cash equivalents at beginning of year/period	46,574	38,503	39,164	39,164	32,830
Effect of foreign exchange rate changes, net	<u>(2,370)</u>	<u>750</u>	<u>(1,464)</u>	<u>414</u>	<u>(1,119)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD					
	<u><u>38,503</u></u>	<u><u>39,164</u></u>	<u><u>32,830</u></u>	<u><u>45,695</u></u>	<u><u>187,462</u></u>
Cash and cash equivalents as stated in the consolidated statements of financial position	<u><u>38,503</u></u>	<u><u>39,164</u></u>	<u><u>32,830</u></u>	<u><u>45,695</u></u>	<u><u>187,462</u></u>

STATEMENTS OF FINANCIAL POSITION

		31 December 2018	31 December 2019	31 December 2020	30 September 2021
	<i>Notes</i>	€'000	€'000	€'000	€'000
CURRENT ASSETS					
Cash and cash equivalents	18	24,343	31,163	18,209	155,200
Trade and other receivables	19	226,430	227,613	204,104	203,811
Contract assets	20	152,486	174,235	155,551	125,935
Inventories	21	177,232	155,711	153,501	114,388
Advances on inventories	21	6,384	10,136	10,327	20,987
Other current assets		43,961	71,883	105,943	40,007
Income tax recoverable		1,146	2,314	1,643	1,327
		<u>631,982</u>	<u>673,055</u>	<u>649,278</u>	<u>661,655</u>
NON-CURRENT ASSETS					
Investments in subsidiaries	40	72,315	72,312	76,472	86,902
Property, plant and equipment	23	106,432	136,159	149,663	159,815
Intangible assets	24	180,396	184,701	184,380	183,911
Other non-current assets	25	8,378	34,829	31,197	30,996
Deferred tax assets	26	—	—	12,364	6,149
		<u>367,521</u>	<u>428,001</u>	<u>454,076</u>	<u>467,773</u>
TOTAL ASSETS		<u><u>999,503</u></u>	<u><u>1,101,056</u></u>	<u><u>1,103,354</u></u>	<u><u>1,129,428</u></u>
CURRENT LIABILITIES					
Due to the immediate holding company	27	398	—	—	—
Bank and other borrowings	28	90,998	87,467	77,353	25,400
Derivatives financial instruments		—	—	—	689
Provisions	29	38,541	36,352	34,026	31,626
Trade and other payables	31	316,186	347,217	306,794	329,872
Contract liabilities		29,771	35,177	33,800	78,512
Income tax payable		400	—	—	1,947
		<u>476,294</u>	<u>506,213</u>	<u>451,973</u>	<u>468,046</u>

APPENDIX I
ACCOUNTANTS' REPORT

		31 December	31 December	31 December	30 September
		2018	2019	2020	2021
	<i>Notes</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
NON-CURRENT					
LIABILITIES					
Due to the immediate					
holding company	27	210,846	—	—	—
Bank and other					
borrowings	28	1,946	22,536	65,231	53,022
Provisions	29	7,003	8,390	6,913	7,629
Non-current employee					
benefits	30	5,925	5,791	5,532	5,428
Trade and other payables . .	31	1,462	395	327	279
Deferred tax liabilities . . .	26	14,749	3,676	—	—
		<u>241,931</u>	<u>40,788</u>	<u>78,003</u>	<u>66,358</u>
TOTAL LIABILITIES		<u>718,225</u>	<u>547,001</u>	<u>529,976</u>	<u>534,404</u>
SHARE CAPITAL AND					
RESERVES.					
Share capital	33	180,239	250,735	250,735	250,735
Reserves.	34	101,039	303,320	322,643	344,289
TOTAL EQUITY		<u>281,278</u>	<u>554,055</u>	<u>573,378</u>	<u>595,024</u>
TOTAL LIABILITIES					
AND EQUITY		<u>999,503</u>	<u>1,101,056</u>	<u>1,103,354</u>	<u>1,129,428</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Italy. The registered office of the Company is located at Via Irma Bandiera, 62 — 47841 Cattolica (Rimini), Italy.

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

As at the end of the Relevant Periods, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary share capital/ paid-in capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
CRN S.p.A. (note (a))	Italy 1 February 1999	€8,624,200	100	—	Boat building
Zago S.p.A. (note (a))	Italy 16 February 2004	€120,000	100	—	Naval furniture production
Sea Lion S.r.l. (note (b))	Italy 27 March 2018	€10,000	75	—	Wally trademark holding
Michelini & C. S.r.l. (note (c)).	Italy 26 July 1973	€110,604	100	—	Boat building
Allied Marine Inc. (note (d))	United States of America 21 September 1993	USD10	100	—	Brokerage, yacht chartering and yacht management
Ferretti Group of America Holding Company Inc. (note (d))	United States of America 26 October 1998	USD10	100	—	Investment holding

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary share capital/ paid-in capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
BY Winddown Inc. (note (d)).	United States of America 28 May 1992	USD10	—	100	Dormant
Ferretti Group of America Llc. (note (d)).	United States of America 18 August 2008	USD100	—	100	Selling of serial vessels
Ferretti Group Asia Pacific Ltd. (note (e)).	Hong Kong 25 September 2012	HK\$100,000	100	—	Commercialization of Group's products in Asia
Ferretti Group (Monaco) S.a.M. (note (f))	Monaco 1 April 1980	€150,000	99,4	—	Brokerage and yacht selling
Ferretti Group UK Limited (note (g))	United Kingdom 23 March 2017	£1	100	—	Commercialization of Bespoke boats
Ferretti Asia Pacific Zhuhai Ltd. (note (h))	People's Republic of China 20 August 2013	RMB1,000,000	100	—	Dormant
Ram S.r.l. (note (i))	Italy 4 December 1959	€520,000	80	—	Reparation, restyling and maintenance of boats
Ferretti Tech S.r.l. (note (i)) .	Italy 18 May 2021	€10,000	100	—	Production, restructuring and assembly of boat components

Notes:

- (a) The statutory financial statements of these entities for the years ended 31 December 2018, 2019 and 2020 prepared under International Financial Reporting Standards were audited by EY S.p.A., certified public accountants registered in Italy.
- (b) The statutory financial statements of this entity for the years ended 31 December 2018, 2019 and 2020 prepared under Italian Financial Reporting Standards were audited by EY S.p.A, certified public accountants registered in Italy.

- (c) The statutory financial statements of this entity for the years ended 31 December 2018, 2019 and 2020 were not audited.
- (d) The statutory financial statements of these entities for the years ended 31 December 2018, 2019 and 2020 were not prepared and filed.
- (e) The statutory financial statements of this entity for the years ended 31 December 2018, 2019 and 2020 prepared under Hong Kong Financial Reporting Standards were audited by Ernst & Young, certified public accountants registered in Hong Kong.
- (f) The statutory financial statements of this entity for the years ended 31 December 2018, 2019 and 2020 prepared under Monaco Financial Reporting Standards were audited by Schroeder & Associates, certified public accountants registered in Monaco.
- (g) The statutory financial statements of this entity for the years ended 31 December 2018, 2019 and 2020 prepared under United Kingdom Financial Reporting Standards were audited by Peters Elworthy & Moore Limited Cambridge, chartered accountants registered in the United Kingdom.
- (h) The statutory financial statements of this entity for the years ended 31 December 2018, 2019 and 2020 prepared under Chinese Accounting Standards for Business Enterprises were audited by Zhuhai Yeqin Partnership, certified public accountants registered in the People's Republic of China.
- (i) The statutory financial statements of these entities prepared under Italian Financial Reporting Standards were audited by the Board of Statutory Auditors, certified public accountants registered in Italy.

The Group's auditor's remuneration for the years ended 31 December 2018, 2019, 2020 and the nine months ended 30 September 2021 are €282,000, €305,000, €312,000, €276,000, respectively.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards (“IFRSs”) which comprise all standards and interpretations approved by the International Accounting Standards Board (the “IASB”) and adopted by the European Union (the “EU”). Other than IFRS 16 which was adopted by the Group since 1 January 2019, all EU-adopted IFRSs effective for the accounting period commencing from 1 January 2021, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information. During the Relevant Periods, there were no differences between the IFRSs adopted by the EU and applicable to the Group and the Company and those issued by the IASB.

The Historical Financial Information has been prepared under the historical cost convention, except for derivative financial instruments which have been measured at fair value.

2.2 CONSOLIDATION AREA AND CONSOLIDATION PRINCIPLES

The Historical Financial Information has been prepared by consolidating the financial statements of the Company and its subsidiaries for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company.

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 Relevant Periods are included in the Historical Financial Information from the date the Group obtains control until the date the Group no longer controls the company.

The main consolidation criteria applied in preparing the consolidated financial statements are reviewed below:

- assets and liabilities and revenues and expenses in the financial statements of companies that are consolidated line by line are included in the Historical Financial Information, irrespective of the percentage interest held;
- the profit or loss of any company acquired or sold during the year is recognised in the consolidated income statements from the actual date of acquisition up to the actual date of sale; and
- material transactions between consolidated companies are eliminated. The same process is also used for debit and credit entries. Specifically, unrealised gains from transactions between Group companies 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's interest in equity. The non-controlling interest is determined based on the interest held by non-controlling shareholders in the fair value of assets and liabilities recognised on the original date of acquisition and in subsequent changes in equity. Subsequently, any losses attributable to the non-controlling shareholders in excess of their interest in the underlying equity are charged against Group's interest in equity, unless the non-controlling shareholders have a binding obligation to cover those losses and have the resources to do so.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Translation of the financial statements of foreign companies into Euro

The Historical Financial Information is presented in Euro, which is the functional and presentation currency adopted by the Company. 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.

Group companies

The assets and liabilities of Group companies are translated into Euro at the spot exchange rate at the end of each of the Relevant Periods, and the revenue and costs in each separate income statement or comprehensive income statement are translated at the average exchange rate of the corresponding year/period. The foreign exchange differences resulting from this translation are taken to the consolidated comprehensive income statements. Upon the disposal of a foreign operation, the part of the consolidated comprehensive income statements relating to such foreign operation is taken to the consolidated income statements.

Goodwill on the acquisition of a foreign operation and adjustments to the fair value 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 the end of each of the Relevant Periods.

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

2.3 IFRSs ISSUED BUT NOT YET EFFECTIVE

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework¹</i>
Amendments to IFRS 10 and IAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
Amendments to IFRS 16	<i>Covid-19-Related Rent Concessions¹</i>
IFRS 17	<i>Insurance Contracts²</i>
Amendments to IFRS 17	<i>Insurance Contracts^{2, 4}</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current²</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies²</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates²</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction²</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use¹</i>
Amendments to IAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract¹</i>

<i>Annual Improvements to IFRSs</i> <i>2018-2020</i> IFRS 14	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41 ¹ <i>Regulatory Deferral Accounts</i> ⁵
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¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for annual periods beginning on or after 1 January 2023

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the amendments to IFRS 17 issued in June 2020, the effective date of IFRS 17 was deferred to 1 January 2023, and IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023.

⁵ The European Commission has decided not to launch the endorsement process of the interim standard IFRS 14 *Regulatory Deferral Accounts* (issued on 30 January 2014) and to wait for the final IFRS Standard.

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IFRS 10 and IAS 28 (2011) address an inconsistency between the requirements in IFRS 10 and in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments

to IFRS 10 and IAS 28 (2011) was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. The amendments are not available for adoption now, being not endorsed by the EU. The amendments are not expected to have any significant impact on the Group's financial information.

On 28 May 2020, the IASB issued *Covid-19-Related Rent Concessions* — amendment to IFRS 16 *Leases*. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendments are not expected to have any significant impact on the Group's financial information.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. The amendments are not expected to have any significant impact on the Group's financial information.

Amendments to IAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial information.

Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements* provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. Amendments to IAS 8 *Accounting policies, changes in accounting estimates and errors*, introduces a new definition of "accounting estimates". The amendments are designed to clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. These amendments are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial information.

Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* 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. The Amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. These amendments are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial information.

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial information.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial information.

Annual Improvements to IFRSs 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have any significant impact on the Group's financial information.
- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

IFRS 14 allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRSs. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss. The standard requires disclosures on the nature of, and risk associated with, the entity's rate regulation and the effects of that rate regulation on its financial statements. The standard is not expected to have significant impact on the Group.

2.4 ACCOUNTING POLICIES

Business combinations

Business combinations are recognised in accordance with the acquisition method. The cost of an acquisition is determined as the sum of the consideration transferred, measured at fair value on the acquisition date, and the amount of the non-controlling interest in the acquiree. For each business combination, the Group decides whether to measure the non-controlling interest in the acquiree at fair value or in proportion to the share of the non-controlling interest in the acquiree's net identifiable assets. Acquisition costs are expensed and classified under administrative costs.

When the Group acquires a business, 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 separate from the primary contract.

The assets, liabilities and identifiable contingent liabilities of the acquired company that meet the criteria for recognition set forth in IFRS 3 are recognised at their fair values on the date of acquisition, except for non-current assets (or disposal groups) that are classified as being held for sale (in accordance with IFRS 5). These assets are recognised at fair value, less the costs to sell them.

The acquiree measures contingent consideration at fair value at acquisition date. The contingent consideration classified in equity is not remeasured and its subsequent payment is recognised with a counter entry in equity. The change in fair value of contingent consideration classified as an asset or liability, in that it is a financial instrument falling within the scope of IFRS 9, must be recognised in profit or loss in accordance with IFRS 9. The contingent consideration not covered by IFRS 9 is valued at fair value at the end of the Relevant Periods and the changes in fair value are recognised through profit or loss.

Goodwill is initially recognised at cost, as the difference of the aggregate of the value of the consideration transferred and the amount attributed to non-controlling interests compared to net identifiable assets acquired and liabilities assumed by the Group. If the fair value of net acquired assets exceeds the total consideration paid, the Group verifies again whether it correctly identified all the assets acquired and all the liabilities incurred and reviews the procedures used to determine the amounts to be recognised at the acquisition date. If the review again identifies a fair value of net acquired assets exceeding the consideration, the difference (gain) is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any impairment losses. For the purposes of impairment testing, goodwill acquired in a business combination is allocated from the acquisition date to each of the Group's cash-generating units that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree have been assigned to those units.

Transactions between parties under common control

The mandatory adoption of IFRS 3 does not apply to business combinations involving entities or businesses under common control.

The choice of the accounting treatment of transactions between parties under common control must be based on whether there is evidence that the transaction will have a significant impact on the future cash flows of the net assets transferred between the entities involved.

Transactions that do not have a significant impact on the future cash flows of the transferred net assets — The principle of the continuity of values

The adoption of the principle of the continuity of value results in the recognition on the consolidated statements of financial position of values that are the same as those that would be used if the companies that are parties to the combination had always been combined. Consequently, the acquired net assets must be recognised at the book values at which they were carried in the respective accounting records before the transaction. In principle, subsequent accounting entries should continue to bring forward the values used for the previous entry.

Therefore, if the transfer values are higher than the historical values:

- the buyer/recipient of the transferred assets must make a reversing entry for the amount of the surplus and adjust downward its equity by a charge to a reserve, whether or not the goodwill paid has economic value;
- the seller/conveyor of the assets must recognise in equity, rather than through profit or loss, any difference between the transaction price and the pre-existing carrying amount of the transferred assets.

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

In this case, the transaction is recognised based on the new values determined by the transaction.

Recognition of revenue from contracts with customers

The Group generates revenue by selling goods and providing services within its core business. Revenue is stated net of value-added tax, discounts and allowances, and after eliminating sales to Group companies.

In accordance with IFRS 15, the Group recognises revenue after identifying the contracts with its customers and the related performance obligations to be fulfilled, determining the consideration to which it believes it is entitled in exchange for the sale of the goods or the provision of the services, and assessing the manner of fulfilment of the obligations concerned (i.e., at a point in time or over time).

In accordance with IFRS 15, the Group only recognises revenue when the following requirements have been met:

- the parties to the contract have approved the contract and undertaken to perform their respective obligations;
- the rights of each of the parties in respect of the goods or services to be transferred may be identified;
- the terms of payment for the goods or services to be transferred may be identified;
- the contract has commercial substance; and
- it is probable that the consideration for the goods sold or services transferred will be received.

IFRS 15 requires that revenue from contracts with customers be presented separately from other sources of revenue, unless a disclosure is provided that enables them to be separated from other revenue recognised through other comprehensive income or profit or loss. The Group has elected to recognise revenue from contracts with customers through profit or loss in a single line, with the details disclosed in the notes.

IFRS 15 defines revenues as “income arising in the course of an entity’s ordinary activities” but excludes certain contracts with customers (such as lease contracts) from its scope of application.

IFRS 15 requires that an entity assess all relevant facts and circumstances when they apply all steps of the model to contracts with customers. IFRS 15 also specifies the accounting treatment for the incremental costs of obtaining a contract and costs related directly to the fulfilment of a contract, and IFRS 15 also requires that ample disclosure be provided.

Contract work revenues represent performance obligations satisfied over time. In particular, revenue is recognised on a percentage of completion basis and is defined by IFRS 15 as contracts specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

When the outcome of a construction contract can be estimated reliably, contract revenue is recognised based on the revenue amounts accrued consistent with the stage of completion of the contract activity at the reporting date that represents the portion of rewards transferred to the customer. Otherwise, revenue is recognised only to the extent of the contract costs incurred that are likely to be recovered.

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

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

Revenue from the sale of pre-owned boats, brokerage services, sale of merchandising, spare parts and the provision of services are performance obligations satisfied at a point in time and revenue is recognised when the control of the asset or service is transferred to the customer. The moment the control of the asset or service transfer coincides with the transfer of ownership or possession of the goods to the buyer and so generally with despatch or completion of the service.

Government grants

Government grants are recognised when there is reasonable assurance that they will be received and all necessary conditions attached to them have been satisfied. Grants related to cost components are recognised as income but are allocated systematically across the Relevant Periods so that they are commensurate with recognition of the costs they are intended to compensate. Grants related to an asset are recognised as income, in constant amounts, throughout the useful life of the asset in question.

Where the Group receives a non-monetary grant, the asset and related grant are recognised at nominal value and released to the consolidated income statements, in constant amounts, throughout the expected useful life of the asset in question.

Interest income and expense

Interest income and expense are recognised in accordance with the accrual principle, based on the amount financed and the effective applicable interest rate.

Income taxes

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

The liability for current taxes is calculated using the rates in force or effectively in force at the end of each of the Relevant Periods.

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

Deferred tax liabilities are recognised on taxable temporary differences arising from investments in subsidiaries, 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 at the end of each of the Relevant Periods 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 realised or the liability is satisfied, based on the tax rates (and the tax regulation) set forth in statutes in force or substantially in force at the end of each of the Relevant Periods. Deferred taxes are recognised directly in profit or loss, except for those related to items that are recognised directly in equity, in which case the related deferred taxes are also recognised in equity.

The Italian companies, C.R.N. S.p.A. and Zago S.p.A. have opted for group taxation pursuant to Articles 117 *et seq.* of the Italian Consolidated Law on Income Tax (Law No. 917 of 22 December 1986). This option, which has not been repealed, allows the holding company to immediately offset any loss incurred by its subsidiaries against the Group's overall profit.

Cash and cash equivalents

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

Trade and other receivables and contract assets

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

Trade receivables are recognised at their face value, less a write-down capable to recognise an estimate of doubtful account losses, following a simplified approach under expected credit loss (“ECL”) model to calculate expected losses in accordance with IFRS 9. Such losses are taken to the consolidated income statements where there is objective evidence that the receivables have become impaired. ECL model is applied to trade and other receivables and contract assets.

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 weighted average costing method, and the corresponding market or estimated realisable value, which takes into account both any additional future production costs and direct costs to sell.

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

Obsolete and slow-moving inventories are written down to reflect their potential utilisation or sale by recognising 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 recognised in profit or loss.

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 in the case of a financial asset not at fair value through profit or loss, transaction costs. 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 recognised on the deal date, namely the date on which the Company undertook to buy or sell the asset.

Subsequent measurement

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

- financial assets at amortized cost (debt instruments);
- financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- financial assets at fair value through OCI without recycling of cumulative gains and losses upon derecognition (equity instruments); and

- financial assets at fair value through profit or loss.

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 recognised in profit or loss when the asset is derecognised, modified or becomes impaired.

The Group reports an ECL for all the financial instruments represented by debt instruments not held at fair value through profit or loss. 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 include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

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

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's combined statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Financial liabilities

Initial recognition and measurement

Upon initial recognition, financial liabilities are classified among financial liabilities at fair value through profit or loss, and loans and borrowings.

All financial liabilities are initially recognised at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

The valuation of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value with changes recognised through profit or loss include liabilities held for trading and financial liabilities at fair value with changes recognised through profit or loss.

Loans and borrowings

Loans are measured at amortized cost using the effective interest rate method. Gains and losses are recognised in profit or loss 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 derecognised when the obligation underlying the liability is extinguished, cancelled or discharged. Where one existing financial liability is replaced by another attributable to the same borrower with substantially different conditions, or the conditions of an existing liability are substantially modified, such exchange or modification is accounted for by derecognising the original liability and recognising a new liability, with any differences between carrying amounts recognised in profit or loss.

Offsetting of financial instruments

A financial asset and a financial liability may be set off against one another, and the net balance presented in the consolidated statements of financial position, if there is a legally enforceable right to set off the recognised amounts and the entity intends either to settle on a net basis or realise the asset and settle the liability simultaneously.

Derivative financial instruments and hedge accounting*Initial recognition and subsequent measurement*

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is “an economic relationship” between the hedged item and the hedging instrument.
- The effect of credit risk does not “dominate the value changes” that result from that economic relationship.

- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments.

The Group designates only the spot element of forward contracts as a hedging instrument. The forward element is recognised in OCI and accumulated in a separate component of equity under cost of hedging reserve.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

Property, plant and equipment

Land and buildings are stated at their purchase, production or conveyance cost, including any incidental charges, decommissioning costs and direct costs needed to make an asset ready for use. Land is not depreciated.

Buildings under construction for use in manufacturing, as administrative facilities or for purposes that are yet to be determined, are recognised 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 recognised 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%–6%
Prefabricated structures	10%
Leasehold improvements	Over the lease terms

Plant, machinery and equipment

Manufacturing plants and automated machines	11.5%–15%
Manufacturing and distribution equipment	25%–40%

Other equipment and vehicles

Office furniture and equipment	12%
Electronic equipment	40%
Motor vehicles	25%

Models and moulds

Models and moulds	20%–33%
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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 recognised separately and depreciated according to their duration (component approach).

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

Gains or losses on the sale or disposal of assets, which are calculated as the difference between the sales proceeds and the net carrying value of the asset, are recognised in profit or loss for the Relevant Periods.

Ordinary maintenance costs are charged in full in profit or loss. 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.

The recoverability of their value is tested in accordance with the criteria provided for by IAS 36. These criteria are explained in the policies set out for “Impairment of assets” below.

IFRS 16 — Leases

IFRS 16 supersedes IAS 17 — *Leases*, IFRIC 4 — *Determining Whether an Arrangement Contains a Lease*, SIC-15 — *Operating Leases — Incentives and SIC-27 — Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

The Group adopted IFRS 16 using the modified retrospective method effective 1 January 2019 (initial application). Under this approach, the cumulative effect of initially applying IFRS 16 is recognised at the date of initial application. The Group elected to use the transition practical expedient that allows the application of the standard only to contracts that at the date of initial application had been previously identified as leases, applying IAS 17 and IFRIC 4. The Group also elected to use the exemptions provided for in the standard regarding lease contracts that at the date of initial application have an original contractual term of 12 months or less and that do not include a call option (“**short-term leases**”), and lease contracts for which the underlying asset is of low value (“**low value asset**”).

The effect arising from the application of IFRS 16 effective 1 January 2019 is as follows:

	<u>1 January 2019</u>
	€'000
Assets:	
Increase in property, plant, and equipment	10,086
Increase in total assets	<u>10,086</u>
Liabilities:	
Increase in current portion of lease liabilities	3,123
Increase in non-current portion of lease liabilities	6,963
Increase in total liabilities	<u>10,086</u>

In detail, at the date of initial application the amount of net assets recognised amounted to €10,086,000 and lease liabilities totalled €10,086,000, thus no effects were recognised as an adjustment to the opening balance of equity and there was no need to restate the figures for the year ended 31 December 2018.

The Group has leases for a series of activities mainly related to the lease of real estate, plant, machinery, vehicles and other equipment. Before adopting IFRS 16, at the inception of the lease the Group (as lessee) classified each of its leases as a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all the risks and rewards incident to ownership of the leased asset to the Group. All other leases were classified as operating leases. At commencement of the lease term, finance leases were capitalized at the lower of the fair value of the leased asset or the present value of the minimum lease payments.

Finance lease payments were apportioned between the finance charge (recognised as financial expenses) and the principal, as a reduction of the outstanding liability. For operating leases, the leased asset was not capitalized and the lease payments were recognised as an expense in the income statement over the lease term on a straight-line basis.

All advances paid and the portion regarding lease payments were classified in trade and other payables, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all the leases where the Group was a lessee, except for short-term leases and low-value leases. The standard provides for transition requirements and practical expedients that were applied by the Group.

Leases previously classified as finance leases

The Group did not modify the initial carrying amount of the lease assets and liabilities recognised at the date of initial application for the contracts previously classified as finance leases (rights-of-use assets and lease liabilities are exactly the same amounts of the lease assets and liabilities recognised under IAS 17). IFRS 16 requirements have been applied to the above-mentioned leases effective 1 January 2019.

Leases previously classified as operating leases

The Group recognised the rights-of-use assets and lease liabilities related to all contracts previously classified as operating leases, excluding short-term leases and leases related to low-value assets. For some lease contracts, the right-of-use assets were recognised based to the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued expenses on lease payments previously recognised. Lease liabilities were recognised at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of first time application.

The Group also applied the practical expedients available whereby:

- It applied a single discounting rate of 2.75% to a portfolio of leases with reasonably similar nature;
- It relied on its assessment of whether leases were onerous immediately before the date of initial application; and
- It used hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

Leases (applicable from 1 January 2019)

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).

Right-of-use assets

The Group recognises the right-of-use assets at the commencement date of the lease (i.e., the date on which the underlying asset is available for use). Right-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 right-of-use assets comprises the amount of the initial measurement of the lease liability recognised, any initial direct costs incurred, any lease payments made at or before the commencement date, less any lease incentives received. Unless the Group has the reasonable certainty to obtain ownership of the underlying asset by the end of the lease term, right-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 right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date, the Group measures the lease liabilities at the present value of the lease payments that are not paid at that date. The lease payments comprise fixed payments (including in-substance fixed payments), less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be payable under residual value guarantees. The lease payments also comprise the exercise price of a purchase option if the Group is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that do not depend on an index or a rate are recognised as costs in the period in which the event takes place or the condition that generated the payment.

The Group uses the average interest rate on borrowings to measure the present value of the payments due for the lease. After commencement date, the carrying amount of the lease liability increases to reflect interest on the lease liability and decreases to reflect the lease payments made. Moreover, the carrying amount of the lease liability is remeasured to reflect any lease modifications, or to reflect revised in-substance fixed lease payments.

Goodwill

Goodwill is not amortized on a regular basis. Instead, their recoverable value is tested annually for impairment at the level of the cash generating unit to which management allocated the goodwill. Once recognised, write-downs of these assets may not be subsequently reversed.

When a subsidiary is sold, the goodwill attributable to the subsidiary is included in the computation of the gain or loss on disposal.

Intangible assets generated internally — research and development costs

Intangible assets generated internally, mainly in connection with the development of intellectual property, are recognised 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 recognised as assets, development costs are charged to profit or loss in the period they are incurred.

Other intangible assets

Consistent with the provisions of IAS 38, other intangibles, whether purchased or produced internally, are recognised as assets when it is likely that their use will generate future economic benefits and their cost can be measured reliably.

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

Trademarks with indefinite useful life are not amortized on a regular basis. Other intangible assets are initially recognised at their acquisition cost and are 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 indefinitely renewed and therefore, will always belong to the Group.

Having considered these criteria, in the Track Record Period the Group classified its trademark as assets of indefinite useful life.

Impairment of assets

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

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

The recoverable amount is the greater of an asset's fair value, net of the cost to sell, or its value in use. In determining the value in use, future estimated cash flows are discounted to their present value using a pre-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 recoverable value. The corresponding write-down is immediately recognised within profit or loss.

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 realisable value, but not beyond the net carrying value that the asset would have had, had it not been written down. The value reinstatement is recognised in profit or loss.

Post-employment employee benefits

Payments due under defined contribution plans are charged to profit or loss 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 of the Relevant Periods. Actuarial gains and losses booked in the consolidated comprehensive income statement are not subsequently recorded within the consolidated income statement. Past service costs are recognised in profit or loss on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognises related restructuring costs. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

Provisions for risks and charges

Provisions for risks and charges are recognised for losses or liabilities the existence of which is certain or probable, but the amount or date of occurrence of which cannot be determined at the end of each of the Relevant Periods. Provisions reflect the management's best estimates on the basis of the information available to them.

Provisions for risks and charges are recognised 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.

3. USE OF ESTIMATES AND ASSUMPTIONS

The preparation of the Historical Financial Information requires management to formulate estimates and assumptions that have an impact on the revenue, costs, assets and liabilities, and disclosures about contingent assets and liabilities at the end of each of the Reporting Period. 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 profit or loss. Set out below are the key items affected by the use of accounting estimates and the circumstances involving an element of judgement by management.

Impairment of non-financial assets

An impairment loss occurs when the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, which is the greater of its fair value less costs to sell and its value in use. The carrying amount of non-current assets is assessed periodically whenever circumstances or events require a more frequent assessment. Goodwill and trademarks are assessed at least annually; and these recoverability assessments are carried out in accordance with the criteria specified in IAS 36 and described in more detail in note 24 to the Historical Financial Information. The recoverable amount of a non-current asset is based on estimates and assumptions used to determine cash flows and the discounting rate applied.

Taxes

Deferred tax assets are recognised to the extent that it is considered probable that there will be sufficient future taxable profit against which they can be utilised. Therefore, management has to make a significant estimate to determine the amount of deferred tax assets that can be recognised based on the amount of future taxable profit, when it will be achieved and tax planning strategies. The Historical Financial Information includes deferred tax assets related to the recognition of prior tax losses and income components with deferred tax deductibility, for an amount which the management considers very likely to be recovered in future years.

Provisions

Provisions are based on evaluations and estimates based on historic experience and assumptions that from time to time are considered reasonable and realistic based on the specific circumstances. More details are described in note 29 to the Historical Financial Information.

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 the end of each of the Relevant Periods, using at times complex assumptions, which by their very nature imply directors making judgements. Such assumptions may be influenced by multiple factors such as, for example, the time period over

several years when other projects are being developed, the high level of technology, innovation and customisation of the projects, the presence of variants and price revisions and boat performance guarantees, including an estimate of contractual risks, where applicable. These facts and circumstances make it a complex task to estimate project completion costs and, as a result, to estimate the value of contract work in process at the end of each of the Relevant Periods.

Determining the lease term for contracts with an option to extend the lease.

The Group determines the lease term as the non-cancellable period of the lease to which both the periods covered by the lease extension option are added, if there is reasonable certainty of exercising this option, and the periods covered by the lease option of termination of the lease if there is reasonable certainty not to exercise this option.

4. SEGMENT INFORMATION

For management purposes, the Group has only one reportable operating segment, which is the design, construction and marketing of yachts and recreational boats. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information — non-current assets

As over 90% of the Group's non-current assets are located in Italy, no further geographical segment information is provided.

Information about major customers

There is no single external customer amounted to 10% or more of the Group's revenue during the Relevant Periods.

5. FINANCIAL RISK MANAGEMENT

The following qualitative information, which is being offered to provide a better understanding of the impact of financial instruments on the consolidated statements of financial position, consolidated income statements and consolidated cash flow statements, 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.

Liquidity risk

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

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

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

The tables below, which are designed to provide a quantitative analysis of the liquidity risk, shows breakdowns of future financial flows based on the financial liabilities outstanding at the end of each of the Relevant Periods, with a breakdown of the Group's financial payables by contractually stipulated due dates:

31 December 2018

	Less than three months	Four to nine months	Ten to twelve months	One to five years	Over five years	Total
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Due to the immediate holding company	—	1,726	978	214,466	—	217,170
Bank and other borrowings, excluding lease liabilities.	65,243	17,559	4,882	714	—	88,398
Lease liabilities	259	645	412	3,714	3,464	8,494
Trade and other payables . . .	137,337	44,372	3,689	—	—	185,398
	<u>202,839</u>	<u>64,302</u>	<u>9,961</u>	<u>218,894</u>	<u>3,464</u>	<u>499,460</u>

31 December 2019

	Less than three months	Four to nine months	Ten to twelve months	One to five years	Over five years	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Bank and other borrowings, excluding lease liabilities.	66,869	18,725	—	14,892	—	100,486
Lease liabilities	1,193	2,525	1,335	16,535	7,926	29,514
Trade and other payables . .	148,440	54,231	11,642	—	—	214,313
	<u>216,502</u>	<u>75,481</u>	<u>12,977</u>	<u>31,427</u>	<u>7,926</u>	<u>344,313</u>

31 December 2020

	Less than three months	Four to nine months	Ten to twelve months	One to five years	Over five years	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Bank and other borrowings, excluding lease liabilities.	35,976	26,463	11,094	61,521	—	135,054
Lease liabilities	2,098	3,428	2,537	23,546	6,508	38,117
Trade and other payables . .	138,089	46,606	11,643	—	—	196,338
	<u>176,163</u>	<u>76,497</u>	<u>25,274</u>	<u>85,067</u>	<u>6,508</u>	<u>369,509</u>

30 September 2021

	Less than three months	Four to nine months	Ten to twelve months	One to five years	Over five years	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Bank and other borrowings, excluding lease liabilities.	12,400	11,329	16	47,294	—	71,039
Lease liabilities	1,594	3,183	1,586	21,652	5,396	33,411
Derivatives financial instruments	689	—	—	—	—	689
Trade and other payables . .	159,408	51,577	1,781	—	—	212,766
	<u>174,091</u>	<u>66,089</u>	<u>3,383</u>	<u>68,946</u>	<u>5,396</u>	<u>317,905</u>

The tables above analyse the maximum risk entailed by the financial liabilities (including trade payables). All flows shown are nominal undiscounted future flows, determined based on the remaining contractual due dates with regard both to principal and interest.

Market 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).

Currency risk

The risk related to the Group's business is the foreign exchange risk related to the variability of the revenues arising from future sales expressed in foreign currencies and of the related collection of cash flows. More specifically, the foreign exchange risk is managed in order to reduce the variability of the revenues related to expected sales expressed in foreign currency (US Dollar), according to specific risk targets/limits.

The Group did not enter into any foreign exchange forward contracts at 31 December 2018, 2019 and 2020. The Group entered into foreign exchange forward contracts and recorded derivatives financial instruments of €689,000 as at 30 September 2021 to reflect the negative change in fair value of foreign exchange forward contracts, nil of which are change in fair value used for measuring hedge ineffectiveness for the period. These foreign exchange forward contracts are designated as hedging instruments in cash flow hedges of highly probable forecast transactions (i.e. expected sales) in US Dollar that could affect profit or loss. In order to assess the effectiveness of the hedging relationship, the Group verified that the following qualifying criteria are always met:

- There is an economic relationship between the hedging instrument and the hedged item: the relevant terms (notional amounts, underlying foreign exchange rate and expiry) of the hedging derivatives are substantially aligned with those of the underlying forecast transactions; thus, fair value changes of the designated hedging instrument are expected to regularly and non-randomly offset those of the related hedged item.
- The effect of credit risk does not dominate the value changes that result from the underlying economic relationship: derivatives instruments are negotiated only with high credit quality bank counterparties; as a result, credit risk is not expected to dominate the designated hedging relationships.
- The designated hedge ratio is aligned with that used for risk management purposes and is equal to 1:1 (100%).

Based on current risk management practices, the only potential source of ineffectiveness of the designated hedging relationships is represented by any over-hedging situation that could arise when the actual volumes of foreign currencies sales are lower than the hedged ones; the fair value change related to over-hedging amounts and previously deferred in the cash flow hedge reserve is reclassified to profit or loss, without any adjustment of monthly revenues.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the US Dollar exchange rate, with all other variables held constant, of the Group's profit before tax and the Group's equity (excluding accumulated losses).

	Increase/ (decrease) in Euro/ US Dollar rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
	%	€'000	€'000
31 December 2018			
If the Euro weakens against the US Dollar .	(5)	2,905	14,764
If the Euro strengthens against the US Dollar	5	(2,628)	(13,358)
31 December 2019			
If the Euro weakens against the US Dollar .	(5)	2,167	15,071
If the Euro strengthens against the US Dollar	5	(1,961)	(13,636)
31 December 2020			
If the Euro weakens against the US Dollar .	(5)	1,771	13,795
If the Euro strengthens against the US Dollar	5	(1,602)	(12,481)
30 September 2021			
If the Euro weakens against the US Dollar .	(5)	1,670	14,262
If the Euro strengthens against the US Dollar	5	(1,511)	(12,904)

Interest rate risk

The interest rate risk is the risk that the value of future financial flows could fluctuate due to changes in market interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax and the Group's equity (excluding accumulated losses).

	Increase/ (decrease) in 6-month Euribor in basis point	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
		<i>€'000</i>	<i>€'000</i>
31 December 2018			
Euro	100	956	—
Euro	(100)	(956)	—
31 December 2019			
Euro	100	1,273	—
Euro	(100)	(1,273)	—
31 December 2020			
Euro	100	1,673	—
Euro	(100)	(1,673)	—
30 September 2021			
Euro	100	1,033	—
Euro	(100)	(1,033)	—

Credit risk

The credit risk is the risk of potential losses due to the inability of counterparties to fulfil commercial or financial obligations. This risk can arise when a counterparty defaults for technical/commercial reasons (disputes about the nature/quality of a product, interpretation of contract clauses, etc.) or when one party causes the other party to incur a loss by failing to comply with an obligation.

In light of the type of customers targeted by the Group's products and services and the commercial policies it has adopted, which envisage, in most of transactions, that the balance of the contract amount, net of advances collected, is paid before or concurrently with the delivery of the boat, the Group believes that its credit risk is not material. The payment of advances is associated with both the defined contractual due dates and the achievement of production milestones.

At the procedural level, in the limited number of cases in which the sales policies mentioned above are not applicable, the Group's receivables are monitored periodically to verify compliance with contractual payment terms.

The table below reports residual amounts, i.e., already net of any write-downs, which even if expired at the end of each of the Relevant Periods are considered fully recoverable:

31 December 2018

	Current	Past due one month	Past due one to two months	Past due two to three months	Past due over three months	Total
Cash and cash equivalents..	38,503	—	—	—	—	38,503
Trade receivables	4,154	261	532	298	1,878	7,123
Financial assets included in						
other receivables	2,353	—	—	—	—	2,353
Other current assets.	3,491	—	—	—	—	3,491
Financial assets included in						
other non-current assets..	1,513	—	—	—	—	1,513
	<u>50,014</u>	<u>261</u>	<u>532</u>	<u>298</u>	<u>1,878</u>	<u>52,983</u>

31 December 2019

	<u>Current</u>	<u>Past due one month</u>	<u>Past due one to two months</u>	<u>Past due two to three months</u>	<u>Past due over three months</u>	<u>Total</u>
Cash and cash equivalents..	39,164	—	—	—	—	39,164
Trade receivables	12,140	951	105	83	7,450	20,729
Financial assets included in						
other receivables	3,742	—	—	—	—	3,742
Other current assets.	1,517	—	—	—	—	1,517
Financial assets included in						
other non-current assets..	4,164	—	—	—	—	4,164
	<u>60,727</u>	<u>951</u>	<u>105</u>	<u>83</u>	<u>7,450</u>	<u>69,316</u>

31 December 2020

	<u>Current</u>	<u>Past due one month</u>	<u>Past due one to two months</u>	<u>Past due two to three months</u>	<u>Past due over three months</u>	<u>Total</u>
Cash and cash equivalents..	32,830	—	—	—	—	32,830
Trade receivables	7,491	—	1,231	103	3,425	12,250
Financial assets included in						
other receivables	4,158	—	—	—	—	4,158
Other current assets.	3,592	—	—	—	—	3,592
Financial assets included in						
other non-current assets..	1,797	—	—	—	—	1,797
	<u>49,868</u>	<u>—</u>	<u>1,231</u>	<u>103</u>	<u>3,425</u>	<u>54,627</u>

30 September 2021

	Current	Past due one month	Past due one to two months	Past due two to three months	Past due over three months	Total
Cash and cash equivalents..	187,462	—	—	—	—	187,462
Trade receivables	2,886	—	2,467	598	5,462	11,413
Financial assets included in						
other receivables	3,511	—	—	—	—	3,511
Other current assets.	4,053	—	—	—	—	4,053
Financial assets included in						
other non-current assets . .	1,895	—	—	—	—	1,895
	<u>199,807</u>	<u>—</u>	<u>2,467</u>	<u>598</u>	<u>5,462</u>	<u>208,334</u>

Capital management

The objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to improve financial performance as indicated by profit/(loss) before tax, financial expenses (note 16), depreciation and amortization (note 14) amounting to €52,633,000, €51,166,000, €53,402,000, €26,201,000 (unaudited) and €82,038,000 for the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2020 and 2021, respectively, and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and adjusts it in order to face changes in economic conditions and the risk characteristics of the underlying assets. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies, or processes for managing capital during the Relevant Periods.

6. REVENUE/COMMISSIONS AND OTHER COSTS RELATED TO REVENUE

	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2020	Nine months ended 30 September 2020	Nine months ended 30 September 2021
	€'000	€'000	€'000	€'000 (unaudited)	€'000
Revenue from contracts with customers. . .	631,269	678,165	638,194	425,638	693,277
Commissions and other costs related to revenue.	(15,857)	(28,914)	(26,839)	(26,005)	(24,010)
Revenue, net of commissions and other costs related to revenue ("Net Revenue").	<u>615,412</u>	<u>649,251</u>	<u>611,355</u>	<u>399,633</u>	<u>669,267</u>

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.

Disaggregated Net Revenue information*Analysis by product type*

The following table provides a breakdown by product type of the Group's Net Revenue during the Relevant Periods and the period covered by the Interim Comparative Financial Information:

	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2020	Nine months ended 30 September 2020	Nine months ended 30 September 2021
	€'000	€'000	€'000	€'000 (unaudited)	€'000
Composite yachts	264,257	321,368	298,368	205,394	351,017
Made-to-measure yachts	233,233	195,386	168,506	108,169	187,360
Super yachts	44,286	56,674	63,742	22,056	56,210
Other revenue*	73,636	75,823	80,739	64,014	74,680
	<u>615,412</u>	<u>649,251</u>	<u>611,355</u>	<u>399,633</u>	<u>669,267</u>

* Mainly represents revenue from ancillary services: the trading of pre-owned boats (years ended 31 December 2018, 2019 and 2020: €37,485,000, €42,680,000, €39,451,000; nine months ended 30 September 2020 and 2021: €36,881,000 (unaudited), €36,345,000), the manufacture and installation of wood furnishings for nautical interiors, the provision of brokerage, yacht chartering and yacht management services, the provision of aftersales and refitting services and our Ferretti Security Division ("FSD") business.

Geographical markets

The following table provides a breakdown by geography of the Group's Net Revenue during the Relevant Periods and the period covered by the Interim Comparative Financial Information:

	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2020	Nine months ended 30 September 2020	Nine months ended 30 September 2021
	€'000	€'000	€'000	€'000	€'000
				(unaudited)	
EMEA.	272,051	287,939	254,027	153,756	268,388
AMAS.	136,352	177,295	149,922	120,928	235,445
APAC.	89,087	51,520	62,925	38,879	34,544
Global*.	44,286	56,674	63,742	22,056	56,210
Other**.	73,636	75,823	80,739	64,014	74,680
	<u>615,412</u>	<u>649,251</u>	<u>611,355</u>	<u>399,633</u>	<u>669,267</u>

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

** Mainly revenue from ancillary services and FSD business.

Timing of revenue recognition

	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2020	Nine months ended 30 September 2020	Nine months ended 30 September 2021
	€'000	€'000	€'000	€'000	€'000
				(unaudited)	
At a point in time.	76,443	75,905	64,952	45,570	68,727
Over time.	538,969	573,346	546,403	354,063	600,540
	<u>615,412</u>	<u>649,251</u>	<u>611,355</u>	<u>399,633</u>	<u>669,267</u>

The following table shows the amounts of revenue recognised in each of the Relevant Periods and the period covered by the Interim Comparative Financial Information that were included in the contract liabilities at the beginning of the respective period:

	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2020	Nine months ended 30 September 2020	Nine months ended 30 September 2021
	€'000	€'000	€'000	€'000	€'000
				(unaudited)	
Revenue recognised that was included in contract liabilities at beginning of the respective period	29,413	46,061	43,738	41,321	50,088

Performance obligations

The performance obligation of sale of new boats (sale of composite yachts, made-to-measure yachts, super yachts) to order is satisfied over time of construction of boats.

The payment terms are agreed with the customers on a case by case basis to match cash requirements for the production. Advance payments are agreed with each customer on the basis of the time needed to construct the boats and are paid before the completion of the construction. These contracts do not include obligations for returns, refunds and other similar obligations, however the vessels are covered by a warranty which is included in a range between 18 and 24 months.

The performance obligation of revenue other than sale of new boats to order is satisfied at a point in time when the control of the asset or service are transferred to the customers.

The payment terms are agreed with the customers on a case by case basis to match cash used in the production. In general, these contracts do not include obligations for returns, refunds and other similar obligations.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at the end of each of the Relevant Periods and the period covered by the Interim Comparative Financial Information are as follows:

	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2020	Nine months ended 30 September 2020	Nine months ended 30 September 2021
	€'000	€'000	€'000	€'000	€'000
				(unaudited)	
Amount expected to be recognised as revenue:					
Within one year	204,314	258,329	248,712	241,964	450,273
After one year	87,811	108,386	96,221	100,221	127,995
	<u>292,125</u>	<u>366,715</u>	<u>344,933</u>	<u>342,185</u>	<u>578,268</u>

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to sale of new boats, of which the performance obligation is to be satisfied within 2 years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

7. CHANGE IN INVENTORIES OF WORK-IN-PROCESS, SEMI-FINISHED AND FINISHED GOODS/COST CAPITALIZED

The change in inventories represents inventories of boats not covered by orders.

The cost capitalized consists of costs incurred for labour, materials and manufacturing overheads capitalized in models and moulds and design to be used in the construction of boats.

8. OTHER INCOME

	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2020	Nine months ended 30 September 2020	Nine months ended 30 September 2021
	€'000	€'000	€'000	€'000 (unaudited)	€'000
Cost over-accruals (<i>note (i)</i>)	3,012	3,092	4,791	2,982	889
Compensation and settlement income (<i>note (ii)</i>)	3,314	2,747	2,101	1,814	749
Gain on disposal of property, plant and equipment	190	48	1,822	1,818	11
Discounts from suppliers	1,349	1,221	1,780	807	2,388
Rental income	273	244	641	420	525
Miscellaneous costs re-charged to customers and dealers	797	1,281	256	523	297
Others	4,147	4,358	3,636	2,297	3,296
	<u>13,082</u>	<u>12,991</u>	<u>15,027</u>	<u>10,661</u>	<u>8,155</u>

Notes:

- (i) Cost over-accruals represent over-estimates of costs recorded in prior years for the supplies of raw materials and services.
- (ii) Compensation and settlement income represents proceeds of insurance compensation for boats under construction and/or delivered, compensation from suppliers and other commercial settlement compensation.

9. CONTRACTORS COSTS

The contractors costs mainly represent the costs associated with the use of contractors in production process, including the production and construction of some more complex parts, components and systems of yachts.

10. RENTALS AND LEASES

	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2020	Nine months ended 30 September 2020	Nine months ended 30 September 2021
	€'000	€'000	€'000	€'000 (unaudited)	€'000
Expenses relating to:					
Short-term leases	—	3,088	3,409	2,678	2,857
Leases of low-valued assets	—	1,369	370	269	250
Minimum lease payments under operating leases	6,929	—	—	—	—
Royalties	1,266	2,214	1,803	1,744	2,247
	<u>8,195</u>	<u>6,671</u>	<u>5,582</u>	<u>4,691</u>	<u>5,354</u>

11. PERSONNEL COSTS

	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2020	Nine months ended 30 September 2020	Nine months ended 30 September 2021
	€'000	€'000	€'000	€'000 (unaudited)	€'000
Wages and salaries	64,992	69,192	65,540	47,817	57,033
Social security contributions	21,329	22,866	22,438	16,644	19,858
Employee severance indemnities and other allocations	4,195	4,388	4,476	3,198	3,484
	<u>90,516</u>	<u>96,446</u>	<u>92,454</u>	<u>67,659</u>	<u>80,375</u>

Directors' remuneration

The remuneration of each of the Company' directors is set out below:

	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2020	Nine months ended 30 September 2020	Nine months ended 30 September 2021
	€'000	€'000	€'000	€'000	€'000
				(unaudited)	
Fees	1,931	1,314	2,373	1,240	1,249
Social security contributions	23	34	23	23	23
	<u>1,954</u>	<u>1,348</u>	<u>2,396</u>	<u>1,263</u>	<u>1,272</u>

(a) Independent non-executive directors

There were no independent non-executive directors during the Relevant Periods.

(b) An executive director and non-executive directors**Year ended 31 December 2018**

	Fees	Wages and salaries	Social security contributions	Employee severance indemnities and other allocations	Total remuneration
	€'000	€'000	€'000	€'000	€'000
Tan Xuguang*	—	—	—	—	—
Alberto Galassi#	1,735	—	—	—	1,735
Piero Ferrari	53	—	—	—	53
Xu Xinyu	57	—	23	—	80
Michael Macht	43	—	—	—	43
Jiang Kui*	—	—	—	—	—
Wu Guogang	43	—	—	—	43
	<u>1,931</u>	<u>—</u>	<u>23</u>	<u>—</u>	<u>1,954</u>

Year ended 31 December 2019

	Fees	Wages and salaries	Social security contributions	Employee severance indemnities and other allocations	Total remuneration
	€'000	€'000	€'000	€'000	€'000
Tan Xuguang*	—	—	—	—	—
Alberto Galassi [#]	1,114	—	—	—	1,114
Piero Ferrari	53	—	—	—	53
Xu Xinyu	57	—	23	—	80
Michael Macht	33	—	11	—	44
Jiang Kui*	—	—	—	—	—
Wu Guogang	43	—	—	—	43
Daniel Lalonde	14	—	—	—	14
	<u>1,314</u>	<u>—</u>	<u>34</u>	<u>—</u>	<u>1,348</u>

Year ended 31 December 2020

	Fees	Wages and salaries	Social security contributions	Employee severance indemnities and other allocations	Total remuneration
	€'000	€'000	€'000	€'000	€'000
Tan Xuguang*	—	—	—	—	—
Alberto Galassi [#]	2,143	—	—	—	2,143
Piero Ferrari	53	—	—	—	53
Xu Xinyu	57	—	23	—	80
Li Xinghao	34	—	—	—	34
Jiang Kui*	—	—	—	—	—
Wu Guogang	43	—	—	—	43
Daniel Lalonde	43	—	—	—	43
	<u>2,373</u>	<u>—</u>	<u>23</u>	<u>—</u>	<u>2,396</u>

Nine months ended 30 September 2020 (unaudited)

	Fees	Wages and salaries	Social security contributions	Employee severance indemnities and other allocations	Total remuneration
	€'000	€'000	€'000	€'000	€'000
Tan Xuguang*	—	—	—	—	—
Alberto Galassi [#]	1,071	—	—	—	1,071
Piero Ferrari	39	—	—	—	39
Xu Xinyu	43	—	23	—	66
Li Xinghao	23	—	—	—	23
Jiang Kui*	—	—	—	—	—
Wu Guogang	32	—	—	—	32
Daniel Lalonde	32	—	—	—	32
	<u>1,240</u>	<u>—</u>	<u>23</u>	<u>—</u>	<u>1,263</u>

Nine months ended 30 September 2021

	Fees	Wages and salaries	Social security contributions	Employee severance indemnities and other allocations	Total remuneration
	€'000	€'000	€'000	€'000	€'000
Tan Xuguang*	—	—	—	—	—
Alberto Galassi [#]	1,071	—	—	—	1,071
Piero Ferrari	39	—	—	—	39
Xu Xinyu	43	—	23	—	66
Li Xinghao	32	—	—	—	32
Li Shaofeng	23	—	—	—	23
Wu Guogang	9	—	—	—	9
Daniel Lalonde	32	—	—	—	32
	<u>1,249</u>	<u>—</u>	<u>23</u>	<u>—</u>	<u>1,272</u>

* Chairman Tan Xuguang waived his remuneration during the Relevant Periods and Mr. Jiang Kui waived his remuneration during the years ended 31 December 2018, 2019 and 2020.

Mr. Alberto Galassi is the executive director and is also the chief executive of the Company.

Five highest paid employees

The five highest paid employees during the years ended 31 December 2018, 2019 and 2020, and nine months ended 30 September 2020 and 2021, included one, one, one, one (unaudited) and one director, details of whose remuneration are set out above. Details of the remuneration for the years ended 31 December 2018, 2019 and 2020, and nine months ended 30 September 2020 and 2021, of the remaining four, four, four, four (unaudited) and four highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2020	Nine months ended 30 September 2020	Nine months ended 30 September 2021
	€'000	€'000	€'000	€'000	€'000
				(unaudited)	
Wages and salaries	1,123	1,592	1,061	857	972
Social security contributions	334	352	254	222	283
Employee severance indemnities and other allocations	67	80	66	47	52
	<u>1,524</u>	<u>2,024</u>	<u>1,381</u>	<u>1,126</u>	<u>1,307</u>

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

Number of employees

	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2020	Nine months ended 30 September 2020	Nine months ended 30 September 2021
				(unaudited)	
HK\$2,000,001 to HK\$2,500,000	—	—	—	2	—
HK\$2,500,001 to HK\$3,000,000	1	—	3	2	2
HK\$3,000,001 to HK\$3,500,000	1	1	—	—	2
HK\$3,500,001 to HK\$4,000,000	1	—	1	—	—
HK\$4,000,001 to HK\$4,500,000	1	1	—	—	—
HK\$4,500,001 to HK\$5,000,000	—	1	—	—	—
HK\$5,500,001 to HK\$6,000,000	—	1	—	—	—
	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>

12. OTHER OPERATING EXPENSES

	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2020	Nine months ended 30 September 2020	Nine months ended 30 September 2021
	€'000	€'000	€'000	€'000 (unaudited)	€'000
Cost under-accruals (<i>note (i)</i>)	240	2,457	1,511	1,091	828
Compensation and settlement expenses (<i>note (ii)</i>)	609	3,730	1,458	1,401	811
Other taxes	981	1,081	1,334	854	999
Membership fees	356	469	545	431	410
Advertising and promotional materials . .	501	694	454	243	276
Re-billable costs	1,847	2,119	447	260	240
Loss on disposal of property, plant and equipment	112	—	335	16	27
Others	325	778	1,282	843	328
	<u>4,971</u>	<u>11,328</u>	<u>7,366</u>	<u>5,139</u>	<u>3,919</u>

Notes:

- (i) Cost under-accruals represent under-estimates of costs recorded in prior years for the supplies of raw materials and services.
- (ii) Compensation and settlement expenses represent compensation paid in relation to several private agreements during the Relevant Periods.

13. PROVISIONS AND IMPAIRMENT

	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2020	Nine months ended 30 September 2020	Nine months ended 30 September 2021
	€'000	€'000	€'000	€'000 (unaudited)	€'000
Provision for product warranties	15,203	19,131	15,084	10,664	15,825
Provision for miscellaneous risks, net. . .	(311)	2,252	1,558	3,521	495
Impairment of trade receivables, net. . . .	661	(526)	630	400	79
	<u>15,553</u>	<u>20,857</u>	<u>17,272</u>	<u>14,585</u>	<u>16,399</u>

14. DEPRECIATION AND AMORTIZATION

	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2020	Nine months ended 30 September 2020	Nine months ended 30 September 2021
	€'000	€'000	€'000	€'000 (unaudited)	€'000
Depreciation of property, plant and equipment					
Owned assets	22,734	29,645	30,782	25,534	25,940
Right-of-use assets	—	3,819	5,772	4,174	4,783
Amortization of intangible assets	2,366	4,691	5,939	3,611	5,113
	<u>25,100</u>	<u>38,155</u>	<u>42,493</u>	<u>33,319</u>	<u>35,836</u>

15. FINANCIAL INCOME

	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2020	Nine months ended 30 September 2020	Nine months ended 30 September 2021
	€'000	€'000	€'000	€'000 (unaudited)	€'000
Bank interest income	208	207	37	36	1
Other interest income	105	29	96	92	215
	<u>313</u>	<u>236</u>	<u>133</u>	<u>128</u>	<u>216</u>

16. FINANCIAL EXPENSES

	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2020	Nine months ended 30 September 2020	Nine months ended 30 September 2021
	€'000	€'000	€'000	€'000 (unaudited)	€'000
Interest on bank and other loans	1,886	2,539	5,975	4,566	3,562
Interest on amounts due to the immediate holding company	3,022	3,027	—	—	—
Interest on lease liabilities	—	108	163	118	135
Interest on provision for severance benefits and pensions	51	55	29	24	8
Bank charges and others	444	879	730	436	895
	<u>5,403</u>	<u>6,608</u>	<u>6,897</u>	<u>5,144</u>	<u>4,600</u>

17. INCOME TAX

	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2020	Nine months ended 30 September 2020	Nine months ended 30 September 2021
	€'000	€'000	€'000	€'000 (unaudited)	€'000
Corporate income tax ("IRES")	406	10	—	—	6,516
Regional tax ("IRAP")	1,769	502	840	419	2,106
Federal tax	32	456	683	776	1,703
	2,207	968	1,523	1,195	10,325
Under/(over)-provision in prior years . . .	(3,417)	(2,420)	(1,543)	84	(108)
Deferred tax	(8,853)	(18,717)	(18,435)	(19,131)	12
	<u>(10,063)</u>	<u>(20,169)</u>	<u>(18,455)</u>	<u>(17,852)</u>	<u>10,229</u>

In accordance with the Consolidated Tax Filing system adopted, the Group had a positive corporate income tax base for the year ended 31 December 2018 and therefore generated current income tax. The IRAP (Imposta regionale sulle attività produttive) taxable base of several Group companies was also positive and therefore the Group recorded current taxes based on the local tax rate applicable to the gross operating profit.

For the years ended 31 December 2019 and 2020, the Group had a negative corporate income tax base and did not generate current income tax. Therefore, there was no IRES (Imposta sul reddito delle società) payable. The IRAP taxable base of several Group companies was also positive and therefore the Group recorded current taxes based on the local tax rate applicable to the gross operating profit.

The following table provides a reconciliation of income tax between the nominal and effective tax rate of the Group for the Relevant Periods:

	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2020	Nine months ended 30 September 2020	Nine months ended 30 September 2021
	€'000	€'000	€'000	€'000	€'000
				(unaudited)	
Profit/(loss) before tax	20,657	6,430	3,527	(12,164)	42,318
Corporate income tax	4,958	1,543	846	(2,911)	10,156
Regional tax	806	251	138	(277)	1,802
	5,764	1,794	984	(3,188)	11,958
Adjustments in respect of:					
Recognition of the credit for R&D investments	(2,577)	(2,390)	(1,637)	—	—
Tax credit for ACE (Allowance for Corporate Equity)	(1,595)	—	—	—	—
Deferred tax of previous periods	(6,302)	(18,717)	(17,268)	(16,232)	—
Tax losses utilised from previous periods.	(1,624)	—	—	—	—
Others	(3,729)	(856)	(534)	1,568	(1,729)
	(10,063)	(20,169)	(18,455)	(17,852)	10,229

18. CASH AND CASH EQUIVALENTS

The Group

	31 December 2018	31 December 2019	31 December 2020	30 September 2021
	€'000	€'000	€'000	€'000
Cash at bank	38,464	39,134	32,804	187,421
Cash on hand	39	30	26	41
	38,503	39,164	32,830	187,462

The Company

	<u>31 December 2018</u>	<u>31 December 2019</u>	<u>31 December 2020</u>	<u>30 September 2021</u>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Cash at bank	24,320	31,145	18,196	155,182
Cash on hand	23	18	13	18
	<u>24,343</u>	<u>31,163</u>	<u>18,209</u>	<u>155,200</u>

There are no obligations or restrictions on use of the Group's cash and cash equivalents, which are deposited with major national and international banking institutions. Amounts collected and held in escrow accounts are included in "Other current assets".

19. TRADE AND OTHER RECEIVABLES**The Group**

	<u>31 December 2018</u>	<u>31 December 2019</u>	<u>31 December 2020</u>	<u>30 September 2021</u>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Trade receivables	7,123	20,729	12,250	11,413
Other receivables	21,213	28,172	24,172	24,202
	<u>28,336</u>	<u>48,901</u>	<u>36,422</u>	<u>35,615</u>

The Company

	<u>31 December 2018</u>	<u>31 December 2019</u>	<u>31 December 2020</u>	<u>30 September 2021</u>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Trade receivables	209,406	204,394	183,999	186,163
Other receivables	17,024	23,219	20,105	17,648
	<u>226,430</u>	<u>227,613</u>	<u>204,104</u>	<u>203,811</u>

Trade receivables

The Group

	31 December 2018	31 December 2019	31 December 2020	30 September 2021
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Accounts receivable from customers . .	15,068	27,182	18,839	18,071
Impairment	(7,945)	(6,453)	(6,589)	(6,658)
	<u>7,123</u>	<u>20,729</u>	<u>12,250</u>	<u>11,413</u>

The Company

	31 December 2018	31 December 2019	31 December 2020	30 September 2021
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Accounts receivable from customers . .	215,889	210,087	189,453	191,609
Impairment	(6,483)	(5,693)	(5,454)	(5,446)
	<u>209,406</u>	<u>204,394</u>	<u>183,999</u>	<u>186,163</u>

Accounts receivable from customers of the Group relate primarily to sales and services other than sale of new boats, for which the balance is generally received before delivery based on the contractual terms and conditions in force. These are considered to be receivable within 12 months. Payment terms are agreed with customers on a case by case basis.

An ageing analysis of the trade receivables as at the end of each of the Relevant Periods, based on the due date and net of loss allowance, is as follows:

The Group

	31 December 2018	31 December 2019	31 December 2020	30 September 2021
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Within one month	4,415	13,091	7,491	2,886
one to two months	532	105	1,231	2,467
two to three months	298	83	103	598
Over three months	1,878	7,450	3,425	5,462
	<u>7,123</u>	<u>20,729</u>	<u>12,250</u>	<u>11,413</u>

The Company

	31 December 2018	31 December 2019	31 December 2020	30 September 2021
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Within one month	6,986	34,564	29,607	44,858
one to two months	3,634	792	7,820	13,629
two to three months	285	8,462	6,525	3,458
Over three months	198,501	160,576	140,047	124,218
	<u>209,406</u>	<u>204,394</u>	<u>183,999</u>	<u>186,163</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

The Group

	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2020	Nine months ended 30 September 2021
	€'000	€'000	€'000	€'000
At beginning of year/period	8,453	7,945	6,453	6,589
Impairment losses, net.	661	(526)	630	79
Amount written off as uncollectible . .	(1,169)	(966)	(494)	(10)
At end of year/period	<u>7,945</u>	<u>6,453</u>	<u>6,589</u>	<u>6,658</u>

The Company

	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2020	Nine months ended 30 September 2021
	€'000	€'000	€'000	€'000
At beginning of year/period	7,145	6,483	5,693	5,454
Impairment losses, net.	—	—	200	—
Amount written off as uncollectible . .	(662)	(790)	(439)	(8)
At end of year/period	<u>6,483</u>	<u>5,693</u>	<u>5,454</u>	<u>5,446</u>

The decrease in the loss allowance of the Group for the years ended 2018 and 2019 was mainly as a result of the write-off of certain trade receivables as uncollectible. The increase in the loss allowance of the Group for the year ended 2020 was mainly due to impairment loss of €630,000 as a result of an increase in trade receivables. The increase in the loss allowance of the Group for the period ended 30 September 2021 was mainly due to impairment loss of €79,000.

An impairment analysis is performed at the end of each of the Relevant Periods to measure expected credit losses. The provision rates are based on the ageing for each specific customer. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables:

The Group

31 December 2018

	Current	Past due one month	Past due one to two months	Past due two to three months	Past due over three months	Total
Expected credit loss rate . . .	0%	0%	0%	0%	81%	53%
Gross carrying amount (€'000)	4,154	261	532	298	9,823	15,068
Expected credit losses (€'000)	—	—	—	—	7,945	7,945

31 December 2019

	Current	Past due one month	Past due one to two months	Past due two to three months	Past due over three months	Total
Expected credit loss rate . . .	0%	0%	0%	0%	46%	24%
Gross carrying amount (€'000)	12,140	951	105	83	13,903	27,182
Expected credit losses (€'000)	—	—	—	—	6,453	6,453

31 December 2020

	Current	Past due one month	Past due one to two months	Past due two to three months	Past due over three months	Total
Expected credit loss rate . . .	0%	0%	0%	0%	66%	35%
Gross carrying amount (€'000)	7,491	—	1,231	103	10,014	18,839
Expected credit losses (€'000)	—	—	—	—	6,589	6,589

30 September 2021

	Current	Past due one month	Past due one to two months	Past due two to three months	Past due over three months	Total
Expected credit loss rate . . .	0%	0%	0%	0%	55%	37%
Gross carrying amount (€'000)	2,886	—	2,467	598	12,120	18,071
Expected credit losses (€'000)	—	—	—	—	6,658	6,658

The Company**31 December 2018**

	Current	Past due one month	Past due one to two months	Past due two to three months	Past due over three months	Total
Expected credit loss rate . . .	0%	0%	0%	0%	3%	3%
Gross carrying amount (€'000)	2,943	4,043	3,634	285	204,984	215,889
Expected credit losses (€'000)	—	—	—	—	6,483	6,483

31 December 2019

	Current	Past due one month	Past due one to two months	Past due two to three months	Past due over three months	Total
Expected credit loss rate . . .	0%	0%	0%	0%	3%	3%
Gross carrying amount (€'000)	22,188	12,376	792	8,462	166,269	210,087
Expected credit losses (€'000)	—	—	—	—	5,693	5,693

31 December 2020

	Current	Past due one month	Past due one to two months	Past due two to three months	Past due over three months	Total
Expected credit loss rate . . .	0%	0%	0%	0%	4%	3%
Gross carrying amount (€'000)	20,460	9,147	7,820	6,525	145,501	189,453
Expected credit losses (€'000)	—	—	—	—	5,454	5,454

30 September 2021

	Current	Past due one month	Past due one to two months	Past due two to three months	Past due over three months	Total
Expected credit loss rate . . .	0%	0%	0%	0%	4%	3%
Gross carrying amount (€'000)	18,470	26,388	13,629	3,458	129,664	191,609
Expected credit losses (€'000)	—	—	—	—	5,446	5,446

In view of the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

Other receivables**The Group**

	31 December 2018	31 December 2019	31 December 2020	30 September 2021
	€'000	€'000	€'000	€'000
Other tax receivables	8,632	11,283	9,877	7,860
Prepayments and sundry receivables . .	12,581	16,889	14,295	16,342
	<u>21,213</u>	<u>28,172</u>	<u>24,172</u>	<u>24,202</u>

The Company

	31 December 2018	31 December 2019	31 December 2020	30 September 2021
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Other tax receivables	7,858	10,360	9,472	7,062
Prepayments and sundry receivables . .	9,166	12,859	10,633	10,586
	<u>17,024</u>	<u>23,219</u>	<u>20,105</u>	<u>17,648</u>

As at the end of each of the Relevant Periods, the loss allowance of other receivables was assessed to be minimal.

20. CONTRACT ASSETS

Contract assets consists of the accumulated amount of revenue earned for contract works in respect of new boats to order completed at the end of each of the Relevant Periods, net of progress payments already received.

The Group

	31 December 2018	31 December 2019	31 December 2020	30 September 2021
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Gross contract assets	427,141	389,561	351,958	409,632
Less: Advances received	(268,760)	(234,431)	(175,921)	(297,806)
	<u>158,381</u>	<u>155,130</u>	<u>176,037</u>	<u>111,826</u>

The Company

	31 December 2018	31 December 2019	31 December 2020	30 September 2021
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Gross contract assets	327,728	329,906	281,338	284,672
Less: Advances received	(175,242)	(155,671)	(125,787)	(158,737)
	<u>152,486</u>	<u>174,235</u>	<u>155,551</u>	<u>125,935</u>

At the end of each of the Relevant Periods, the Group assessed whether to account a loss allowance of contract assets. No loss allowance of contract assets has been recognised at the end of each of the Relevant Periods.

21. INVENTORIES/ADVANCES ON INVENTORIES

Inventories

The Group

	<u>31 December 2018</u>	<u>31 December 2019</u>	<u>31 December 2020</u>	<u>30 September 2021</u>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Raw materials and components	18,940	25,980	29,956	32,995
Work in progress and semi-finished goods	78,532	77,452	53,886	54,636
Finished goods — new boats	73,182	67,474	62,124	25,761
Finished goods — pre-owned boats	15,613	16,454	30,975	20,584
	<u>186,267</u>	<u>187,360</u>	<u>176,941</u>	<u>133,976</u>

The Company

	<u>31 December 2018</u>	<u>31 December 2019</u>	<u>31 December 2020</u>	<u>30 September 2021</u>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Raw materials and components	15,664	22,270	22,644	25,585
Work in progress and semi-finished goods	80,356	64,560	53,971	54,544
Finished goods — new boats	71,524	64,869	60,617	25,109
Finished goods — used boats	9,688	4,012	16,269	9,150
	<u>177,232</u>	<u>155,711</u>	<u>153,501</u>	<u>114,388</u>

The work in progress and semi-finished goods and finished goods — new boats relate to boats not covered by orders.

Advances on inventories

Advances on inventories represent the prepayments made to suppliers for purchase of inventories.

The expected timing of recovery for inventories as at the end of each of the Relevant Periods is as follows:

The Group

	31 December 2018	31 December 2019	31 December 2020	30 September 2021
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Within one year.....	157,170	155,343	156,906	132,608
After one year.....	29,097	32,017	20,035	1,368
	<u>186,267</u>	<u>187,360</u>	<u>176,941</u>	<u>133,976</u>

The Company

	31 December 2018	31 December 2019	31 December 2020	30 September 2021
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Within one year.....	150,122	129,545	136,413	113,185
After one year.....	27,110	26,166	17,088	1,203
	<u>177,232</u>	<u>155,711</u>	<u>153,501</u>	<u>114,388</u>

22. OTHER CURRENT ASSETS

The balances represent the amounts deposited in escrow accounts for the Group's brokerage service. The deposits are made by customers upon signing of an order and are held in escrow accounts until the boat is delivered to the respective customer. The remaining amount as of September 30, 2021 of the balance is represented by trade receivables toward Perini Navi S.p.A. purchased from Banca IFIS S.p.A. (an Italian financial institution) for €2,508,000, that is approximately 1/3 of the receivable face value. The purchase of this receivable was aimed to seize the opportunity of the auction held by the Lucca Court for the bankruptcy of Perini Navi S.p.A. This receivable will be collected from the bankruptcy receiver, according to bankruptcy procedures.

23. PROPERTY, PLANT AND EQUIPMENT

The Group

31 December 2018

	Land and buildings	Plant, machinery and equipment	Other equipment and vehicles	Models and moulds	Total
	€'000	€'000	€'000	€'000	€'000
At 1 January 2018					
Cost.	108,551	43,024	19,326	184,446	355,347
Accumulated depreciation	(37,034)	(37,179)	(15,128)	(135,299)	(224,640)
Net carrying amount.	<u>71,517</u>	<u>5,845</u>	<u>4,198</u>	<u>49,147</u>	<u>130,707</u>
At 1 January 2018,					
net of accumulated depreciation . .	71,517	5,845	4,198	49,147	130,707
Additions — owned assets	18,093	6,820	3,944	22,244	51,101
Disposals	(4,934)	(1)	(244)	(10)	(5,189)
Depreciation — owned assets	(3,435)	(1,534)	(946)	(16,819)	(22,734)
Exchange realignment.	332	81	(77)	(32)	304
At 31 December 2018,					
net of accumulated depreciation . .	<u>81,573</u>	<u>11,211</u>	<u>6,875</u>	<u>54,530</u>	<u>154,189</u>
At 31 December 2018					
Cost.	121,017	49,722	22,492	200,668	393,899
Accumulated depreciation	(39,444)	(38,511)	(15,617)	(146,138)	(239,710)
Net carrying amount.	<u>81,573</u>	<u>11,211</u>	<u>6,875</u>	<u>54,530</u>	<u>154,189</u>

31 December 2019

	Land and buildings	Plant, machinery and equipment	Other equipment and vehicles	Models and moulds	Total
	€'000	€'000	€'000	€'000	€'000
At 1 January 2019					
Cost.	121,017	49,722	22,492	200,668	393,899
Accumulated depreciation	(39,444)	(38,511)	(15,617)	(146,138)	(239,710)
Net carrying amount.	<u>81,573</u>	<u>11,211</u>	<u>6,875</u>	<u>54,530</u>	<u>154,189</u>
At 1 January 2019, net of					
accumulated depreciation	81,573	11,211	6,875	54,530	154,189
First adoption of IFRS 16	8,026	421	1,639	—	10,086
Additions — owned assets	21,324	4,632	9,857	26,035	61,848
Additions — right-of-use assets	6,434	6	801	—	7,241
Disposals	(54)	(206)	(38)	—	(298)
Depreciation — owned assets	(3,732)	(1,688)	(2,924)	(21,301)	(29,645)
Depreciation — right-of-use assets	(2,876)	(156)	(787)	—	(3,819)
Reclassification	2,177	(2,271)	94	—	—
Exchange realignment.	109	(98)	47	—	58
At 31 December 2019, net of accumulated depreciation	<u>112,981</u>	<u>11,851</u>	<u>15,564</u>	<u>59,264</u>	<u>199,660</u>
At 31 December 2019					
Cost.	159,010	51,510	34,797	226,088	471,405
Accumulated depreciation	(46,029)	(39,659)	(19,233)	(166,824)	(271,745)
Net carrying amount.	<u>112,981</u>	<u>11,851</u>	<u>15,564</u>	<u>59,264</u>	<u>199,660</u>

As at 31 December 2019, the net carrying amounts of land and buildings, plant, machinery and equipment, and other equipment and vehicles included right-of-use assets amounting to €11,584,000, €237,000 and €1,653,000, respectively.

31 December 2020

	Land and buildings	Plant, machinery and equipment	Other equipment and vehicles	Models and moulds	Total
	€'000	€'000	€'000	€'000	€'000
At 1 January 2020					
Cost.	159,010	51,510	34,797	226,088	471,405
Accumulated depreciation	(46,029)	(39,659)	(19,233)	(166,824)	(271,745)
Net carrying amount.	<u>112,981</u>	<u>11,851</u>	<u>15,564</u>	<u>59,264</u>	<u>199,660</u>
At 1 January 2020, net of					
accumulated depreciation	112,981	11,851	15,564	59,264	199,660
Additions — owned assets	13,019	2,682	10,770	29,389	55,860
Additions — right-of-use assets	14,825	70	428	—	15,323
Acquisition of subsidiaries					
(note 37)	4,071	175	—	—	4,246
Disposals	(913)	(439)	(5,208)	—	(6,560)
Depreciation — owned assets	(4,691)	(2,453)	(4,090)	(19,548)	(30,782)
Depreciation — right-of-use assets	(4,745)	(96)	(931)	—	(5,772)
Reclassification	—	(433)	433	—	—
Exchange realignment.	(313)	(119)	108	—	(324)
At 31 December 2020, net of					
accumulated depreciation	<u>134,234</u>	<u>11,238</u>	<u>17,074</u>	<u>69,105</u>	<u>231,651</u>
At 31 December 2020					
Cost.	190,298	53,200	37,982	255,476	536,956
Accumulated depreciation	(56,064)	(41,962)	(20,908)	(186,371)	(305,305)
Net carrying amount.	<u>134,234</u>	<u>11,238</u>	<u>17,074</u>	<u>69,105</u>	<u>231,651</u>

As at 31 December 2020, the net carrying amounts of land and buildings, plant, machinery and equipment, and other equipment and vehicles included right-of-use assets amounting to €21,664,000, €211,000 and €1,149,000, respectively.

30 September 2021

	Land and buildings	Plant, machinery and equipment	Other equipment and vehicles	Models and moulds	Total
	€'000	€'000	€'000	€'000	€'000
At 1 January 2021					
Cost.	190,298	53,200	37,982	255,476	536,956
Accumulated depreciation.	(56,064)	(41,962)	(20,908)	(186,371)	(305,305)
Net carrying amount.	<u>134,234</u>	<u>11,238</u>	<u>17,074</u>	<u>69,105</u>	<u>231,651</u>
At 1 January 2021, net of					
accumulated depreciation.	134,234	11,238	17,074	69,105	231,651
Additions — owned assets	14,855	3,044	1,600	20,572	40,071
Additions — right-of-use assets.	885	202	525	—	1,612
Acquisition of subsidiaries					
(note 37).	2,271	43	7	—	2,321
Disposals	(14)	(206)	—	(4)	(224)
Depreciation — owned assets	(4,599)	(1,717)	(1,886)	(17,738)	(25,940)
Depreciation — right-of-use assets.	(3,910)	(173)	(700)	—	(4,783)
Reclassification	20	(82)	81	(19)	—
Exchange realignment.	307	12	15	(317)	17
At 30 September 2021, net of					
accumulated depreciation.	<u>144,049</u>	<u>12,361</u>	<u>16,716</u>	<u>71,599</u>	<u>244,725</u>
At 30 September 2021					
Cost.	209,521	56,304	40,303	272,667	578,795
Accumulated depreciation.	(65,472)	(43,943)	(23,587)	(201,068)	(334,070)
Net carrying amount.	<u>144,049</u>	<u>12,361</u>	<u>16,716</u>	<u>71,599</u>	<u>244,725</u>

As at 30 September 2021, the net carrying amounts of land and buildings, plant, machinery and equipment, and other equipment and vehicles included right-of-use assets amounting to €18,622,000, €226,000, and €1,003,000, respectively.

The Company

31 December 2018

	Land and buildings	Plant, machinery and equipment	Other equipment and vehicles	Models and moulds	Total
	€'000	€'000	€'000	€'000	€'000
At 1 January 2018					
Cost.	80,599	26,466	13,564	184,494	305,123
Accumulated depreciation	(37,404)	(22,446)	(9,613)	(134,150)	(203,613)
Net carrying amount.	<u>43,195</u>	<u>4,020</u>	<u>3,951</u>	<u>50,344</u>	<u>101,510</u>
At 1 January 2018, net of					
accumulated depreciation	43,195	4,020	3,951	50,344	101,510
Additions — owned assets	1,622	4,951	1,860	22,244	30,677
Disposals	(4,934)	(1)	(235)	(5)	(5,175)
Depreciation — owned assets	(1,976)	(1,000)	(780)	(16,824)	(20,580)
Reclassification	56	34	(58)	(32)	—
At 31 December 2018, net of					
accumulated depreciation	<u>37,963</u>	<u>8,004</u>	<u>4,738</u>	<u>55,727</u>	<u>106,432</u>
At 31 December 2018					
Cost.	75,486	31,289	14,913	200,715	322,403
Accumulated depreciation	(37,523)	(23,285)	(10,175)	(144,988)	(215,971)
Net carrying amount.	<u>37,963</u>	<u>8,004</u>	<u>4,738</u>	<u>55,727</u>	<u>106,432</u>

31 December 2019

	Land and buildings	Plant, machinery and equipment	Other equipment and vehicles	Models and moulds	Total
	€'000	€'000	€'000	€'000	€'000
At 1 January 2019					
Cost.	75,486	31,289	14,913	200,715	322,403
Accumulated depreciation.	(37,523)	(23,285)	(10,175)	(144,988)	(215,971)
Net carrying amount.	<u>37,963</u>	<u>8,004</u>	<u>4,738</u>	<u>55,727</u>	<u>106,432</u>
At 1 January 2019, net of					
accumulated depreciation.	37,963	8,004	4,738	55,727	106,432
First adoption of IFRS 16.	8,501	192	1,537	—	10,230
Additions — owned assets.	6,611	2,692	9,493	26,035	44,831
Additions — right-of-use assets.	4,020	26	525	—	4,571
Disposals.	—	(219)	(26)	—	(245)
Depreciation — owned assets.	(2,023)	(1,319)	(2,338)	(21,301)	(26,981)
Depreciation — right-of-use assets.	(1,913)	(96)	(670)	—	(2,679)
Reclassification.	54	(148)	94	—	—
At 31 December 2019, net of					
accumulated depreciation.	<u>53,213</u>	<u>9,132</u>	<u>13,353</u>	<u>60,461</u>	<u>136,159</u>
At 31 December 2019					
Cost.	94,673	33,820	26,531	226,136	381,160
Accumulated depreciation.	(41,460)	(24,688)	(13,178)	(165,675)	(245,001)
Net carrying amount.	<u>53,213</u>	<u>9,132</u>	<u>13,353</u>	<u>60,461</u>	<u>136,159</u>

As at 31 December 2019, the net carrying amounts of land and buildings, plant, machinery and equipment, and other equipment and vehicles included right-of-use assets amounting to €10,608,000, €88,000 and €1,392,000 respectively.

31 December 2020

	Land and buildings	Plant, machinery and equipment	Other equipment and vehicles	Models and moulds	Total
	€'000	€'000	€'000	€'000	€'000
At 1 January 2020					
Cost.	94,673	33,820	26,531	226,136	381,160
Accumulated depreciation	(41,460)	(24,688)	(13,178)	(165,675)	(245,001)
Net carrying amount.	<u>53,213</u>	<u>9,132</u>	<u>13,353</u>	<u>60,461</u>	<u>136,159</u>
At 1 January 2020, net of					
accumulated depreciation	53,213	9,132	13,353	60,461	136,159
Additions — owned assets	6,777	1,687	10,232	29,073	47,769
Additions — right-of-use assets	1,667	53	239	—	1,959
Disposals	(142)	(351)	(5,208)	—	(5,701)
Depreciation — owned assets	(2,367)	(1,897)	(3,455)	(19,547)	(27,266)
Depreciation — right-of-use assets	(2,481)	(112)	(664)	—	(3,257)
Reclassification	143	(580)	437	—	—
At 31 December 2020, net of					
accumulated depreciation	<u>56,810</u>	<u>7,932</u>	<u>14,934</u>	<u>69,987</u>	<u>149,663</u>
At 31 December 2020					
Cost.	103,080	34,562	28,930	255,209	421,781
Accumulated depreciation	(46,270)	(26,630)	(13,996)	(185,222)	(272,118)
Net carrying amount.	<u>56,810</u>	<u>7,932</u>	<u>14,934</u>	<u>69,987</u>	<u>149,663</u>

As at 31 December 2020, the net carrying amounts of land and buildings, plant, machinery and equipment, and other equipment and vehicles included right-of-use assets amounting to €9,794,000, €29,000 and €967,000, respectively.

30 September 2021

	Land and buildings	Plant, machinery and equipment	Other equipment and vehicles	Models and moulds	Total
	€'000	€'000	€'000	€'000	€'000
At 1 January 2021					
Cost.	103,080	34,562	28,930	255,209	421,781
Accumulated depreciation	(46,270)	(26,630)	(13,996)	(185,222)	(272,118)
Net carrying amount.	<u>56,810</u>	<u>7,932</u>	<u>14,934</u>	<u>69,987</u>	<u>149,663</u>
At 1 January 2021,					
net of accumulated depreciation . .	56,810	7,932	14,934	69,987	149,663
Additions — owned assets	11,020	2,874	603	20,570	35,067
Additions — right-of-use assets . . .	727	94	510	—	1,331
Disposals	(14)	(60)	—	(3)	(77)
Depreciation — owned assets	(2,340)	(1,191)	(1,470)	(18,620)	(23,621)
Depreciation — right-of-use assets . .	(1,883)	(86)	(579)	—	(2,548)
Reclassification	208	(211)	22	(19)	—
At 30 September 2021, net of accumulated depreciation	<u>64,528</u>	<u>9,352</u>	<u>14,020</u>	<u>71,915</u>	<u>159,815</u>
At 30 September 2021					
Cost.	115,017	37,238	30,032	272,718	455,005
Accumulated depreciation	(50,489)	(27,886)	(16,012)	(200,803)	(295,190)
Net carrying amount.	<u>64,528</u>	<u>9,352</u>	<u>14,020</u>	<u>71,915</u>	<u>159,815</u>

As at 30 September 2021, the net carrying amounts of land and buildings, plant, machinery and equipment, and other equipment and vehicles included right-of-use assets amounting to €8,638,000,000, €37,000 and €897,000, respectively.

24. INTANGIBLE ASSETS

The Group

31 December 2018

	Goodwill	Trademarks	Other intangible assets	Total
	€'000	€'000	€'000	€'000
At 1 January 2018				
Cost.	1,631	218,173	32,926	252,730
Accumulated amortization	—	—	(21,711)	(21,711)
Net carrying amount	<u>1,631</u>	<u>218,173</u>	<u>11,215</u>	<u>231,019</u>
At 1 January 2018, net of accumulated amortization.				
	1,631	218,173	11,215	231,019
Additions.	—	1,394	7,329	8,723
Disposals.	—	—	(2)	(2)
Amortization	—	—	(2,366)	(2,366)
Exchange realignment	—	—	(159)	(159)
At 31 December 2018, net of accumulated amortization.	<u>1,631</u>	<u>219,567</u>	<u>16,017</u>	<u>237,215</u>
At 31 December 2018				
Cost.	1,631	219,567	40,065	261,263
Accumulated amortization	—	—	(24,048)	(24,048)
Net carrying amount	<u>1,631</u>	<u>219,567</u>	<u>16,017</u>	<u>237,215</u>

31 December 2019

	Goodwill	Trademarks	Other intangible assets	Total
	€'000	€'000	€'000	€'000
At 1 January 2019				
Cost	1,631	219,567	40,065	261,263
Accumulated amortization	—	—	(24,048)	(24,048)
Net carrying amount	<u>1,631</u>	<u>219,567</u>	<u>16,017</u>	<u>237,215</u>
At 1 January 2019, net of accumulated amortization				
	1,631	219,567	16,017	237,215
Additions	—	24,174	8,875	33,049
Disposals	—	(40)	(4,990)	(5,030)
Amortization	—	—	(4,691)	(4,691)
Exchange realignment	—	—	20	20
At 31 December 2019, net of accumulated amortization	<u>1,631</u>	<u>243,701</u>	<u>15,231</u>	<u>260,563</u>
At 31 December 2019				
Cost	1,631	243,701	43,942	289,274
Accumulated amortization	—	—	(28,711)	(28,711)
Net carrying amount	<u>1,631</u>	<u>243,701</u>	<u>15,231</u>	<u>260,563</u>

31 December 2020

	Goodwill	Trademarks	Other intangible assets	Total
	€'000	€'000	€'000	€'000
At 1 January 2020				
Cost	1,631	243,701	43,942	289,274
Accumulated amortization	—	—	(28,711)	(28,711)
Net carrying amount	<u>1,631</u>	<u>243,701</u>	<u>15,231</u>	<u>260,563</u>
At 1 January 2020, net of accumulated				
amortization	1,631	243,701	15,231	260,563
Additions	—	185	7,599	7,784
Amortization	—	—	(5,939)	(5,939)
Exchange realignment	—	(46)	(13)	(59)
At 31 December 2020, net of				
accumulated amortization	<u>1,631</u>	<u>243,840</u>	<u>16,878</u>	<u>262,349</u>
At 31 December 2020				
Cost	1,631	243,840	51,169	296,640
Accumulated amortization	—	—	(34,291)	(34,291)
Net carrying amount	<u>1,631</u>	<u>243,840</u>	<u>16,878</u>	<u>262,349</u>

30 September 2021

	Goodwill	Trademarks	Other intangible assets	Total
	€'000	€'000	€'000	€'000
At 1 January 2021				
Cost	1,631	243,840	51,169	296,640
Accumulated amortization	—	—	(34,291)	(34,291)
Net carrying amount	<u>1,631</u>	<u>243,840</u>	<u>16,878</u>	<u>262,349</u>
At 1 January 2021, net of accumulated				
amortization	1,631	243,840	16,878	262,349
Additions	—	88	1,817	1,905
Disposals	—	—	(42)	(42)
Amortization	—	—	(5,113)	(5,113)
Exchange realignment	—	—	21	21
At 30 September 2021, net of				
accumulated amortization	<u>1,631</u>	<u>243,928</u>	<u>13,561</u>	<u>259,120</u>
At 30 September 2021				
Cost	1,631	243,928	52,964	298,523
Accumulated amortization	—	—	(39,403)	(39,403)
Net carrying amount	<u>1,631</u>	<u>243,928</u>	<u>13,561</u>	<u>259,120</u>

The Company

31 December 2018

	Trademarks	Other intangible assets	Total
	<u>€'000</u>	<u>€'000</u>	<u>€'000</u>
At 1 January 2018			
Cost	171,645	28,409	200,054
Accumulated amortization	—	(20,372)	(20,372)
Net carrying amount	<u>171,645</u>	<u>8,037</u>	<u>179,682</u>
At 1 January 2018, net of accumulated			
amortization	171,645	8,037	179,682
Additions	794	1,769	2,563
Amortization	—	(1,798)	(1,798)
Disposals	—	(51)	(51)
At 31 December 2018, net of accumulated			
amortization	<u>172,439</u>	<u>7,957</u>	<u>180,396</u>
At 31 December 2018			
Cost	172,439	30,127	202,566
Accumulated amortization	—	(22,170)	(22,170)
Net carrying amount	<u>172,439</u>	<u>7,957</u>	<u>180,396</u>

31 December 2019

	<u>Trademarks</u>	<u>Other intangible assets</u>	<u>Total</u>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
At 1 January 2019			
Cost	172,439	30,127	202,566
Accumulated amortization	—	(22,170)	(22,170)
Net carrying amount	<u>172,439</u>	<u>7,957</u>	<u>180,396</u>
At 1 January 2019, net of accumulated			
amortization	172,439	7,957	180,396
Additions	69	6,717	6,786
Amortization	—	(2,481)	(2,481)
Reclassification	<u>(746)</u>	<u>746</u>	<u>—</u>
At 31 December 2019, net of accumulated			
amortization	<u>171,762</u>	<u>12,939</u>	<u>184,701</u>
At 31 December 2019			
Cost	171,762	37,586	209,348
Accumulated amortization	—	(24,647)	(24,647)
Net carrying amount	<u>171,762</u>	<u>12,939</u>	<u>184,701</u>

31 December 2020

	Trademarks	Other intangible assets	Total
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
At 1 January 2020			
Cost	171,762	37,586	209,348
Accumulated amortization	—	(24,647)	(24,647)
Net carrying amount	<u>171,762</u>	<u>12,939</u>	<u>184,701</u>
At 1 January 2020, net of accumulated amortization			
	171,762	12,939	184,701
Additions	46	2,646	2,692
Amortization	—	(2,954)	(2,954)
Disposals	—	(59)	(59)
Reclassification	2,891	(2,891)	—
At 31 December 2020, net of accumulated amortization	<u>174,699</u>	<u>9,681</u>	<u>184,380</u>
At 31 December 2020			
Cost	174,699	36,944	211,643
Accumulated amortization	—	(27,263)	(27,263)
Net carrying amount	<u>174,699</u>	<u>9,681</u>	<u>184,380</u>

30 September 2021

	<u>Trademarks</u>	<u>Other intangible assets</u>	<u>Total</u>
	€'000	€'000	€'000
At 1 January 2021			
Cost	174,699	36,944	211,643
Accumulated amortization	—	(27,263)	(27,263)
Net carrying amount	<u>174,699</u>	<u>9,681</u>	<u>184,380</u>
At 1 January 2021,			
net of accumulated amortization	174,699	9,681	184,380
Additions	65	1,759	1,824
Amortization	—	(2,293)	(2,293)
At 30 September 2021,			
net of accumulated amortization	<u>174,764</u>	<u>9,147</u>	<u>183,911</u>
At 30 September 2021			
Cost	174,764	38,703	213,467
Accumulated amortization	—	(29,556)	(29,556)
Net carrying amount	<u>174,764</u>	<u>9,147</u>	<u>183,911</u>

Goodwill — indefinite useful life

	<u>31 December 2018</u>	<u>31 December 2019</u>	<u>31 December 2020</u>	<u>30 September 2021</u>
	€'000	€'000	€'000	€'000
Arising from the acquisition of:				
Zago S.p.A.	332	332	332	332
Ferretti Group (Monaco) S.a.M.	1,299	1,299	1,299	1,299
	<u>1,631</u>	<u>1,631</u>	<u>1,631</u>	<u>1,631</u>

Trademarks — indefinite useful life

The Group

	31 December 2018	31 December 2019	31 December 2020	30 September 2021
	€'000	€'000	€'000	€'000
Ferretti Yachts	95,318	95,318	95,318	95,318
CRN	46,528	46,528	46,528	46,528
Custom Line	36,718	36,718	36,718	36,718
Riva	30,716	30,716	30,716	30,716
Wally	—	25,409	25,434	25,434
Pershing	8,609	8,609	8,609	8,609
Easy Boat	9	9	9	9
Costs for trademark protection	1,669	394	508	596
	<u>219,567</u>	<u>243,701</u>	<u>243,840</u>	<u>243,928</u>

The Company

	31 December 2018	31 December 2019	31 December 2020	30 September 2021
	€'000	€'000	€'000	€'000
Ferretti Yachts	95,318	95,318	95,318	95,318
Custom Line	36,718	36,718	36,718	36,718
Riva	30,716	30,716	30,716	30,716
Wally	—	—	2,929	2,929
Pershing	8,609	8,609	8,609	8,609
Easy Boat	9	9	9	9
Mochi	2	2	2	2
Costs for trademark protection	1,067	390	398	463
	<u>172,439</u>	<u>171,762</u>	<u>174,699</u>	<u>174,764</u>

Other intangible assets — definite useful life

The Group

	31 December 2018	31 December 2019	31 December 2020	30 September 2021
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Concessions	1,675	1,614	1,553	1,507
Intellectual property rights	7,428	11,864	13,610	10,633
Software	6,914	1,753	1,715	1,421
	<u>16,017</u>	<u>15,231</u>	<u>16,878</u>	<u>13,561</u>

The Company

	31 December 2018	31 December 2019	31 December 2020	30 September 2021
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Concessions	1,616	1,574	1,533	1,502
Intellectual property rights	4,463	9,670	6,489	6,279
Software	1,878	1,695	1,659	1,366
	<u>7,957</u>	<u>12,939</u>	<u>9,681</u>	<u>9,147</u>

The Group's concessions relate to docking rights in marinas located in Cattolica and Porto Mirabello, Italy, of which the rights are valid until 2053 and 2067, respectively.

The Group's intellectual property rights include (i) costs incurred for constant improvement and complete integration of the various Group companies operating in Italy and abroad, as part of the reorganisation of the Group initiated in previous years; (ii) design work to develop naval platforms for the construction of certain models and a new platform for the construction of boats; and (iii) research and development on innovative solutions for each model to be applied to all units built.

Impairment testing of intangible assets with indefinite use life

Based on the process of identification of cash generating units (“CGUs”), the value of trademarks and goodwill is allocated to the individual trademark 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:

- (i) 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;
- (ii) 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
- (iii) the main criteria used to determine the value in use are summarised in the following table, and are the same for all the CGUs:

	31 December 2018	31 December 2019	31 December 2020
	%	%	%
Risk-free rate	2.57	2.00	1.12
Discount rate pre-tax	10.05	8.18	7.24
Perpetual growth rate	1.50	2.00	2.00

As of 30 September 2021 the Group did not identify any impairment indicators and therefore non impairment test has been done.

- (iv) 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 long-term growth rates of 1.5% and 2% after considering publicly available data and market perspective.

The headroom of each CGU (i.e., by how much the recoverable amount would exceed the carrying amount of the CGU when the key parameters have been applied in the impairment testing during the Track Record Period) is summarized in the following table:

	31 December 2018	31 December 2019	31 December 2020
	<i>(Euro in millions)</i>		
Ferretti Yachts	27	74	62
Custom Line	65	133	112
Pershing	16	15	40
Riva	35	74	74
Wally	N/A	120	125
CRN	31	8	32
Zago	24	13	17

Based on the impairment test results, there was no impairment of intangible assets with indefinite useful life as at the end of each of the Relevant Periods.

The Group conducted sensitivity analyses of the parameters applied in the base version of the impairment test to confirm whether a reasonably possible change in key parameters (discount rate and/or the perpetual growth rate) would cause the carrying amount of the CGU to exceed its recoverable amount. The results of the sensitivity analyses on the pre-tax discount rate (“**wacc**”) and the perpetual growth rate (“**g rate**”) are summarized in the following table:

Headroom	31 December 2018		31 December 2019		31 December 2020	
	<i>(Euro in millions)</i>					
wacc	10.55%	9.55%	8.68%	7.68%	7.74%	6.74%
g rate	1.25%	1.75%	1.75%	2.25%	1.75%	2.25%
Ferretti Yachts	15	41	55	98	37	96
Custom Line	50	84	107	167	79	156
Pershing	9	23	4	29	25	60
Riva	24	49	53	102	44	115
Wally	N/A	N/A	97	153	94	170
CRN	26	37	—	16	22	43
Zago	22	26	11	15	15	20

On the basis of the analyses done, the management of the Group has not identified that a reasonable possible change in the key parameters that could cause the carrying amount of the CGUs to exceed the recoverable amount as at the end of each of the Relevant Periods.

25. OTHER NON-CURRENT ASSETS

The Group

	<u>31 December</u> <u>2018</u>	<u>31 December</u> <u>2019</u>	<u>31 December</u> <u>2020</u>	<u>30 September</u> <u>2021</u>
	€'000	€'000	€'000	€'000
Equity investments designated at fair value through income statement (<i>note (i)</i>)	266	236	236	246
Investment in a joint venture	—	—	—	10
Prepayments related to investments (<i>note (ii)</i>)	—	2,400	—	—
Other prepayments and deposits	1,485	4,112	2,783	4,153
	<u>1,751</u>	<u>6,748</u>	<u>3,019</u>	<u>4,409</u>

The Company

	<u>31 December</u> <u>2018</u>	<u>31 December</u> <u>2019</u>	<u>31 December</u> <u>2020</u>	<u>30 September</u> <u>2021</u>
	€'000	€'000	€'000	€'000
Equity investments (<i>note (i)</i>)	115	115	115	115
Investment in a joint venture	—	—	—	10
Prepayments related to investments (<i>note (ii)</i>)	—	2,400	—	—
Other prepayments and deposits	8,263	32,314	31,082	30,871
	<u>8,378</u>	<u>34,829</u>	<u>31,197</u>	<u>30,996</u>

Notes:

- (i) The balances mainly include equity investment in Nouveau Port Golf Juan which owns certain commercial premises currently occupied by a restaurant.
- (ii) The prepayments relate to the acquisition of entire equity interest of Michelini S.r.l., a shipbuilder that operates in an area of the publicly owned port facilities adjacent to those used by Ferretti. The acquisition was completed in October 2020.

26. DEFERRED TAX

The movements in deferred tax assets and liabilities during the Relevant Periods are as follows:

The Group*Deferred tax assets*

	Provisions	Impairment of inventories	Impairment of receivables	Depreciation and amortization	Goodwill	Tax losses	Others	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
At 1 January 2018.	11,618	3,311	2,022	5,155	1,455	16,052	1,102	40,715
Credited/(charged) to:								
profit or loss	183	(154)	(132)	966	—	6,302	951	8,116
At 31 December 2018 and 1 January 2019.	11,801	3,157	1,890	6,121	1,455	22,354	2,053	48,831
Credited/(charged) to:								
profit or loss	640	(1,424)	(306)	1,441	(11)	19,906	(1,679)	18,567
other reserves	—	—	—	—	—	2,600	—	2,600
At 31 December 2019 and 1 January 2020.	12,441	1,733	1,584	7,562	1,444	44,860	374	69,998
Credited/(charged) to:								
profit or loss	(1,019)	1,126	(19)	748	(37)	17,268	—	18,067
At 31 December 2020 and 1 January 2021.	11,422	2,859	1,565	8,310	1,407	62,128	374	88,065
Credited/(charged) to:								
profit or loss	(454)	(63)	(17)	279	(109)	—	(55)	(419)
Utilisations	—	—	—	—	—	(6,516)	—	(6,516)
other comprehensive income	—	—	—	—	—	—	192	192
At 30 September 2021	10,968	2,796	1,548	8,589	1,298	55,612	511	81,322

Deferred tax liabilities

	Depreciation of property, plant and equipment valued at less than €516,000	Allocation of Ferretti trademarks	Allocation of trademarks to other Group companies	Leases	Others	Total
	€'000	€'000	€'000	€'000	€'000	€'000
At 1 January 2018	1,324	47,680	13,365	6,088	1,609	70,066
Charged/(credited) to:						
profit or loss	—	—	—	(129)	(608)	(737)
other comprehensive income	—	—	—	—	51	51
Exchange differences	—	—	—	—	14	14
At 31 December 2018 and 1 January 2019	1,324	47,680	13,365	5,959	1,066	69,394
Charged/(credited) to:						
profit or loss	—	—	—	(129)	(21)	(150)
other comprehensive income	—	—	—	—	(112)	(112)
Exchange differences	—	—	—	—	7	7
At 31 December 2019 and 1 January 2020	1,324	47,680	13,365	5,830	940	69,139
Charged/(credited) to:						
profit or loss	—	—	—	(129)	(239)	(368)
other comprehensive income	—	—	—	—	28	28
Acquisition of a subsidiary	—	—	—	—	951	951
Exchange differences	—	—	—	—	(34)	(34)
At 31 December 2020 and 1 January 2021	1,324	47,680	13,365	5,701	1,646	69,716
Charged/(credited) to:						
profit or loss	—	—	—	(96)	(311)	(407)
other comprehensive income	—	—	—	—	(4)	(4)
Acquisition of a subsidiary	—	—	—	—	288	288
Exchange differences	—	—	—	—	21	21
At 30 September 2021	<u>1,324</u>	<u>47,680</u>	<u>13,365</u>	<u>5,605</u>	<u>1,640</u>	<u>69,614</u>

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	<u>31 December 2018</u>	<u>31 December 2019</u>	<u>31 December 2020</u>	<u>30 September 2021</u>
	€'000	€'000	€'000	€'000
Net deferred tax assets recognised in the consolidated statement of financial position	—	859	18,349	11,708
Net deferred tax liabilities recognised in the consolidated statement of financial position	20,563	—	—	—
	<u>(20,563)</u>	<u>859</u>	<u>18,349</u>	<u>11,708</u>

The Company

Deferred tax assets

	Provisions	Impairment of inventories	Impairment of receivables	Depreciation and amortization	Goodwill	Tax losses	Others	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
At 1 January 2018.	10,940	2,885	1,715	5,155	1,240	11,123	969	34,027
Credited/(charged) to:								
profit or loss	154	(137)	(159)	858	—	4,083	1,031	5,830
At 31 December 2018 and 1 January 2019.	11,094	2,748	1,556	6,013	1,240	15,206	2,000	39,857
Credited/(charged) to:								
profit or loss	819	(1,441)	(190)	1,549	—	9,054	(1,771)	8,020
other reserves	—	—	—	—	—	2,600	—	2,600
At 31 December 2019 and 1 January 2020.	11,913	1,307	1,366	7,562	1,240	26,860	229	50,477
Credited/(charged) to:								
profit or loss	(1,059)	1,126	(105)	748	(37)	15,259	(45)	15,887
At 31 December 2020 and 1 January 2021.	10,854	2,433	1,261	8,310	1,203	42,119	184	66,364
Credited/(charged) to:								
profit or loss	(298)	(63)	(2)	279	(93)	—	(65)	(242)
Utilisations	—	—	—	—	—	(6,516)	—	(6,516)
other comprehensive income	—	—	—	—	—	—	192	192
At 30 September 2021	<u>10,556</u>	<u>2,370</u>	<u>1,259</u>	<u>8,589</u>	<u>1,110</u>	<u>35,603</u>	<u>311</u>	<u>59,798</u>

Deferred tax liabilities

	Depreciation of property, plant and equipment valued at less than €516,000	Allocation of Ferretti trademarks	Allocation of trademarks to other Group companies	Leases	Others	Total
	€'000	€'000	€'000	€'000	€'000	€'000
At 1 January 2018	1,026	47,680	—	5,263	811	54,780
Credited to:						
profit or loss	—	—	—	(129)	(83)	(212)
other comprehensive income	—	—	—	—	38	38
At 31 December 2018 and 1 January 2019	1,026	47,680	—	5,134	766	54,606
Credited to:						
profit or loss	—	—	—	(129)	(232)	(361)
other comprehensive income	—	—	—	—	(92)	(92)
At 31 December 2019 and 1 January 2020	1,026	47,680	—	5,005	442	54,153
Credited to:						
profit or loss	—	—	—	(129)	—	(129)
other comprehensive income	—	—	—	—	(24)	(24)
At 31 December 2020 and 1 January 2021	1,026	47,680	—	4,876	418	54,000
Credited to:						
profit or loss	—	—	—	(96)	(248)	(344)
other comprehensive income	—	—	—	—	(7)	(7)
At 30 September 2021	<u>1,026</u>	<u>47,680</u>	<u>—</u>	<u>4,780</u>	<u>163</u>	<u>53,649</u>

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Company for financial reporting purposes:

	<u>31 December 2018</u>	<u>31 December 2019</u>	<u>31 December 2020</u>	<u>30 September 2021</u>
	€'000	€'000	€'000	€'000
Net deferred tax assets recognised in the statement of financial position	—	—	12,364	6,149
Net deferred tax liabilities recognised in the statement of financial position	<u>14,749</u>	<u>3,676</u>	<u>—</u>	<u>—</u>
	<u>(14,749)</u>	<u>(3,676)</u>	<u>12,364</u>	<u>6,149</u>

Deferred tax assets have not been recognised in respect of the following items:

Group

	<u>31 December 2018</u>	<u>31 December 2019</u>	<u>31 December 2020</u>	<u>30 September 2021</u>
	€'000	€'000	€'000	€'000
Tax assets from tax losses	<u>63,777</u>	<u>40,513</u>	<u>22,166</u>	<u>22,166</u>

Company

	<u>31 December 2018</u>	<u>31 December 2019</u>	<u>31 December 2020</u>	<u>30 September 2021</u>
	€'000	€'000	€'000	€'000
Tax assets from tax losses	<u>63,777</u>	<u>40,513</u>	<u>22,166</u>	<u>22,166</u>

The Group has tax assets from tax losses and surplus of financial interest expenses (in Italy surplus of financial interest expenses is deductible only within the limits of 30% of gross operating income) arising in Italy of €86,131,000, €85,377,000, €84,294,000 and €77,778,000 as at 31 December 2018, 2019 and 2020 and 30 September 2021 that are available without any time limit for offsetting against future taxable profits of the entities belonging to the Tax Group in the limit of 80% of the income (the Italian tax regulations permits to deduce in future periods tax losses and surplus of financial interest expenses non deducted in past).

The Company has tax assets from tax losses and surplus of financial interest expenses (in Italy surplus of financial interest expenses is deductible only within the limits of 30% of gross operating income) arising in Italy of €86,131,000, €85,373,000, €84,294,000 and €77,778,000 as at 31 December 2018, 2019 and 2020 and 30 September 2021 that are available without any time

limit for offsetting against future taxable profits of the entities in the limit of 80% of the income (the Italian tax regulations permits to deduce in future periods tax losses and surplus of financial interest expenses non deducted in past)

Deferred tax assets were recognized, consistently with IAS 12 requirements, only to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. The Group has certain deferred tax assets from tax losses and not deducted interest expenses carryforward (“DTAs”) that, in accordance with the accounting principle, have not been recognized during the Relevant Periods. In fact, as of 1 January 2018 the Group has €91.7 million of DTAs, of which €16.1 million recognized and €75.6 million not recognized, whilst as of 30 September 2021 the Group has €77.8 million of DTAs, of which €55.6 million recognized and €22.2 million not recognized. The Group reassesses at each reporting date, its DTAs, both recognised and unrecognised and it recognises a previously unrecognised DTAs to the extent that it becomes probable that sufficient taxable profit will be available to enable the asset to be recovered, based on the actual profits before tax reported in each of the years/period comprising the Relevant Periods and based on the expected continuous improvements in future trading conditions and future forecasted profits. The additional DTAs that became recognizable in the Relevant Periods resulted in the positive tax income recorded by the Group during the Relevant Periods.

There is no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

27. DUE TO THE IMMEDIATE HOLDING COMPANY

On 18 December 2014, the Company and Ferretti International Holding S.p.A., the immediate holding company of the Company, entered into a three-year shareholder’s loan agreement of €211,670,000 which is of non-trade in nature and the interest was charged at the six-month Euribor with a zero floor and an annual spread of 1.3% for €85,000,000 and of 1.5% for €126,670,000. On 10 December 2017, the loan was extended for an additional three-year period to 10 December 2020.

As at 31 December 2018, the principal of the shareholder’s loan was classified as non-current liabilities and the accrued interest was classified as current liabilities.

On 3 September 2019, Ferretti International Holding S.p.A. extinguished the principal amount of the shareholder’s loan of €211,670,000 by subscribing the Company’s share capital of €59,291,317 and a share premium of €152,378,683 as part of the capital increase on option approved on 31 July 2019, with a maximum nominal amount of €80,000,000.00, plus any share premium, resulting in the issue of 59,291,317 ordinary shares of the Company without par value and regular dividend entitlement.

All the accrued interest of €1,212,000 was paid on the same date to Ferretti International Holding S.p.A., together with a fee of €484,000 for prematurely terminating the financing arrangements.

28. BANK AND OTHER BORROWINGS

The Group

	31 December 2018			31 December 2019		
	<i>Effective interest rate (%)</i>	<i>Maturity</i>	<i>€'000</i>	<i>Effective interest rate (%)</i>	<i>Maturity</i>	<i>€'000</i>
Current						
Bank borrowings, secured	—	—	—	Euribor* +2.6-3.0	2020	51,940
Bank borrowings, unsecured	1.2-2.0	2019	73,362	1.2-2.0	2020	9,291
Incidental borrowing costs			(867)			(509)
			<u>72,495</u>			<u>60,722</u>
Maturity factoring liabilities	1.5	2019	14,226	1.5	2020	23,768
Lease liabilities	1.7	2019	1,122	1.7-2.0	2020	4,820
			<u>87,843</u>			<u>89,310</u>
Non-current						
Bank borrowings, secured	—	—	—	Euribor* +2.6-3.0	2024	15,000
Bank borrowings, unsecured	1.2-2.0	2020	714	—	—	—
Incidental borrowing costs			—			(1,763)
			<u>714</u>			<u>13,237</u>
Lease liabilities	1.7	2023	6,875	1.7-2.0	2031	23,016
			<u>7,589</u>			<u>36,253</u>
			<u>95,432</u>			<u>125,563</u>

	31 December 2020			30 September 2021		
	<i>Effective interest rate (%)</i>	<i>Maturity</i>	<i>€'000</i>	<i>Effective interest rate (%)</i>	<i>Maturity</i>	<i>€'000</i>
Current						
Bank borrowings, secured.	Euribor* +2.6-3.0	2021	32,501	Euribor* +1.8-2.9	2022	23,007
Bank borrowings, unsecured	1.2-2.0	2021	10,648	4.2-9.2	2022	803
Incidental borrowing costs			(1,532)			(1,383)
			<u>41,617</u>			<u>22,427</u>
Maturity factoring liabilities (<i>note</i>) . . .	1.5	2021	29,639	—	—	—
Lease liabilities	2.0-4.7	2021	7,768	1.7-4.7	2022	6,056
			<u>79,024</u>			<u>28,483</u>
Non-current						
Bank borrowings, secured.	Euribor* +2.6-3.0	2024	58,499	Euribor* +1.5-2.9	2025	47,335
Incidental borrowing costs			(2,510)			(1,534)
			<u>55,989</u>			<u>45,801</u>
Lease liabilities	2.0-4.7	2031	28,857	1.7-4.7	2031	26,081
			<u>84,846</u>			<u>71,882</u>
			<u>163,870</u>			<u>100,365</u>

The Company

	31 December 2018			31 December 2019		
	<i>Effective interest rate (%)</i>	<i>Maturity</i>	<i>€'000</i>	<i>Effective interest rate (%)</i>	<i>Maturity</i>	<i>€'000</i>
Current						
Bank borrowings, secured.	—	—	—	Euribor* +2.6-3.0	2020	51,940
Bank borrowings, unsecured	1.2-2.0	2019	73,295	1.2-2.0	2020	9,291
Incidental borrowing costs			(633)			(474)
			<u>72,662</u>			<u>60,757</u>
Other borrowings from Group						
companies, unsecured	1.7-2.0	2019	3,867	1.7-2.0	2020	1,209
Maturity factoring liabilities (<i>note</i>) . . .	1.5	2019	13,902	1.5	2020	21,149
Lease liabilities	1.7	2019	567	1.7-2.0	2020	4,352
			<u>90,998</u>			<u>87,467</u>
Non-current						
Bank borrowings, secured.	—	—	—	Euribor* +2.6-3.0	2024	15,000
Bank borrowings, unsecured	1.2-2.0	2020	714	—	—	—
Incidental borrowing costs			—			(1,431)
			<u>714</u>			<u>13,569</u>
Lease liabilities	1.7	2023	1,232	1.7-2.0	2031	8,967
			<u>1,946</u>			<u>22,536</u>
			<u>92,944</u>			<u>110,003</u>

	31 December 2020			30 September 2021		
	<i>Effective</i>	<i>Maturity</i>	<i>€'000</i>	<i>Effective</i>	<i>Maturity</i>	<i>€'000</i>
	<i>interest rate</i>			<i>interest rate</i>		
(%)			(%)			
Current						
Bank borrowings, secured	Euribor* +2.6-3.0	2021	32,501	Euribor* +1.8-2.9	2022	23,007
Bank borrowings, unsecured	1.2-2.0	2021	10,648	—	—	—
Incidental borrowing costs			(1,497)			(1,348)
			<u>41,652</u>			<u>21,659</u>
Other borrowings to Group companies,						
unsecured	1.7-2.0	2021	2,948	1.7-2.0	2022	319
Maturity factoring liabilities	1.5	2021	29,312	—	—	—
Lease liabilities	2.0-4.7	2021	3,441	1.7-4.7	2022	3,422
			<u>77,353</u>			<u>25,400</u>
Non-current						
Bank borrowings, secured	Euribor* +2.6-3.0	2024	58,499	Euribor* +1.8-2.9	2024	46,998
Incidental borrowing costs			(2,213)			(1,264)
			<u>56,286</u>			<u>45,734</u>
Lease liabilities	2.0-4.7	2031	8,945	1.7-4.7	2031	7,288
			<u>65,231</u>			<u>53,022</u>
			<u>142,584</u>			<u>78,422</u>

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

Note: As part of its normal business, the Group entered into trade payable factoring arrangements with some specific suppliers and transferred certain trade payables to certain banks. The factors pay the amounts due by the Group to those specific suppliers (within the payment due date), and at a later date the Group pays the factors. It is a financing arrangement between the Group and the factors to extend the Group's payment due dates of suppliers.

The bank and other borrowings are analysed into:

The Group

	31 December 2018	31 December 2019	31 December 2020	30 September 2021
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Bank loans repayable:				
Within one year or on demand	72,495	60,722	41,617	22,427
In the second to fifth years, inclusive . . .	714	13,237	55,989	45,801
	<u>73,209</u>	<u>73,959</u>	<u>97,606</u>	<u>68,228</u>
Other borrowings repayable:				
Within one year or on demand	15,348	28,588	37,407	6,056
In the second to fifth years, inclusive . . .	3,568	15,090	22,349	20,913
Beyond five years	3,307	7,926	6,508	5,168
	<u>22,223</u>	<u>51,604</u>	<u>66,264</u>	<u>32,137</u>
	<u>95,432</u>	<u>125,563</u>	<u>163,870</u>	<u>100,365</u>

The Company

	31 December 2018	31 December 2019	31 December 2020	30 September 2021
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Bank loans repayable:				
Within one year or on demand	72,662	60,757	41,652	21,659
In the second to fifth years, inclusive . . .	714	13,569	56,286	45,734
	<u>73,376</u>	<u>74,326</u>	<u>97,938</u>	<u>67,393</u>
Other borrowings repayable:				
Within one year or on demand	18,336	26,710	35,701	3,741
In the second to fifth years, inclusive . . .	1,232	8,967	8,945	7,288
	<u>19,568</u>	<u>35,677</u>	<u>44,646</u>	<u>11,029</u>
	<u>92,944</u>	<u>110,003</u>	<u>142,584</u>	<u>78,422</u>

On 2 August 2019, the Company and its subsidiary CRN S.p.A., as borrowers, and Banca Nazionale del Lavoro S.p.A., Banco BPM S.p.A., Barclays Bank Ireland PLC, BNP Paribas, Milan Branch (also acting as agent, the “**Agent Bank**”), BPER Banca S.p.A., Crédit Agricole Italia S.p.A., MPS Capital Services Banca per le Imprese S.p.A. and UBI Banca S.p.A., as lenders, entered into a medium-to-long-term loan agreement (“**Loan Agreement**”) for a maximum total amount of €170,000,000, divided into three lines of credit as follows:

- (a) a revolving medium-to-long term line of credit with a total maximum amount of €70,000,000 for the Company and its subsidiary CRN S.p.A., to be repaid according to an amortization schedule that calls for six half-yearly payments, starting on 31 December 2021, with maturity on 2 August 2024, to be used to finance, inter alia, industrial investments per its business plan, and substitute tax on the various lines of credit pursuant to the Loan Agreement (defined the “**Term Loan Facility**”);
- (b) a revolving medium-to-long term line of credit with a total maximum amount of €40,000,000 for the Company, to be repaid on the final maturity date (i.e., 2 August 2024) (with an annual clean-down period, with a threshold of €1,000,000 for a minimum of three consecutive business days, it being understood that no fewer than three months may elapse between one clean-down period and another), to be used to finance its ordinary business activity (defined the “**Revolving Credit Facility**”);
- (c) a revolving medium-to-long term line of credit with a total maximum amount of €60,000,000 for the Company and its subsidiary CRN S.p.A., to be repaid on the final maturity date (i.e. 2 August 2024), and to be used to finance the ordinary activity relating to commercial contracts for a maximum amount of 90% of the value of the said commercial contracts (defined the “**Revolving Pre-Finance Facility**”).

Loan covenants

The Loan Agreement is subject to a financial covenant relating to the compliance by the Company with certain significant thresholds relating to the ratio of net debt to EBITDA (“**leverage ratio**”), to be calculated at the consolidated level on a half-yearly basis (30 June and 31 December of each year on a 12-month basis), excluding the effects of the application of IFRS 16 and IAS 38 (relating to any effects of the acquisition of the Wally brand).

The breach of the leverage ratio covenant is considered an event of default as defined in the Loan Agreement.

In light of its limited debt exposure, the Group complied with the applicable covenant at 31 December 2019.

Due to the suspension of business as a result of pandemic lockdown period, which resulted in the deferral of payments from customers and project progress, in July 2020 the Group obtained a waiver from the banks of the parameters of the covenant as at 30 June 2020, as it was fulfilled in the following month.

In addition, the Loan Agreement provides for a commitment by the Company, CRN S.p.A. and the relevant subsidiaries to keep at 1.5x or higher the ratio of the gross order book to the amount to be repaid under the Revolving Pre-Finance Facility (a line of credit providing advances against the contracts). The parameter will be observed twice a year (31 December and 30 June). If this parameter is breached, draw-downs on the Revolving Pre-Finance Facility must be repaid to restore fulfilment of the parameter. Any repayments do not result in the cancellation of the facility for the part repaid.

As at 31 December 2020 and 30 September 2021, all covenants had been fulfilled.

In addition to compliance with the covenant, the Loan Agreement provides for other commitments and obligations for the borrowers and their subsidiaries, in addition to pledges and mortgages, as set out in note 42 to the Historical Financial Information.

All borrowings are denominated in Euro.

29. PROVISIONS

The Group

	Product warranties	Miscellaneous risks	Total
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
1 January 2018	10,751	38,381	49,132
Additional provision	15,203	5,563	20,766
Amounts utilised during the year.	(12,121)	(8,151)	(20,272)
31 December 2018 and 1 January 2019.	13,833	35,793	49,626
Additional provision	19,131	11,633	30,764
Amounts utilised during the year.	(17,015)	(15,022)	(32,037)
31 December 2019 and 1 January 2020.	15,949	32,404	48,353
Additional provision	15,084	6,178	21,262
Amounts utilised during the year.	(15,775)	(9,150)	(24,925)
31 December 2020 and 1 January 2021.	15,258	29,432	44,690
Additional provision	15,825	6,943	22,768
Amounts utilised during the period.	(13,208)	(11,037)	(24,245)
30 September 2021	<u>17,875</u>	<u>25,338</u>	<u>43,213</u>

The Company

	Product warranties	Miscellaneous risks	Total
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
1 January 2018	10,449	34,966	45,415
Additional provision	14,006	4,930	18,936
Amounts utilised during the year.	(11,657)	(7,150)	(18,807)
31 December 2018 and 1 January 2019.	12,798	32,746	45,544
Additional provision	16,780	9,590	26,370
Amounts utilised during the year.	(15,463)	(11,709)	(27,172)
31 December 2019 and 1 January 2020.	14,115	30,627	44,742
Additional provision	13,826	4,904	18,730
Amounts utilised during the year.	(14,115)	(8,418)	(22,533)
31 December 2020 and 1 January 2021.	13,826	27,113	40,939
Additional provision	15,258	6,015	21,273
Amounts utilised during the period.	(12,041)	(10,916)	(22,957)
30 September 2021	<u>17,043</u>	<u>22,212</u>	<u>39,255</u>

Provision for product warranties

Provision for product warranties reflects the best possible estimate based on available information of the warranty obligations that may be incurred after the end of each of the Relevant Periods for products sold before those dates.

The additional provision is determined based on past experience and future expectations and takes into account the launch of new products and the impact of a warranty period of 24 months, notwithstanding that substantially all warranty claims are received within the first 12 months after a product is sold. A portion of the provision attributable to warranty claims expected to be incurred after 12 months is classified as non-current liabilities.

The Group

	31 December 2018	31 December 2019	31 December 2020	30 September 2021
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Current portion	6,830	6,384	7,716	9,962
Non-current portion	7,003	9,565	7,542	7,913
	<u>13,833</u>	<u>15,949</u>	<u>15,258</u>	<u>17,875</u>

The Company

	31 December 2018	31 December 2019	31 December 2020	30 September 2021
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Current portion	5,795	5,725	6,913	9,414
Non-current portion	7,003	8,390	6,913	7,629
	<u>12,798</u>	<u>14,115</u>	<u>13,826</u>	<u>17,043</u>

Provision for miscellaneous risks*The Group*

	31 December 2018	31 December 2019	31 December 2020	30 September 2021
	€'000	€'000	€'000	€'000
Legal disputes and other litigations	19,225	16,502	16,928	11,866
Dealer incentives	9,937	8,670	6,798	7,128
Provision for boats to be completed	1,264	1,528	1,808	2,179
Provision for other risks	5,367	5,704	3,898	4,165
	<u>35,793</u>	<u>32,404</u>	<u>29,432</u>	<u>25,338</u>

The Company

	31 December 2018	31 December 2019	31 December 2020	30 September 2021
	€'000	€'000	€'000	€'000
Legal disputes and other litigations	17,081	15,585	16,246	11,230
Dealer incentives	9,694	8,275	6,337	6,288
Provision for boats to be completed	1,134	1,528	1,410	1,653
Provision for other risks	4,837	5,239	3,120	3,041
	<u>32,746</u>	<u>30,627</u>	<u>27,113</u>	<u>22,212</u>

Provision for miscellaneous risks are classified as current liabilities.

Legal disputes and other litigations

The provision for legal disputes represents potential liabilities attributable to the Group's core business, and relates mainly to pending disputes for contractual breaches and/or contractual obligations deriving from product defects, as well as other legal claims initiated by third parties for damages.

In previous years, Riva S.p.A. (currently known as Ferretti S.p.A.) received a notice of assessment with regard to VAT for the 2009 period, concerning Pershing S.p.A, now merged in the Company. The Company appealed the above notice and its appeal was granted in the first instance. The Italian Revenue Agency lodged an appeal in the second instance, but no hearing has been scheduled since then.

In 2017, CRN S.p.A. was served with a notification imposing a financial penalty due, in the Italian Revenue Agency's opinion, to not having properly regularised and voluntarily adjusted the overrun (VAT threshold) for the 2012 tax year. CRN S.p.A. presented an appeal to the Ancona Provincial Tax Commission in the same year and in January 2019 the judgement was filed in which the Provincial Tax Commission accepted the appeal presented by CRN S.p.A. On 30 April 2019, the Italian Revenue Agency notified its appeal against the first-level judgement. The value of the litigation is €2,969 thousand.

Dealer incentives

The provision for dealer incentives was established to cover the costs that the Group expected to incur under a system that awards bonuses to dealers who reach pre-determined customer service targets.

Provision for other risks

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

In addition, in connection with the Group's development project for public land in La Spezia, Italy, a reclamation project extending to approximately 26,600 cubic metres of seabed had originally been approved in 2006. The Group presented a new project entailing significant modifications, which the Port Authority approved on 25 May 2018, following the service conference held with the participation of all competent authorities and administrations. It should be noted that any changes to the project require further inquiries relating to the initiatives to be pursued to conclude the process of reclaiming the seabed since the procedure is yet to be completed pursuant to Articles 242 et seq. of Legislative Decree 152/2006; in the event of failure to reclaim the seabed, the Port Authority could revoke the public land concession for the site in concern. The expected costs of this reclamation project have been estimated by the Group to be ranged between €200 and €400 thousand.

As of the date of approval of the Historical Financial Information, the Group is waiting for indications from the Port Authority of La Spezia on the actions to be taken on the remediation project, as per the letter of 20 February 2020 in response to a request for an update from the same body.

30. NON-CURRENT EMPLOYEE BENEFITS

The Group

	<u>31 December 2018</u>	<u>31 December 2019</u>	<u>31 December 2020</u>	<u>30 September 2021</u>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Provision for employee severance				
indemnities	7,407	7,211	6,849	6,991
Provision for seniority bonus	992	965	945	911
	<u>8,399</u>	<u>8,176</u>	<u>7,794</u>	<u>7,902</u>

The Company

	<u>31 December 2018</u>	<u>31 December 2019</u>	<u>31 December 2020</u>	<u>30 September 2021</u>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Provision for employee severance				
indemnities	5,288	5,202	4,983	4,930
Provision for seniority bonus	637	589	549	498
	<u>5,925</u>	<u>5,791</u>	<u>5,532</u>	<u>5,428</u>

Employee severance indemnities

Under IAS 19, employee benefits provided in accordance with Italian laws that govern the payment of employee severance indemnities should be treated as post-employment benefits provided under a defined-benefit plan and, consequently, should be valued in accordance with the Projected Unit Credit Method. However, in view of the new provisions introduced by the 2007 Budget Law (Law No. 296 of 27 December 2006), the entities authorised to provide a technical analysis of this issue (Abi, Assirevi and the National Board of Actuaries) concluded that the severance benefits that vest from 1 January 2007 on (or on the date that the option for employees who opted to pay into supplemental pension funds starts) and are invested in supplemental pension funds or deposited in the Treasury Fund maintained by the INPS should be treated as being part of a defined contribution plan and, as such, are no longer subject to actuarial valuation. This system applies to companies with more than 50 employees (therefore, for the Italian companies, Ferretti, CRN S.p.A., and Zago S.p.A.).

The 2015 Stability Law, which allows employees, on request, to receive in their payslips the accrued portion of severance pay from 1 March 2015 until 30 June 2018 (if they have at least 6 months in service) has no effect on the valuations, as the provision for accrued severance pay is not kept by the Group companies.

The process of determining the Group's obligations toward its employees, which was carried out by an independent actuary with the same procedure throughout the Relevant Periods, 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; and
- 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 movements in the present value of the obligations in respect of provision of employee severance indemnities during the Relevant Periods are as follows:

The Group

	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2020	Nine months ended 30 September 2021
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
At 1 January	7,697	7,407	7,211	6,849
Interest cost	49	54	28	8
Acquisition of a new subsidiary	—	—	—	284
Actuarial losses/(gains)	(142)	234	(58)	113
Benefit paid	(197)	(484)	(332)	(263)
	<u>7,407</u>	<u>7,211</u>	<u>6,849</u>	<u>6,991</u>

The Company

	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2020	Nine months ended 30 September 2021
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
At 1 January	5,515	5,288	5,202	4,983
Interest cost	35	38	20	5
Actuarial losses/(gains)	(102)	171	(48)	182
Benefit paid	(160)	(295)	(191)	(240)
	<u>5,288</u>	<u>5,202</u>	<u>4,983</u>	<u>4,930</u>

The key assumptions are summarised below:

Demographic Assumptions

- Probability of death of active employees (grouped by age and gender) for the Relevant Periods obtained by reducing by 30% of the death probabilities for the Italian population in the immediate preceding year;
- Annual probability of termination of employment for various reasons (resignation, dismissal), based on the experience for the population in the last four years and applied to all employees aged 65 or younger, equal to 5%, 4.5%, 4% and 4%, for the years ended 31 December 2018, 2019 and 2020, and nine months ended 30 September 2021, respectively;
- Annual probability of requests for payment of advances on vested severance indemnity benefits, based on the experience for the population in the last four years and applied to all employees with seniority of one year or more, of 2%, 2%, 1.5% and 1.5%, for the years ended 31 December 2018, 2019 and 2020, and nine months ended 30 September 2021, respectively;
- 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% for the Relevant Periods. The requirements for obtaining an old-age or seniority-based pension were assumed to be the same as those set forth in the current regulations of the Italian Social Security Administration (INPS). At present, no employees have requested early retirement.

Financial Assumptions

- Annual inflation rate: 1.5%, 1.5%, 1% and 1.5% for the entire valuation period of years ended 31 December 2018, 2019 and 2020, and nine months ended 30 September 2021;
- annual revaluation rate of termination indemnity benefits: fixed at 1.5% for the entire valuation period plus 75% of the inflation rate for the Relevant Periods;
- technical discounting rate applied to value defined-benefit plan obligations and the cost of current employment (service cost): 1.5%, 0.8%, 0.3% and 0.6% for the years ended 31 December 2018, 2019 and 2020, and nine months ended 30 September 2021, respectively;

- technical discounting rate for the valuation of financial charges for the years ended 31 December 2018, 2019 and 2020, and nine months ended 30 September 2021, equal to the discounting rates for valuations of the defined-benefit plan obligations of the immediate preceding year (interest cost): 1.3%, 1.5%, 0.8% and 0.6% for the years ended 31 December 2018, 2019 and 2020, and nine months ended 30 September 2021;
- technical discounting rate, based on the yield of the iBoxx Euro 10+ AA Allstock Corporate Bond Index: 1.5709%, 0.7782%, 0.3475% and 0.6657% at 31 December 2018, 2019 and 2020, and 30 September 2021, respectively.

Actuarial gains amounting to €212,000 and €116,000 (before tax) were credited to other comprehensive income for the years ended 31 December 2018 and 2020, respectively, and actuarial losses amounting to €268,000 and €47,000 (before tax) were charged to other comprehensive income for the year ended 31 December 2019 and nine months ended 30 September 2021.

The total expenses recognised in the consolidated income statements in respect of provision of employee severance indemnities during the Relevant Periods are as follows:

The Group

	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2020	Nine months ended 30 September 2020	Nine months ended 30 September 2021
	€'000	€'000	€'000	€'000	€'000
				(Unaudited)	
Interest cost	49	54	28	23	8

The Company

	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2020	Nine months ended 30 September 2020	Nine months ended 30 September 2021
	€'000	€'000	€'000	€'000	€'000
				(Unaudited)	
Interest cost	35	38	20	16	5

Seniority bonus

As required by the new supplemental company agreement signed in July 2012 by the Company and the unions representing its employees, each year the Group sets aside a provision for seniority bonuses. These bonuses are payable to employees who, starting on 1 September 2012, have completed or will complete more than 12 years of service.

On a transitional basis, a different loyalty bonus will be paid on termination of the contracts to the employees at some sites who previously received a different bonus and had already accrued more than 12 years' service. The amount previously accruing for all workers will remain unchanged.

As was the case for the provision for employee severance indemnities, the Group's liability toward its employees was determined by an independent actuary.

The actuarial valuation model is based on technical assumptions, which include the demographic and financial assumptions used to generate the computation parameters. An overview of the assumptions adopted is provided below.

The key assumptions are summarised below:

Demographic Assumptions

- Probability of death of active employees (grouped by age and gender) for the Relevant Periods obtained by reducing by 30% of the death probabilities for the Italian population in the immediate preceding year;
- Annual probability of termination of employment for various reasons (resignation, dismissal), based on the experience for the population in the last four years and applied to all employees aged 65 or younger, equal to 5%, 4.5%, 4% and 4%, for the years ended 31 December 2018, 2019 and 2020, and nine months ended 30 September 2021, respectively;
- 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% for the Relevant Periods. 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

- technical discounting rate applied to value defined-benefit plan obligations and the cost of current employment (service cost): 1.5%, 0.8%, 0.3% and 0.6% for the years ended 31 December 2018, 2019 and 2020, and nine months ended 30 September 2021, respectively;
- technical discounting rate for the valuation of financial charges for the years ended 31 December 2018, 2019 and 2020, and nine months ended 30 September 2021, equal to the discounting rates for valuations of the defined-benefit plan obligations of the immediate preceding year (interest cost): 1.3%, 1.5%, 0.8% and 0.6% for the years ended 31 December 2018, 2019 and 2020, and nine months ended 30 September 2021;
- technical discounting rate, based on the yield of the iBoxx Euro 10+ AA Allstock Corporate Bond Index: 1.5709%, 0.7782%, 0.3475% and 0.6657% at 31 December 2018, 2019 and 2020, and 30 September 2021, respectively.

The actuarial valuation of provision for seniority bonuses calculated in accordance with the aforementioned method amounted to €637,000, €589,000, €549,000 and €498,000 at 31 December 2018, 2019 and 2020, and 30 September 2021, respectively, including the respective contributions.

Provision for indemnities payable upon termination of employment amounting to €355,000, €376,000, €397,000 and €413,000 at 31 December 2020, 2019 and 2018, and 30 September 2021, respectively, are attributable to Zago S.p.A.

The most recent actuarial valuations of the present value of the defined benefit obligations were carried out on 31 December 2020 by an independent actuary, Mr. T. Viola, partner of the actuarial firm Zappari Viola and registered with the Italian National Actuarial Association, using the projected unit credit actuarial valuation method.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably change in the interest rate for discounting the future benefit, with all other variables hold constant, of the Group's profit before tax.

	Increase/(decrease) in interest rate in basis point	Increase/(decrease) in profit before tax
	%	€'000
31 December 2018		
Euro	25	145
Euro	(25)	(151)
31 December 2019		
Euro	25	149
Euro	(25)	(155)
31 December 2020		
Euro	25	143
Euro	(25)	(149)
30 September 2021		
Euro	25	130
Euro	(25)	(135)

31. TRADE AND OTHER PAYABLES

The Group

	31 December 2018	31 December 2019	31 December 2020	30 September 2021
	€'000	€'000	€'000	€'000
Trade payables	183,973	213,415	195,112	208,553
Other payables	26,329	27,482	27,873	34,577
	<u>210,302</u>	<u>240,897</u>	<u>222,985</u>	<u>243,130</u>

The Group

	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>30 September</u>
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Current portion	208,488	240,234	222,476	242,737
Non-current portion	1,814	663	509	393
	<u>210,302</u>	<u>240,897</u>	<u>222,985</u>	<u>243,130</u>

The Company

	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>30 September</u>
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Trade payables	236,943	246,153	237,981	242,582
Other payables	80,705	101,459	69,140	87,569
	<u>317,648</u>	<u>347,612</u>	<u>307,121</u>	<u>330,151</u>

The Company

	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>30 September</u>
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Current portion	316,186	347,217	306,794	329,872
Non-current portion	1,462	395	327	279
	<u>317,648</u>	<u>347,612</u>	<u>307,121</u>	<u>330,151</u>

Trade payables

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the payment date, is as follows:

The Group

	31 December 2018	31 December 2019	31 December 2020	30 September 2021
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Within three months	135,912	147,542	136,863	155,195
Four to nine months	44,372	54,231	46,606	51,577
Ten to twelve months	3,689	11,642	11,643	1,781
	<u>183,973</u>	<u>213,415</u>	<u>195,112</u>	<u>208,553</u>

The Company

	31 December 2018	31 December 2019	31 December 2020	30 September 2021
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Within three months	141,307	138,983	123,616	189,324
Four to nine months	74,053	68,579	39,498	52,123
Ten to twelve months	21,583	38,591	74,867	1,135
	<u>236,943</u>	<u>246,153</u>	<u>237,981</u>	<u>242,582</u>

Other payables

The Group

	31 December 2018	31 December 2019	31 December 2020	30 September 2021
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Payables to pension and social security institutions	8,280	8,469	8,551	9,524
Payroll payables to employees.	10,576	11,538	11,534	16,229
Remuneration payables to directors . . .	1,243	1,355	1,389	802
Other tax payables	3,563	3,953	3,392	2,794
Sundry payables	1,425	898	1,226	4,213
Accrued expenses	270	440	522	467
Deferred income	156	170	750	155
Government grant	816	659	509	393
	<u>26,329</u>	<u>27,482</u>	<u>27,873</u>	<u>34,577</u>

The Company

	31 December 2018	31 December 2019	31 December 2020	30 September 2021
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Payables to pension and social security institutions	5,021	6,546	6,766	4,275
Payroll payables to employees.	8,687	7,724	7,906	15,923
Remuneration payables to directors . . .	1,125	1,177	1,054	701
Other tax payables	2,848	3,374	2,861	2,305
Sundry payables	1,378	901	503	3,276
Accrued expenses	245	407	522	419
Deferred income	57,330	79,004	47,379	58,448
Other payables to Group companies . .	3,610	1,931	1,820	1,944
Government grant	461	395	329	278
	<u>80,705</u>	<u>101,459</u>	<u>69,140</u>	<u>87,569</u>

The payables are non-interest bearing and have an average term of three months.

32. CONTRACT LIABILITIES

Contract liabilities include amounts paid by customers for boat orders not yet fulfilled, based on the sales condition normally applied. More specifically, the balances represent both the portion of advances exceeding construction already completed and the portion of advances received for which the corresponding contracts were yet to commenced as at the end of each of the Relevant Periods.

The variation of the contract liabilities in each of the Relevant Periods is to be considered part of the normal course of the Group business.

33. SHARE CAPITAL

	<u>31 December 2018</u>	<u>31 December 2019</u>	<u>31 December 2020</u>	<u>30 September 2021</u>
	€'000	€'000	€'000	€'000
Issued and fully paid.	<u>180,239</u>	<u>250,735</u>	<u>250,735</u>	<u>250,735</u>

A summary of movements in the Company's share capital is as follows:

	<u>Number of shares in issue</u>	<u>Share capital</u>
		€'000
At 1 January 2018 and 2019	180,239,156	180,239
Issue of shares (<i>note</i>)	<u>70,495,798</u>	<u>70,496</u>
At 31 December 2019 and 2020, and 30 September 2021	<u>250,734,954</u>	<u>250,735</u>

Note:

On 31 July 2019, the shareholders' meeting of the Company resolved to undertake three separate capital increases, through a rights issue of new shares:

- (i) capital increase reserved for Ferretti International Holding S.p.A. for the conversion of the shareholders' loan, up to a maximum of €80 million, to be completed within 60 days: this increase was executed on 3 September 2019, with the extinguishment of the shareholders' loan of €211,670,000 through the subscription of share capital of €59,291,317 and a share premium of €152,378,683, resulting in the issue of 59,291,317 ordinary shares of the Company without par value, and with regular dividend entitlement;

- (ii) capital increase reserved for potential non-controlling shareholders, up to a maximum of €40 million, to be executed by 30 September 2019 and subscribed in full on 3 September 2019. In particular, a contract between Ferretti International Holding S.p.A., Ferretti S.p.A. and Adtech Advanced Technologies AG was signed for the subscription of a total capital increase of €25 million, equal to 7,002,801 shares of Ferretti S.p.A. at a price of €3.57 per share, of which €1.00 of share capital. On the same date, a contract was signed between Ferretti International Holding S.p.A., Ferretti S.p.A. and Piero Ferrari for the subscription of an additional capital increase of a total of €15 million and therefore for the subscription of 4,201,680 Company shares, at a price of €3.57 per share, of which share capital of €1.00. Piero Ferrari subscribed for the 4,201,680 shares of the Company through F Investments S.A.; and
- (iii) capital increase, up to a maximum of €90 million, in addition to share premium, to be executed by 31 December 2019, in one or more tranches, in service of the offer planned for the listing of the Company's shares on the *Mercato Telematico Azionario* (MTA), organised and managed by Borsa Italiana S.p.A. (including the possible exercise of the greenshoe option): this capital increase was not executed, since, as announced in the press release dated 17 October 2019, the Company decided to suspend the listing process of the Company's shares on the MTA.

As a result of the foregoing, Ferretti S.p.A.'s share capital, fully subscribed and paid up, consists of 250,734,954 ordinary shares without par value.

34. RESERVES

Legal reserve is set up according to the provisions of the Italian Civil Code.

The translation reserve reflects the foreign exchange differences arising from the conversion of the balance sheets and income statements of foreign subsidiaries of the Company.

Other than accumulated losses, other reserves mainly comprised of the following:

The Group

	31 December 2018	31 December 2019	31 December 2020	30 September 2021
	€'000	€'000	€'000	€'000
Reserve for capital increase cost	6,637	13,774	13,774	13,774
Reserve for shareholder's loan				
conversion cost	8,333	9,107	9,107	9,107
Defined benefit obligation reserve	152	309	221	233
Cash flow hedging reserve	—	—	—	497
	<u>15,122</u>	<u>23,190</u>	<u>23,102</u>	<u>23,611</u>

The Company

	31 December 2018	31 December 2019	31 December 2020	30 September 2021
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Reserve for capital increase cost	6,637	13,774	13,774	13,774
Reserve for shareholder's loan				
conversion cost	8,333	9,107	9,107	9,107
Defined benefit obligation reserve	142	237	159	183
Cash flow hedging reserve	—	—	—	497
	<u>15,112</u>	<u>23,118</u>	<u>23,040</u>	<u>23,561</u>

Reserve for capital increase cost comprised mainly legal and consulting costs (after tax) directly attributable to the capital increase on 3 July 2012.

Reserve for shareholder's loan conversion cost related to ancillary costs (after tax) allocated to equity on 3 July 2012.

The translation reserve reflects the foreign exchange differences arising from the conversion of the balance sheets and income statements of foreign subsidiaries of the Company.

35. DIVIDENDS

	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2020	Nine months ended 30 September 2020	Nine months ended 30 September 2021
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Dividends	—	—	6,582	6,582	3,510
	<u>—</u>	<u>—</u>	<u>6,582</u>	<u>6,582</u>	<u>3,510</u>

The shareholders' meeting of the Company held on 16 March 2020 resolved to allocate a portion of profit for the year ended 31 December 2019 to dividends (€2.625 cents per ordinary share). The shareholders' meeting of the Company held on 11 May 2021 resolved to allocate a portion of profit for the year ended 31 December 2020 to dividends (€1.40 cents per ordinary share).

36. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to shareholders of the Company, and the weighted average number of ordinary shares in issue during the Relevant Periods. The Group had no potentially dilutive ordinary shares in issue during the Relevant Periods.

The calculations of basic earnings per share are based on:

	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2020	Nine months ended 30 September 2020	Nine months ended 30 September 2021
				(Unaudited)	
Profit attributable to shareholders of the Company (€'000)	30,720	26,628	22,006	5,669	32,111
Weighted average number of shares in issue	180,239,156	202,804,049	250,734,954	250,734,954	250,734,954
Earnings per share attributable to shareholders of the company:					
Basic and diluted (€)	<u>0.17</u>	<u>0.13</u>	<u>0.09</u>	<u>0.02</u>	<u>0.13</u>

37. BUSINESS COMBINATIONS

On 13 October 2020, the Group acquired 100% equity interest of Michelini & C S.r.l., a company active in shipbuilding that operates in areas belonging to the La Spezia port state maritime domain bordering the state maritime domains used by Ferretti. Negotiations for the acquisition had started in 2019, in order to achieve the objectives of expanding the production capacity of the La Spezia shipyard. The purchase consideration and transaction cost for the acquisition was in the form of cash, amounting to €3,460,000.

	Fair value recognized on acquisition
	<i>€'000</i>
Cash and cash equivalents	145
Trade and other receivables	160
Property, plant and equipment	4,246
Other non-current assets	79
Current liabilities	(217)
Deferred tax liabilities	(951)
Non-current liabilities	(2)
Total identifiable net assets at fair value	<u>3,460</u>
Satisfied by cash	<u><u>3,460</u></u>

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows (€'000):

Cash consideration	(3,460)
Cash and bank balances acquired	<u>145</u>
Net outflow of cash and cash equivalents included in cash flows from investing activities	<u><u>(3,315)</u></u>

Since the acquisition, Michelini & C S.r.l. contributed €34,000 to the Group's revenue and loss of €14,000 to the consolidated profit for the year ended 31 December 2020.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been €638,613,000 and €20,763,000, respectively.

On 7 May, 2021, the Group acquired 80% equity interest of Ram S.r.l with a cash consideration of €720,000. Ram is the first Riva Boat Service, located right on the lake shore next to the Riva shipyard in Sarnico.

	Fair value recognized on acquisition
	€'000
Cash and cash equivalents	1
Trade and other receivables	292
Other current assets	1,280
Property, plant and equipment	2,321
Other non-current assets	37
Current liabilities	(2,372)
Deferred tax liabilities	(288)
Non-current employee benefits	(284)
Other non-current liabilities	(267)
Total identifiable net assets at fair value	<u>720</u>
Satisfied by cash	<u><u>720</u></u>

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows (€'000):

Cash consideration	(720)
Cash and bank balances acquired	<u>1</u>
Net outflow of cash and cash equivalents included in cash flows from investing activities	<u><u>(719)</u></u>

Since the acquisition, Ram S.r.l. contributed €603,000 to the Group's revenue and loss of €36,000 to the consolidated profit for the nine months ended 30 September 2021.

Had the combination taken place at the beginning of the period, the revenue from continuing operations of the Group and the profit of the Group for the period would have been €696,027,000 and €31,573,000, respectively.

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS**(a) Major non-cash transactions**

The major non-cash transactions of the Group mainly refer to:

- (i) The conversion of the shareholders' loan which took place on 3 September 2019 by extinguishing the shareholders' loan of €211,670,000 through subscription €59,291,317 as share capital and €152,378,683 as share premium.
- (ii) During the years ended 31 December 2019 and 2020 and the nine months ended 30 September 2020 and 2021, the Group had non-cash additions to right-of-use assets and lease liabilities of €7,241,000, €15,323,000, €12,165,000 (unaudited) and €1,612,000, respectively.

(b) Changes in liabilities arising from financing activities*Bank and other borrowings, excluding lease liabilities*

	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2020	Nine months ended 30 September 2020	Nine months ended 30 September 2021
	€'000	€'000	€'000	€'000	€'000
At beginning of year/period.	56,350	87,435	97,727	97,727	127,245
Changes from financing cash flows:				(Unaudited)	
New bank loans	87,435	97,727	114,008	113,139	56,727
Repayment of bank loans.	(56,350)	(87,435)	(84,490)	(84,999)	(115,744)
At end of year/period.	<u>87,435</u>	<u>97,727</u>	<u>127,245</u>	<u>125,867</u>	<u>68,228</u>

Lease liabilities

	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2020	Nine months ended 30 September 2020	Nine months ended 30 September 2021
	€'000	€'000	€'000	€'000	€'000
				(Unaudited)	
At beginning of year/period.	6,390	7,997	27,836	27,836	36,625
Frist adoption of IFRS 16.	—	10,086	—	—	—
Changes from financing cash flows:					
Lease payments.	(756)	(3,566)	(5,146)	(4,095)	(6,235)
New leases.	2,363	13,211	13,772	13,531	1,612
Interest expenses.	—	108	163	118	135
At end of year/period.	<u>7,997</u>	<u>27,836</u>	<u>36,625</u>	<u>37,390</u>	<u>32,137</u>

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated cash flow statements is as follows:

	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2020	Nine months ended 30 September 2020	Nine months ended 30 September 2021
	€'000	€'000	€'000	€'000	€'000
				(Unaudited)	
Within operating activities.	6,929	4,457	3,779	2,947	3,107
Within financing activities.	<u>756</u>	<u>3,566</u>	<u>5,146</u>	<u>4,095</u>	<u>6,235</u>

39. RELATED PARTY DISCLOSURES

(a) In addition to the transactions detailed elsewhere in the Historical Financial Information, the Group had the following transactions with companies classified as related parties according to IAS 24 during the Relevant Periods:

	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2020	Nine months ended 30 September 2020	Nine months ended 30 September 2021
	€'000	€'000	€'000	€'000	€'000
				(Unaudited)	
Sale of vessels (note (i))					
Fellow subsidiary:					
Shandong Weichai Import & Export Co., Ltd.	—	4,500	—	—	—
Other related companies:					
Unicredit Leasing S.p.A.	9,951	28,530	—	—	—
Wally S.A.M.	—	—	—	—	4
Others	—	—	—	—	368
Other income (note (ii))					
Fellow subsidiary:					
Weichai Power Co., Ltd.	163	308	—	—	—
Financial expenses (note (iii))					
Holding companies:					
Weichai Holding Group Company Co, Ltd.	—	10	—	—	—
Ferretti International Holding S.p.A.	3,766	3,032	—	—	—
Costs and other expenses (note (iv))					
Fellow subsidiary:					
Weichai Power Co., Ltd.	575	655	355	97	324
Other related companies:					
Unicredit Leasing S.p.A.	—	—	—	—	—
HPE S.r.l.	200	200	200	150	150
Ferrari S.p.A.	42	76	14	14	2
PEH S.r.l.	211	—	—	—	143
CoEnergetica S.a.s.	5	9	15	—	—
Angelo Raffaele S.r.l.	194	192	—	—	145
Wally S.A.M.	—	39	29	—	344
Others	435	753	774	511	780

Notes:

- (i) The sale to Shandong Weichai Import & Export Co., Ltd. represented one boat for the year ended 31 December 2019. There were sales of one and two boats to Unicredit Leasing S.p.A. during the years ended 31 December 2018 and 2019, respectively. Unicredit Leasing S.p.A. is a lease company and the lessee of the aforementioned boats is a director of the Company. Transaction with related parties are part of normal business operations and are in general settled under arm's length conditions.
- (ii) Other income for the years ended 31 December 2018 and 2019 represented research and development services charged to Weichai Power Co., Ltd. Transaction with related parties are part of normal business operations and are in general settled under arm's length conditions.
- (iii) Financial expenses for the years ended 31 December 2018 and 2019 comprised interest expenses on the shareholder's loan, details of which are set out in note 27 to the Historical Financial Information, and fees for the guarantees existing on the financial loan.
- (iv) The costs and other expenses charged by Weichai Power Co., Ltd. represented primarily partial charge back of sponsoring costs on the Ferrari single-seater helmets, rental for the lease of offices and social security contributions for employees rendering services to the Group.

The costs and other expenses charged by HPE S.r.l. represented primarily the supply of services such as design, simulation, calculation, development, implementation and launch on the market of new concepts and style for the Group's products.

The costs and other expenses charged by Ferrari S.p.A. represented primarily the purchase of merchandises by the Group.

The costs and other expenses charged by PEH S.r.l. related to the assistance service aimed at identifying potential acquisitions in the nautical sector.

The costs and other expenses charged by CoEnergetica S.a.s. related to technical advisory services for the design and contractual negotiation of a cogeneration plant in Ancona.

The costs and other expenses charged by Angelo Raffaele S.r.l. related to a lease for a building for business purpose.

The costs and other expenses charged by others mainly represented strategic consultancy costs for the development of Ferretti Security and Defense division and legal expenses.

Transactions with related parties are conducted in accordance with the terms and conditions mutually agreed by the parties involved.

(b) In addition to the balances detailed elsewhere in the Historical Financial Information, the Group and the Company had the following balances with related parties as at the end of each of the Relevant Periods:

The Group

	<u>31 December 2018</u>	<u>31 December 2019</u>	<u>31 December 2020</u>	<u>30 September 2021</u>
	€'000	€'000	€'000	€'000
Trade and other receivables (note (i))				
Fellow subsidiaries:				
Weichai Power Co., Ltd.	176	484	484	484
Shandong Weichai Import & Export Co., Ltd.	—	3,150	3,150	3,150
Other related companies:				
PEH S.r.l.	32	—	—	—
Others	—	28	28	96
Contract assets (note (ii))				
Other related company:				
Unicredit Leasing S.p.A.	—	15,240	—	—
Trade and other payables (note (iii))				
Holding company:				
Ferretti International Holding S.p.A. . . .	211,479	—	—	—
Fellow subsidiary:				
Weichai Power Co., Ltd.	129	387	516	613
Other related companies:				
HPE S.r.l.	50	50	100	100
Ferrari S.p.A.	37	27	13	20
PEH S.r.l.	27	—	—	—
CoEnergetica S.a.s.	5	9	15	—
Angelo Raffaele S.r.l.	—	59	—	—
Wally S.A.M.	—	—	29	—
Others	69	138	147	324
	<u>69</u>	<u>138</u>	<u>147</u>	<u>324</u>

The Company

	31 December	31 December	31 December	30 September
	2018	2019	2020	2021
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Trade and other receivables (note (i))				
Fellow subsidiaries:				
Weichai Power Co., Ltd.	176	484	484	484
Shandong Weichai Import & Export Co., Ltd.	—	3,150	3,150	3,150
Subsidiaries:				
Ferretti Group of America Holding				
Company Inc.	11	11	11	11
CRN S.p.A.	50,689	19,302	20,914	9,158
Allied Marine Inc.	1,047	1,047	1,072	1,072
Ferretti Group of America Llc.	133,486	141,213	127,537	136,647
Zago S.p.A.	473	1,278	1,862	992
Ram S.r.l.	—	—	—	81
Ferretti Tech S.p.A.	—	—	—	2
Ferretti Group UK Limited	36	99	121	55
Ferretti Group (Monaco) S.a.M.	2	163	51	51
Ferretti Group Asia Pacific Ltd.	21,694	28,528	25,890	32,024
Ferretti Asia Pacific Zhuhai Ltd.	—	—	1	1
Michelini & C. S.r.l.	—	—	45	—
Sea Lion S.r.l.	—	15	—	—
Other related companies:				
Others	—	28	28	28
Contract assets (note (ii))				
Other related company:				
Unicredit Leasing S.p.A.	—	15,240	—	—

	31 December 2018	31 December 2019	31 December 2020	30 September 2021
	€'000	€'000	€'000	€'000
Trade and other payables (note (iii))				
Holding company:				
Ferretti International Holding S.p.A.	211,479	—	—	—
Fellow subsidiary:				
Weichai Power Co., Ltd.	129	387	516	612
Subsidiaries:				
Ferretti Group of America Llc.	32,409	38,377	45,984	53,421
CRN S.p.A.	60,772	34,491	25,061	6,371
Allied Marine Inc.	17,571	8,705	9,108	9,278
Ferretti Group Asia Pacific Ltd.	5,734	175	801	801
Zago S.p.A.	1,840	2,024	2,997	2,308
Sea Lion S.r.l.	—	61	97	612
Michelini & C. S.r.l.	—	—	42	—
Ferretti Group UK Limited	—	29	294	53
Ferretti Group (Monaco) S.a.M.	—	138	(65)	60
Other related companies:				
HPE S.r.l.	50	50	100	100
Ferrari S.p.A.	37	27	13	20
PEH S.r.l.	27	—	—	—
CoEnergetica S.a.s.	—	5	15	—
Others	114	138	147	81
Other current assets (note (iv))				
Subsidiaries:				
CRN S.p.A.	21,382	52,960	85,933	16,216
Ferretti Group of America Llc.	4,366	—	267	433
Ferretti Group of America Holding				
Company Inc.	12,629	14,646	15,886	16,660
Allied Marine Inc.	3,076	3,428	3,648	3,786
Ferretti Group (Monaco) S.a.M.	16	52	61	72
Ferretti Group Asia Pacific Ltd.	105	122	137	148
Ferretti Group UK Limited	6	9	11	13

	31 December 2018	31 December 2019	31 December 2020	30 September 2021
	€'000	€'000	€'000	€'000
Other non-current assets (note (v))				
Subsidiaries:				
CRN S.p.A.	48	48	48	48
Ferretti Group of America Llc..	208	5,310	5,310	5,310
Ferretti Group (Monaco) S.a.M.	6,088	519	1,299	799
Ferretti Group Asia Pacific Ltd.	1,000	1,000	1,000	1,000
Sea Lion S.r.l.	—	22,163	22,384	22,549
Ferretti Group UK Limited	170	170	170	165
Other current liabilities (note (vi))				
Subsidiary:				
Zago S.p.A.	3,867	1,209	2,948	319

Notes:

- (i) The receivables arose primarily from the provision of research and development services and sale of boat, which are of trade in nature.
- (ii) The contract assets which are of trade in nature, related to the costs incurred, and corresponding margins, incurred pertaining the contracts signed with Unicredit Leasing S.p.A., the lessee of which is a director of the Company
- (iii) The payables to HPE S.r.l. arose primarily from the supply of services such as design, simulation, calculation, development, implementation and launch on the market of new concepts and style for the Group's products, which are of trade in nature, and settled at due date, within 60 days.

The payables to Ferrari S.p.A. arose primarily from the purchase of merchandises by the Group, which are of trade in nature, and those payables are settled with a repayable on demand basis.

The payables to PEH S.r.l. arose from the assistance service aimed at identifying potential acquisitions in the nautical sector, which are of trade in nature and those payables are settled with a repayable on demand basis.

The payables to CoEnergetica S.a.s. arose from technical advisory services for the design and contractual negotiation of a cogeneration plant in Ancona. Those payables are of trade in nature and settled within 30 days of the ending month related to the due date.

The payables to Angelo Raffaele S.r.l. arose from a lease for a building for business purpose. Those payables are of trade in nature and settled within 120 days of the ending month related to the due date.

The payables to others mainly arose from strategic consultancy costs for the development of Ferretti Security and Defense division and legal expenses. Those payables are of trade in nature and settled at due date, generally between 30 and 90 days.

- (iv) Other current assets comprised receivables derive from the invoicing of interest income accrued on loans granted to subsidiaries as non-current receivables and interest income accrued on cash pooling account balances, and receivables for treasury accounts originate from amounts held in the centralised treasury account that transfers the subsidiaries' positive and negative balances to the parent company's bank current account daily, with a "zero balance" mechanism.
- (v) Other non-current assets represented loans granted to subsidiaries to finance and support operations. These loans are granted without a precise due date and it is the intention of the Company's management to obtain gradual repayment in relation to the cash flows produced by the subsidiaries. These loans accrue interest at Euribor-linked market rates.
- (vi) Other borrowings related to the subsidiary Zago S.p.A. and refer essentially to payables for treasury accounts originating from amounts held in the centralised treasury account that transfers the subsidiaries' positive balances daily to the parent company's current bank account, with a "zero balance" mechanism.

(c) Compensation of key management personnel of the Group

	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2020	Nine months ended 30 September 2020	Nine months ended 30 September 2021
	€'000	€'000	€'000	€'000	€'000
				(Unaudited)	
Fees.	1,931	1,314	2,373	1,240	1,249
Wages and salaries.	1,189	1,619	1,940	1,570	1,830
Social security contributions	354	429	529	447	579
Employee severance indemnities and other allocations.	68	85	122	88	102
Total compensation paid to key management personnel.	<u>3,542</u>	<u>3,447</u>	<u>4,964</u>	<u>3,345</u>	<u>3,760</u>

40. INVESTMENTS IN SUBSIDIARIES

The Company

	31 December 2018	31 December 2019	31 December 2020	30 September 2021
	€'000	€'000	€'000	€'000
Investments, at cost.	<u>72,315</u>	<u>72,312</u>	<u>76,472</u>	<u>86,902</u>

Particulars of the subsidiaries are set out in note 1 to the Historical Financial Information.

41. CONTINGENT LIABILITIES DISCLOSURES

The contingent liabilities are related to Group's core business outstanding disputes regarding actions of liability for breach of contract in general and/or contractual liability deriving from flaws in the goods sold, and other actions for damages brought by third parties. The directors of the Company are of opinion that none of these proceedings will involve a risk of a significant cash outflow or may give rise to significant liabilities in excess of the provision already made.

42. PLEDGE OF ASSETS DISCLOSURES

As at 31 December 2019 and 2020 and 30 September 2021, the Group's bank borrowings were secured by certain of the Group's buildings amounting to €69,735,000, €73,606,000 and €78,584,000, respectively.

43. COMMITMENTS DISCLOSURES

As at 31 December 2018 the Group had a commitment for the acquisition of Wally trademark for an amount of €22,000,000.

As at 31 December 2019 the Group had a commitment for the acquisition of Michelini S.p.A. for an amount of €3,100,000 and a commitment for the acquisition of a building for an amount of €3,825,000.

As at 30 September 2021 the Group had commitment under foreign currency forward contracts (forward sale of US dollars), with an aggregate nominal amount of US\$37,000,000.

44. GUARANTEES

With a view to providing comprehensive disclosure, the following paragraphs detail the guarantees provided and the commitments undertaken by the Group.

31 December 2018

The following types of guarantees were issued to secure payables and other obligations:

Ferretti S.p.A.

- guarantees totalling €32,900,000 issued by various banks in favour of customers for the construction of several boats;

- a surety policy for a total amount of €5,655,000 issued by Liberty Specialty Markets Assicurazioni for the benefit of the Emilia Romagna Revenue Agency in connection with the Group VAT offsetting for 2017;
- guarantees totalling €4,700,000 issued by various banks in favour of certain suppliers, following negotiated supply conditions;
- a surety policy for a total amount of €1,480,000 issued by Atradius for the benefit of the Emilia Romagna Revenue Agency in connection with the Group VAT rebate for 2013. In addition to this surety policy, in December 2018 three more surety policies were issued, also by Atradius, for the benefit of the Marche Revenue Agency in the amount of €2,274,000 and for the benefit of the Emilia Romagna Revenue Agency in the amounts of €28,000 and €77,000, in order to avoid the administrative injunction against the 2013 VAT refund;
- a surety policy for a total amount of €3,184,000 issued by Liberty Specialty Markets Assicurazioni for the benefit of the Emilia Romagna Revenue Agency in connection with the Group VAT credit rebate for 2016;
- a surety policy for a total amount of €1,451,000 issued by Generali Assicurazioni for the benefit of the Emilia Romagna Revenue Agency in connection with the Group VAT offsetting for 2016;
- an insurance sureties for a total amount of €98,000 provided by Generali Assicurazioni for the benefit of the Municipality of Forlì to secure the performance of obligations arising from a concession for urban development projects. This surety policy was returned on 15 March 2019, the date on which the Municipality of Forlì entered into possession of the infrastructure, parking and green areas;
- a surety policy for €176,000 issued by Euler Hermes for the benefit of the Bergamo Customs Agency securing the VAT on a boat temporarily imported for the performance of work;
- a surety policy for €111,000 issued by Liberty Specialty Markets Assicurazioni for the benefit of the Genoa Customs Agency No. 1 securing the VAT on a boat temporarily imported for the performance of work;
- an insurance policy issued by Reale Mutua Assicurazioni for the Iseo, Endine and Moro Lake Authority for concession charges of €53,000;

- a surety policy for €50,000 issued by Atradius for the benefit of the Ancona Customs Agency in connection with customs duties;
- insurance policy for €25,000 issued by Vittoria Assicurazioni for the benefit of the Sarnico municipal administration in connection with urban development projects.

CRN S.p.A.

- sureties totalling €48,900,000 issued by various banks to customers as a guarantee of the advances paid for the construction of boats;
- a surety policy of €533,000 received from Liberty Specialist Market Assicurazioni for the benefit of the Ancona Customs Agency securing the Group VAT credit for 2017;
- a surety policy of €120,000 received from Generali Assicurazioni in favour of Sorgenia S.p.A. to guarantee obligations regarding the electricity supply contract;
- a surety policy of €40,000 received from Axa Assicurazioni in favour of the Ancona Port Authority for the granting of use of public land;
- a surety policy of €30,000 received from Unipol Assicurazioni in favour of the Ancona Customs Agency for excise incentives on diesel used in engine tests.

Zago S.p.A.

- Sureties of €3,318,000 issued by Allianz Assicurazioni for the benefit of a customer in connection with advances received on some vessels;
- bank guarantees totalling €402,000 issued by Cariparma in favour of a customer, for the construction of two orders.

31 December 2019

The following types of guarantees were issued to secure payables and other obligations:

Ferretti S.p.A.

- a surety policy for a total amount of €1,480,000 issued by Atradius for the benefit of the Emilia Romagna Revenue Agency in connection with the Group VAT rebate for 2013. In addition to this surety policy, in December 2018 three more surety policies

were issued, also by Atradius, for the benefit of the Marche Revenue Agency in the amount of €2,274,000 and for the benefit of the Emilia Romagna Revenue Agency in the amounts of €28,000 and €77,000, respectively, in order to avoid the administrative injunction against the 2013 VAT refund;

- a surety policy for a total amount of €3,184,000 issued by Liberty Specialty Markets Assicurazioni for the benefit of the Emilia Romagna Revenue Agency in connection with the Group VAT credit rebate for 2016;
- a surety policy for a total amount of €5,655,000 issued by Liberty Specialty Markets Assicurazioni for the benefit of the Emilia Romagna Revenue Agency in connection with the Group VAT offsetting for 2017;
- an insurance policy for €25,000 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 €53,000;
- a surety policy for a total amount of €113,000 issued by Liberty Specialty Markets Assicurazioni for the benefit of the Ancona Revenue Agency in connection with the Group VAT credit rebate for 2018;
- a surety policy for a total amount of €799,000, issued by Elba Assicurazioni, as a provisional guarantee for taking part in the tender called by the Carabinieri Corps for the supply of several patrol boats;
- a surety policy for €335,000 issued by Coface for the benefit of the Bergamo Customs Agency for a boat temporarily imported for the performance of work under guarantee;
- guarantees totalling €6,400,000 issued by various banks in favour of certain suppliers, following negotiated supply conditions;
- guarantees totalling €81,600,000 issued by various banks in favour of customers for the construction of several boats;
- a bank guarantee for €250,000 issued by Cassa di Risparmio de La Spezia to the Port System Authority of the Eastern Ligurian Sea to secure the performance of obligations arising under a government concession;

- a bank guarantee issued in relation to the process awarding the Wally brand.

CRN S.p.A.

- a surety policy of €30,000 received from Unipol Assicurazioni in favour of the Ancona Customs Agency for excise incentives on diesel used in engine tests;
- a surety policy of €40,000 received from Axa Assicurazioni in favour of the Ancona Port Authority for the granting of use of public land;
- a surety policy of €533,000 received from Liberty Specialist Market Assicurazioni for the benefit of the Ancona Customs Agency securing the Group VAT credit for 2017;
- sureties totalling €50,500,000 issued by various banks to customers as a guarantee of the advances paid for the construction of boats.

Zago S.p.A

- sureties of €4,176,000 issued by several insurance companies for the benefit of a customer in connection with advances received on some vessels.

In addition, in order to grant the loan extended to the immediate holding company, the pool of banks requested the following security interests:

- a first-degree deed of mortgage on the properties owned by Ferretti S.p.A. and CRN S.p.A. These companies have also committed to grant a mortgage on the docks under concession in La Spezia, Sarnico and Ancona, once consent is provided by the competent public land authorities;
- deed of special lien pursuant to Article 46 of the Consolidated Banking Act on the bridge cranes and other cranes owned by Ferretti S.p.A. and CRN S.p.A.;
- deed of pledge on two current accounts held by the Parent Company and two current accounts held by CRN S.p.A. (the minimum balance required for these accounts is €2,000);
- 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.

31 December 2020

The following types of guarantees were issued to secure payables and other obligations:

Ferretti S.p.A.

- a surety policy for a total amount of €1,480,000 issued by Atradius for the benefit of the Emilia Romagna Revenue Agency in connection with the Group VAT rebate for 2013. In addition to this surety policy, in December 2018 three more surety policies were issued, also by Atradius, for the benefit of the Marche Revenue Agency in the amount of €2,274,000 and for the benefit of the Emilia Romagna Revenue Agency in the amounts of €28,000 and €77,000, respectively, in order to avoid the administrative injunction against the 2013 VAT refund;
- a surety policy for a total amount of €3,184,000 issued by Liberty Specialty Markets Assicurazioni for the benefit of the Emilia Romagna Revenue Agency in connection with the Group VAT credit rebate for 2016;
- a surety policy for a total amount of €5,655,000 issued by Liberty Specialty Markets Assicurazioni for the benefit of the Emilia Romagna Revenue Agency in connection with the Group VAT offsetting for 2017;
- a surety policy for a total amount of €113,000 issued by Liberty Specialty Markets Assicurazioni for the benefit of the Emilia Romagna Revenue Agency in connection with the Group VAT credit rebate for 2018;
- a surety policy for a total amount of €1,471,000 issued by Liberty Specialty Markets Assicurazioni for the benefit of the Emilia Romagna Revenue Agency in connection with the Group VAT credit rebate for 2019;
- a surety policy for a total amount of €752,000 issued by Liberty Specialty Markets Assicurazioni for the benefit of the Emilia Romagna Revenue Agency in connection with the Group VAT offsetting for 2019;
- an insurance policy for €25,000 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 €53,000;

- a surety policy for a total amount of €797,000 issued by Elba Assicurazioni, as a provisional guarantee for taking part in the tender called by Carabinieri Corps for the supply of several patrol boats;
- a surety policy €308,000 issued by Elba Assicurazioni for the benefit of the Bergamo Customs Agency for a boat temporarily imported for the performance of warranty work;
- a surety policy €1,083,000 issued by Elba Assicurazioni for the benefit of the Bergamo La Spezia Agency for a boat temporarily imported for the performance of warranty work;
- guarantees totalling €3,600,000 issued by various banks in favour of certain suppliers, following negotiated supply conditions;
- guarantees totalling €34,800,000 issued by various banks in favour of certain customers for the construction of several boats;
- a bank guarantee for €250,000 issued by Cassa di Risparmio de La Spezia to the Port System Authority of the Eastern Ligurian Sea to secure the performance of obligations arising under a government concession;
- a bank guarantee issued in relation to the process awarding the Wally brand.

CRN S.p.A.

- a surety policy of €30,000 received from Unipol Assicurazioni in favour of the Ancona Customs Agency for excise incentives on diesel used in engine tests;
- a surety policy of €40,000 received from Axa Assicurazioni in favour of the Ancona Port Authority for the granting of use of public land;
- a surety policy of €533,000 received from Liberty Specialist Market Assicurazioni for the benefit of the Ancona Customs Agency securing the Group VAT credit for 2017;
- a surety policy of €3,222,000 received from Liberty Specialist Market Assicurazioni for the benefit of the Ancona Customs Agency offsetting the Group VAT credit for 2019;
- sureties totalling €41,400,000 issued by various banks to customers as a guarantee of the advances paid for the construction of boats.

Zago S.p.A

- sureties of €3,268,000 issued by several insurance companies for the benefit of a customer in connection with advances received on some vessels.

Michelini & C. S.r.l.

- a surety policy of €37,000 issued by several insurance companies to the Port System Authority of the Eastern Ligurian Sea to secure the performance of obligations arising under a government concession.

In addition, in order to grant the loan extended to the immediate holding company, the pool of banks requested the following security interests:

- a first-degree deed of mortgage on the properties owned by Ferretti S.p.A. and CRN S.p.A. These companies have also committed to grant a mortgage on the docks under concession in La Spezia, Sarnico and Ancona, once consent is provided by the competent public land authorities;
- deed of special lien pursuant to Article 46 of the Consolidated Banking Act on the bridge cranes and other cranes owned by Ferretti S.p.A. and CRN S.p.A.;
- deed of pledge on two current accounts held by the Parent Company and two current accounts held by CRN S.p.A. (the minimum balance required for these accounts is €2,000);
- 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.

30 September 2021

The following types of guarantees were issued to secure payables and other obligations:

Ferretti S.p.A.

- Surety policy issued by Atradius, for the benefit of the Marche Revenue Agency in the amount of €2,274,000 and for the benefit of the Emilia Romagna Revenue Agency in the amounts of €28,000 and €77,000, respectively, in order to avoid the administrative injunction against the 2013 VAT refund;
- Insurance surety for a total amount of €113,000, issued by Liberty Specialty Markets Assicurazioni, in favor of the Emilia Romagna regional tax office for the reimbursement of the excess VAT for the year 2018;
- Insurance surety for a total amount of €1,471,000, issued by Liberty Specialty Markets Assicurazioni, in favor of the Emilia Romagna regional tax office for the reimbursement of the excess VAT for the year 2019;
- Insurance surety for a total amount of €752,000, issued by Elba Assicurazioni, in favor of the Emilia Romagna regional tax office for the compensation of the excess VAT for the year 2019;
- Insurance policy issued by Vittoria Assicurazioni in favor of the municipality of Sarnico for urbanization works, for €25,000;
- Insurance policy issued by Reale Mutua Assicurazioni in favor of the Lake Basin Authority of the Iseo, Endine and Moro lakes for the charges provided for in the concession, for €53,000;
- Insurance guarantee for a total amount of €797,000, issued by Elba Assicurazioni, as a guarantee for the contractual obligations deriving from the supply of various patrol boats to the Carabinieri;
- Insurance guarantee for a total amount of €32,000, issued by Elba Assicurazioni, as a provisional guarantee to compete in a tender called by the Carabinieri for the supply of boats;

- Insurance surety for a total amount of €1,083,000, issued by Elba Assicurazioni, in favor of the customs of La Spezia, for the temporary importation of a boat for carrying out work under guarantee;
- Sureties for a total amount of €1,100,000 issued by various credit institutions in favor of some suppliers following the agreed supply conditions;
- Sureties for a total amount of €41,800,000 issued by various credit institutions in favor of customers for the construction of some boats;
- Bank guarantee issued by the Cassa di Risparmio della Spezia, in favor of the Port Authority of the Eastern Ligurian Sea, to guarantee the fulfillment of the obligations resulting from the state concession for €250,000;
- Bank guarantee issued in relation to the Wally brand award process.

CRN S.p.A.

- Surety policy of €30,000, received by Unipol Assicurazioni in favor of the Ancona Customs Agency for facilitations on excise duties on diesel for engine testing;
- Surety policy of €40,000, received by Axa Assicurazioni in favor of the port authority of Ancona for the concession of the maritime state-owned land;
- Surety policy of €3,222,000, received by Liberty Specialist Market Insurance in favor of the Ancona Revenue Agency to guarantee the compensation of the excess VAT for the year 2019;
- Guarantees for a total amount of €85,100,000 issued by various credit institutions to customers to guarantee advances paid for the construction of ships.

Zago S.p.A.

- Guarantees of €3,872,000, issued by various insurance companies, in favor of a customer for the advances received or as a guarantee on the construction of furniture components.

Ram Srl

- Surety policy of €21,000, received by Liberty Specialty Markets Insurance in favor of the Ancona Customs Agency for the temporary importation of boats.

In addition, in order to grant the loan extended to the immediate holding company, the pool of banks requested the following security interests:

- a first-degree deed of mortgage on the properties owned by Ferretti S.p.A. and CRN S.p.A. These companies have also committed to grant a mortgage on the docks under concession in La Spezia, Sarnico and Ancona, once consent is provided by the competent public land authorities;
- deed of special lien pursuant to Article 46 of the Consolidated Banking Act on the bridge cranes and other cranes owned by Ferretti S.p.A. and CRN S.p.A.;
- deed of pledge on two current accounts held by the Parent Company and two current accounts held by CRN S.p.A. (the minimum balance required for these accounts is €2,000);
- 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.

45. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

The Group*Financial assets*

	31 December 2018			31 December 2019		
	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Total	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Cash and cash equivalents . . .	—	38,503	38,503	—	39,164	39,164
Financial assets included in						
trade and other receivables .	—	9,476	9,476	—	24,471	24,471
Other current assets	3,491	—	3,491	1,517	—	1,517
Financial assets included in						
other non-current assets. . . .	—	1,513	1,513	—	4,164	4,164
	<u>3,491</u>	<u>49,492</u>	<u>52,983</u>	<u>1,517</u>	<u>67,799</u>	<u>69,316</u>
	31 December 2020			30 September 2021		
	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Total	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Cash and cash equivalents . . .	—	32,830	32,830	—	187,462	187,462
Financial assets included in						
trade and other receivables .	—	16,408	16,408	—	14,924	14,924
Other current assets	3,592	—	3,592	4,053	—	4,053
Financial assets included in						
other non-current assets. . . .	—	1,797	1,797	—	1,895	1,895
	<u>3,592</u>	<u>51,035</u>	<u>54,627</u>	<u>4,053</u>	<u>204,281</u>	<u>208,334</u>

Financial liabilities

	Financial liabilities at amortized cost			
	31 December 2018	31 December 2019	31 December 2020	30 September 2021
	€'000	€'000	€'000	€'000
Due to the immediate holding company	211,479	—	—	—
Bank and other borrowings	95,432	125,563	163,870	100,365
Derivative financial instruments	—	—	—	689
Financial liabilities included in trade and other payables	185,398	214,313	196,338	212,766
	<u>492,309</u>	<u>339,876</u>	<u>360,208</u>	<u>313,820</u>

The Company*Financial assets*

	Financial assets at amortized cost			
	31 December 2018	31 December 2019	31 December 2020	30 September 2021
	€'000	€'000	€'000	€'000
Cash and cash equivalents	24,343	31,163	18,209	155,200
Financial assets included in trade and other receivables	211,514	207,986	186,410	188,783
Other current assets	43,961	71,883	105,943	40,007
Financial assets included in other non-current assets	8,358	32,363	30,987	29,944
	<u>288,176</u>	<u>343,395</u>	<u>341,549</u>	<u>413,934</u>

Financial liabilities

	Financial liabilities at amortized cost			
	31 December 2018	31 December 2019	31 December 2020	30 September 2021
	€'000	€'000	€'000	€'000
Due to the immediate holding company	211,244	—	—	—
Bank and other borrowings	92,944	110,003	142,584	78,422
Derivative financial instruments	—	—	—	689
Financial liabilities included in trade and other payables	241,931	248,985	240,304	247,802
	<u>546,119</u>	<u>358,988</u>	<u>382,888</u>	<u>326,913</u>

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS**Fair value**

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Financial assets — carrying amounts			
	31 December 2018	31 December 2019	31 December 2020	30 September 2021
	€'000	€'000	€'000	€'000
Other current assets	<u>3,491</u>	<u>1,517</u>	<u>3,592</u>	<u>4,053</u>

	Financial assets — fair values			
	31 December 2018	31 December 2019	31 December 2020	30 September 2021
	€'000	€'000	€'000	€'000
Other current assets	<u>3,491</u>	<u>1,517</u>	<u>3,592</u>	<u>4,053</u>

Financial liabilities — carrying amounts				
	31 December 2018	31 December 2019	31 December 2020	30 September 2021
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Due to the immediate holding company, non-current.	211,081	—	—	—
Bank and other borrowings, non-current	7,589	36,253	84,846	71,882
Derivative financial instruments	—	—	—	689
	<u>218,670</u>	<u>36,253</u>	<u>84,846</u>	<u>72,571</u>
Financial liabilities — fair values				
	31 December 2018	31 December 2019	31 December 2020	30 September 2021
	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>	<i>€'000</i>
Due to the immediate holding company, non-current.	211,081	—	—	—
Bank and other borrowings, non-current	7,589	36,253	84,846	71,882
Derivative financial instruments	—	—	—	689
	<u>218,670</u>	<u>36,253</u>	<u>84,846</u>	<u>72,571</u>

The fair values of other financial assets and liabilities approximate to their carrying amounts largely due to the short term maturity of these instruments.

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

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

Fair value hierarchy

IFRS 7 requires that the financial instruments recognised at fair value to 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 Group's financial assets measured at fair value and financial liabilities for which fair values are disclosed are classified as Level 2, other than derivative financial instruments for which fair values are disclosed are classified as Level 1.

47. EVENTS AFTER THE RELEVANT PERIODS

On 11 January 2022, one boat in construction in the Company's shipyard in Cattolica (Rimini) was destroyed by fire and other two were significantly damaged. The Company's loss of contract assets, estimated to be €8.5 million, was fully insured. The corresponding actual claim is in progress.

48. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 30 September 2021.

APPENDIX II REPORT ON PRO FORMA FINANCIAL INFORMATION

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets attributable to shareholders of the Company prepared in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants is to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to shareholders of the Company as at 30 September 2021 as if the Global Offering had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not provide a true picture of the consolidated net tangible assets attributable to shareholders of the Company had the Global Offering been completed as at 30 September 2021 or at any future date.

	Audited consolidated net tangible assets attributable to shareholders of the Company as at 30 September 2021	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets attributable to shareholders of the Company	Unaudited pro forma adjusted consolidated net tangible assets attributable to shareholders of the Company per Share	Unaudited pro forma adjusted consolidated net tangible assets attributable to shareholders of the Company per Share
	<i>€'000</i> <i>(Note 1)</i>	<i>€'000</i> <i>(Note 2)</i>	<i>€'000</i>	<i>€</i> <i>(Note 3)</i>	<i>HK\$</i> <i>(Note 4)</i>
Based on an Offer Price of HK\$21.82 per Share.	231,231	196,506	427,737	1.28	10.98
Based on an Offer Price of HK\$28.24 per Share.	231,231	256,528	487,759	1.46	12.52

APPENDIX II REPORT ON PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The consolidated net tangible assets attributable to shareholders of the Company as at 30 September 2021 is arrived at after deducting intangible assets of €259,120,000 from the audited net assets attributable to shareholders of the Company of €490,351,000 as at 30 September 2021, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on estimated low end and high end offer prices of HK\$21.82 or HK\$28.24 per Share after deduction of the underwriting fees and other related expenses to be incurred by the Group and do not take into account any share which may be sold and offered upon exercise of the Over-allotment Option.
- (3) The unaudited pro forma adjusted consolidated net tangible assets attributable to shareholders of the Company per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 334,314,954 Shares are in issue assuming the Global Offering has been completed on 30 September 2021, excluding any share which may be sold and offered upon exercise of the Over-allotment Option.
- (4) The unaudited pro forma adjusted consolidated net tangible assets attributable to shareholders of the Company per Share are converted into Hong Kong dollars at an exchange rate of €0.11653 to HK\$1.00.
- (5) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2021.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION****To the Directors of Ferretti S.p.A.**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Ferretti S.p.A. (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 30 September 2021, and related notes as set out on pages II-1 to II-2 of the prospectus dated 22 March 2022 issued by the Company (the “**Pro Forma Financial Information**”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in part A of Appendix II to the prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group’s financial position as at 30 September 2021 as if the transaction had taken place at 30 September 2021. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements for the period ended 30 September 2021, on which an accountants’ report has been published.

Directors’ responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline (“**AG**”) 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

APPENDIX II REPORT ON PRO FORMA FINANCIAL INFORMATION

- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

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

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

EY S.p.A.
Recognised PIE Auditor
Milan

22 March 2022

Ernst & Young
Certified Public Accountants
Hong Kong

22 March 2022

The following is the preliminary financial information of our Group as of and for the year ended December 31, 2021 (“2021 Preliminary Financial Information”), together with comparative financial information as of and for the year ended December 31, 2020 and a discussion and analysis of our financial condition and results of operations. The 2021 Preliminary Financial Information has not been audited. Investors should bear in mind that the 2021 Preliminary Financial Information in this appendix may be subject to adjustments.

CONSOLIDATED INCOME STATEMENT**Year ended 31 December 2021**

	<i>Notes</i>	2021	2020
		<i>€'000</i>	<i>€'000</i>
Revenue	2	927,477	638,194
Commissions and other costs related to revenue . .	2	(29,056)	(26,839)
NET REVENUE	2	898,421	611,355
Change in inventories of work-in-process, semi-finished and finished goods		(32,650)	(21,727)
Cost capitalized		28,063	34,076
Other income		14,034	15,027
Raw materials and consumables used		(424,277)	(291,768)
Contractors costs		(138,027)	(91,604)
Costs for trade shows, events and advertising		(12,485)	(9,446)
Other service costs		(95,196)	(69,837)
Rentals and leases		(6,913)	(5,582)
Personnel costs		(112,417)	(92,454)
Other operating expenses		(7,062)	(7,366)
Provisions and impairment		(15,099)	(17,272)
Depreciation and amortization		(48,519)	(42,493)
Share of loss of a joint venture		(24)	—
Financial income		224	133
Financial expenses		(5,940)	(6,897)
Foreign exchange losses		(1,459)	(618)
PROFIT BEFORE TAX		40,674	3,527
Income tax	3	(3,291)	18,455
PROFIT FOR THE YEAR		<u>37,383</u>	<u>21,982</u>
Attributable to:			
Shareholders of the Company		37,545	22,006
Non-controlling interests		(162)	(24)
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
Basic and diluted (€)	5	<u>0.15</u>	<u>0.09</u>

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2021**

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

Year ended 31 December 2021

	2021	2020
	<i>€'000</i>	<i>€'000</i>
PROFIT FOR THE YEAR.	37,383	21,982
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:		
Profit on defined benefits plan	161	116
Income tax effect	(39)	(28)
	122	88
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Gain/(losses) from the translation of foreign operations	746	(1,488)
OTHER COMPREHENSIVE		
INCOME/(LOSS) FOR THE YEAR.	868	(1,400)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	38,251	20,582
Attributable to:		
Shareholders of the Company	38,413	20,606
Non-controlling interests	(162)	(24)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	<i>Notes</i>	2021	2020
		€'000	€'000
CURRENT ASSETS			
Cash and cash equivalents		173,010	32,830
Trade and other receivables	6	41,689	36,422
Contract assets		111,794	176,037
Inventories		144,387	176,941
Advances on inventories		24,606	15,139
Other current assets		8,731	3,592
Income tax recoverable		982	2,114
		<u>505,199</u>	<u>443,075</u>
NON-CURRENT ASSETS			
Property, plant and equipment		259,854	231,651
Intangible assets		258,174	262,349
Other non-current assets		5,189	3,019
Deferred tax assets		17,660	18,349
		<u>540,877</u>	<u>515,368</u>
TOTAL ASSETS		<u><u>1,046,076</u></u>	<u><u>958,443</u></u>
CURRENT LIABILITIES			
Bank and other borrowings		31,157	79,024
Provisions		31,056	37,148
Trade and other payables	7	278,809	222,476
Contract liabilities		131,664	55,704
Income tax payable		754	75
		<u>473,440</u>	<u>394,427</u>
NON-CURRENT LIABILITIES			
Bank and other borrowings		57,326	84,846
Provisions		9,383	7,542
Non-current employee benefits		7,506	7,794
Trade and other payables	7	355	509
		<u>74,570</u>	<u>100,691</u>
TOTAL LIABILITIES		<u>548,010</u>	<u>495,118</u>
SHARE CAPITAL AND RESERVES			
Share capital		250,735	250,735
Reserves		247,543	212,640
Equity attributable to shareholders of the Company		498,278	463,375
Non-controlling interests		(212)	(50)
TOTAL EQUITY		<u>498,066</u>	<u>463,325</u>
TOTAL LIABILITIES AND EQUITY		<u><u>1,046,076</u></u>	<u><u>958,443</u></u>

NOTES TO THE PRELIMINARY FINANCIAL INFORMATION FOR THE YEAR ENDED
31 DECEMBER 2021**1. BASIS OF PREPARATION**

The preliminary financial information of Ferretti S.p.A. (the “**Company**”) and its subsidiaries (together, the “**Group**”) for the year ended 31 December 2021 (the “**Preliminary Financial Information**”) has been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) which comprise all standards and interpretations approved by the International Accounting Standards Board (the “**IASB**”) and adopted by the European Union (the “**EU**”). During the year ended 31 December 2021, there were no differences between the IFRSs adopted by the EU and applicable to the Group and those issued by the IASB.

The Preliminary Financial Information has been prepared under the historical cost convention.

The Preliminary Financial Information is presented in Euro (“**€**”) and all values are rounded to the nearest thousand (€’000) except when otherwise indicated.

2. REVENUE/COMMISSION AND OTHER COSTS RELATED TO REVENUE

	2021	2020
	<i>€’000</i>	<i>€’000</i>
Revenue from contracts with customers.	927,477	638,194
Commissions and other costs related to revenue	<u>(29,056)</u>	<u>(26,839)</u>
Revenue, net of commissions and other costs related to revenue (“ Net Revenue ”)	<u>898,421</u>	<u>611,355</u>

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.

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2021**

Disaggregated Net Revenue information

Analysis by product type

The following table provides a breakdown by product type of the Group's Net Revenue during the reporting period:

	2021	2020
	<i>€'000</i>	<i>€'000</i>
Composite yachts	464,291	298,368
Made-to-measure yachts	249,734	168,506
Super yachts	84,561	63,742
Other revenue*	99,835	80,739
	898,421	611,355

* Mainly represents revenue from ancillary services: the trading of pre-owned boats of €46,999,000 (2020: €39,451,000), the manufacture and installation of wood furnishings for nautical interiors, the provision of brokerage, yacht chartering and yacht management services, the provision of aftersales and refitting services and our Ferretti Security Division ("FSD") business.

Geographical markets

The following table provides a breakdown by geography of the Group's Net Revenue during the reporting period:

	2021	2020
	<i>€'000</i>	<i>€'000</i>
Europe, the Middle East and Africa	376,021	254,027
Americas	288,724	149,922
Asia Pacific	49,280	62,925
Global*	84,561	63,742
Other**	99,835	80,739
	898,421	611,355

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

** Mainly revenue from ancillary services and FSD business.

Timing of revenue recognition

	<u>2021</u>	<u>2020</u>
	€'000	€'000
At a point in time	87,850	64,952
Over time	<u>810,571</u>	<u>546,403</u>
	<u>898,421</u>	<u>611,355</u>

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	<u>2021</u>	<u>2020</u>
	€'000	€'000
Revenue recognised that was included in contract liabilities at beginning of the reporting period.	<u>54,023</u>	<u>43,738</u>

Performance obligations

The performance obligation of sale of new boats to order (sale of composite yachts, made-to-measure yachts, super yachts) to order is satisfied over time of construction of boats.

The payment terms are agreed with the customers on a case by case basis to match cash requirements for the production. Advance payments are agreed with each customer on the basis of the time needed to construct the boats and are paid before the completion of the construction. These contracts do not include obligations for returns, refunds and other similar obligations, however the vessels are covered by a warranty which is included in a range between 18 and 24 months.

The performance obligation of revenue other than sale of new boats to order is satisfied at a point in time when the control of the asset or service are transferred to the customers.

The payment terms are agreed with the customers on a case by case basis to match cash used in the production. In general, these contracts do not include obligations for returns, refunds and other similar obligations.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at the end of the reporting period are as follows:

	<u>2021</u>	<u>2020</u>
	<i>€'000</i>	<i>€'000</i>
Amount expected to be recognised as revenue:		
Within one year	411,338	248,712
After one year	<u>99,595</u>	<u>96,221</u>
	<u>510,933</u>	<u>344,933</u>

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to sale of new boats, of which the performance obligation is to be satisfied within 2 years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

3. INCOME TAX

	<u>2021</u>	<u>2020</u>
	<i>€'000</i>	<i>€'000</i>
Corporate income tax (“IRES”)	—	—
Regional tax (“IRAP”)	2,009	840
Federal tax	<u>1,566</u>	<u>683</u>
	3,575	1,523
Over-provision in prior years	(748)	(1,543)
Deferred tax	<u>464</u>	<u>(18,435)</u>
	<u>3,291</u>	<u>(18,455)</u>

In accordance with the Consolidated Tax Filing system adopted, for the year ended 31 December 2021, the Group had a positive corporate income tax base but not generated current income tax, due to the use of tax losses and deductible interests carryforward. For the year ended 31 December 2020 the income tax basis was negative and did not generated any IRES (Imposta sul reddito delle società) charge. The IRAP taxable base of some Group companies was positive in both the years ended 31 December 2021 and 2020, therefore the Group recorded current taxes based on the local tax rate applicable to the gross operating profit.

The following table provides a reconciliation of income tax between the nominal and effective tax rate of the Group:

	2021	2020
	<i>€'000</i>	<i>€'000</i>
Profit before tax	<u>40,674</u>	<u>3,527</u>
Corporate income tax	9,762	846
Regional tax	<u>1,586</u>	<u>138</u>
	11,348	984
Adjustments in respect of:		
Recognition of the credit for R&D investments	—	(1,637)
Tax credit for allowance for corporate equity	(1,715)	—
Deferred tax assets on tax losses of previous periods	—	(17,268)
Tax losses utilised from previous periods	(6,250)	—
Others	<u>(92)</u>	<u>(534)</u>
	<u>3,291</u>	<u>(18,455)</u>

4. DIVIDENDS

	2021	2020
	<i>€'000</i>	<i>€'000</i>
Dividends	<u>3,510</u>	<u>6,582</u>

The shareholders' meeting of the Company held on 11 May 2021 resolved to allocate a portion of profit for the year ended 31 December 2020 to dividends (€1.40 cents per ordinary share). The shareholders' meeting of the Company held on 16 March 2020 resolved to allocate a portion of profit for the year ended 31 December 2019 to dividends (€2.625 cents per ordinary share).

5. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to shareholders of the Company, and the weighted average number of ordinary shares in issue during the year. The Group had no potentially dilutive ordinary shares in issue during the year.

The calculations of basic earnings per share are based on:

	<u>2021</u>	<u>2020</u>
Profit attributable to shareholders of the Company (€'000) . . .	37,545	22,006
Weighted average number of shares in issue	250,734,954	250,734,954
Earnings per share attributable to shareholders of the Company:		
Basic and diluted (€)	<u>0.15</u>	<u>0.09</u>

6. TRADE AND OTHER RECEIVABLES

	<u>2021</u>	<u>2020</u>
	<i>€'000</i>	<i>€'000</i>
Trade receivables	9,124	12,250
Other receivables	<u>32,565</u>	<u>24,172</u>
	<u>41,689</u>	<u>36,422</u>

Trade receivables

	<u>2021</u>	<u>2020</u>
	<i>€'000</i>	<i>€'000</i>
Accounts receivable from customers	14,869	18,839
Impairment	<u>(5,745)</u>	<u>(6,589)</u>
	<u>9,124</u>	<u>12,250</u>

Accounts receivable from customers of the Group relate primarily to sales and services other than sale of new boats, for which the balance is generally received before delivery based on the contractual terms and conditions in force. These are considered to be receivable within 12 months. Payment terms are agreed with customers on a case by case basis.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the due date and net of loss allowance, is as follows:

	2021	2020
	<i>€'000</i>	<i>€'000</i>
Within one month	4,412	7,491
One to two months	395	1,231
Two to three months	229	103
Over three months	4,088	3,425
	<u>9,124</u>	<u>12,250</u>

7. TRADE AND OTHER PAYABLES

	2021	2020
	<i>€'000</i>	<i>€'000</i>
Trade payables	238,687	195,112
Other payables	40,477	27,873
	<u>279,164</u>	<u>222,985</u>

	2021	2020
	<i>€'000</i>	<i>€'000</i>
Current portion	278,809	222,476
Non-current portion	355	509
	<u>279,164</u>	<u>222,985</u>

Trade payables

An ageing analysis of the trade payables as at the end of the reporting period, based on the payment due date, is as follows:

	2021	2020
	<i>€'000</i>	<i>€'000</i>
Within three months	185,866	136,863
Four to nine months	51,112	46,606
Ten to twelve months	1,709	11,643
	<u>238,687</u>	<u>195,112</u>

8. EVENTS AFTER THE REPORTING PERIOD

On 11 January 2022, one boat in construction in the Company's shipyard in Cattolica (Rimini) was destroyed by fire and other two were significantly damaged. The Company's loss of contract assets, estimated to be €8.5 million, was fully insured. The corresponding actual claim is in progress.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

We are an established leader in the global luxury yacht industry with a portfolio of iconic brands with a long heritage and outstanding high-end manufacturing capabilities. As one of the oldest Italian luxury yacht producers, we have 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 our business in 1968. Our 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. We design, produce and sell luxury composite yachts, made-to-measure yachts and super yachts from eight to 95 meters, offering the full spectrum of functionalities and an increasing range of ancillary services, catering to the personalized tastes and requirements of our clientele. With our market leadership, rich history and iconic brand portfolio, we are positioned as the trend-setter of the global luxury yachting industry and the ambassador of Italian nautical excellence to the world.

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

The table below sets forth a breakdown of our order backlog as of the dates indicated:

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

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

- We will consolidate our market leadership position with composite and made-to-measure yachts.
- We will develop new flagship models of super yachts.
- We will vertically integrate strategic and high value-adding activities.
- We will enhance our unique portfolio of ancillary services
- We will continue our investments in green technologies.

Since December 31, 2021 and up to the date of this prospectus, our business generally experienced continued growth and, to the best of our knowledge, (i) there has been no material adverse change in our financial or trading position; and (ii) there has been no material adverse change in our business, the industry in which we operate and/or market or regulatory environment to which we are subject.

Results of Operations

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

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

Revenue

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

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

Note:

(1) Mainly comprising revenue from ancillary businesses and the FSD business.

Our net revenue increased by €287.1 million, or 47.0%, from €611.4 million for the year ended December 31, 2020 to €898.4 million for the year ended December 31, 2021, which was due to (i) an increase of €165.9 million in sales of composite yachts; (ii) an increase of €81.2 million in sales of made-to-measure yachts; (iii) an increase of €19.1 million in revenue generated from other businesses; and (iv) an increase of €20.8 million in sales of super yachts. We delivered 194 new vessels for the year ended December 31, 2021, compared to 142 new vessels for the year ended December 31, 2020.

Our revenue generated from sales of composite yachts increased by 55.6% from €298.4 million for the year ended December 31, 2020 to €464.3 million for the year ended December 31, 2021, primarily due to an increase in order intake mainly driven by (i) increased demand for our products as we have been continuously renewing and broadening our product portfolio and (ii) recovery from the short-term adverse impact of the COVID-19 pandemic. Specifically, our composite order intake increased from €315.7 million for the year ended December 31, 2020 to €563.3 million for the year ended December 31, 2021.

Our revenue generated from sales of made-to-measure yachts increased by 48.2% from € 168.5 million for the year ended December 31, 2020 to €249.7 million for the year ended December 31, 2021, primarily due to an increase in order intake mainly driven by the same factors mentioned above. Specifically, our order intake for made-to-measure yachts increased from €155.6 million for the year ended December 31, 2020 to €289.3 million for the year ended December 31, 2021.

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

Our revenue generated from other businesses increased by 23.7% from €80.7 million for the year ended December 31, 2020 to €99.8 million for the year ended December 31, 2021, primarily due to an overall growth in our ancillary businesses.

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

	Year ended December 31,			
	2020		2021	
	<i>(Euro in thousands, except percentages)</i>			
	(Unaudited)			
EMEA.....	254,027	41.6%	376,021	41.9%
APAC.....	62,925	10.3%	49,280	5.5%
AMAS.....	149,922	24.5%	288,724	32.1%
Global ⁽¹⁾	63,742	10.4%	84,561	9.4%
Other businesses ⁽²⁾	80,739	13.2%	99,835	11.1%
Total.....	<u>611,355</u>	<u>100.0%</u>	<u>898,421</u>	<u>100.0%</u>

Notes:

- (1) Representing revenue attributable to super yachts not allocable to an individual country because, for example, the customer's country of residence is different from the vessel's country of registration.
- (2) Mainly comprising revenue from ancillary businesses and the FSD business.

For the years ended December 31, 2020 and 2021, the proportion of revenue from EMEA remained relatively stable. Meanwhile, the relatively lower revenue contribution from AMAS in 2020 was mainly due to the outbreak of COVID-19 pandemic, which resulted in postponement of certain deliveries to the first quarter of 2021; while revenue contribution from APAC decreased in 2021, primarily due to the outbreak of COVID-19 pandemic which caused significant travel restrictions for APAC customers to visit Europe in 2020 and therefore, resulted in a decrease in order intake from APAC, especially for larger footage yachts that have relatively longer production cycles.

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

Our change in inventories of work-in-process, semi-finished and finished goods increased by €10.9 million, or 50.3%, from €21.7 million for the year ended December 31, 2020 to €32.7 million for the year ended December 31, 2021, primarily due to an increase in order intake for composite yachts.

Cost Capitalized

Our cost capitalized decreased by €6.0 million, or 17.6%, from €34.1 million for the year ended December 31, 2020 to €28.1 million for the year ended December 31, 2021, primarily because the value of new models launched in 2020 was higher.

For the year ended December 31, 2021, among our cost capitalized, we incurred non-recurring costs of €20 thousand, and Covid-19 extra-costs of €38 thousand.

Other Income

Our other income remained relatively stable at €15.0 million for the year ended December 31, 2020 and €14.0 million for the year ended December 31, 2021.

For the year ended December 31, 2021, among our other income, we recorded Covid-19 extra-income of €96 thousand.

Raw Materials and Consumables Used

Our raw materials and consumables used increased by €132.5 million, or 45.4%, from €291.8 million for the year ended December 31, 2020 to €424.3 million for the year ended December 31, 2021, primarily due to an increase in production activities driven by (i) an increase in order intake and (ii) recovery from the short-term adverse impact of the COVID-19 pandemic as we temporarily and partially suspended the operations of our six shipyards for two months in 2020.

For the year ended December 31, 2021, among our raw materials and consumables used, we incurred Covid-19 extra-costs of €312 thousand.

Contractors Costs

Our contractor costs increased by €46.4 million, or 50.7%, from €91.6 million for the year ended December 31, 2020 to €138.0 million for the year ended December 31, 2021, primarily due to an increase in production activities driven by (i) an increase in order intake and (ii) recovery from the short-term adverse impact of the COVID-19 pandemic as we temporarily and partially suspended the operations of our six shipyards for two months in 2020.

For the year ended December 31, 2021, among our contractors costs, we incurred Covid-19 extra-costs of €1 thousand.

Costs for Trade Shows, Events and Advertising

Our costs for trade shows, events and advertising increased by €3.0 million, or 32.2%, from €9.4 million for the year ended December 31, 2020 to €12.5 million for the year ended December 31, 2021, primarily due to the cancellation of major boat shows in 2020 (as a result of the outbreak of COVID-19 pandemic) which resumed in 2021.

For the year ended December 31, 2021, among our costs for trade shows, events and advertising, we incurred Covid-19 extra-costs of €113 thousand.

Other Service Costs

Our other service costs increased by €25.4 million, or 36.3%, from €69.8 million for the year ended December 31, 2020 to €95.2 million for the year ended December 31, 2021, which was generally in line with the growth of our business.

For the year ended December 31, 2021, among our other service costs, we incurred non-recurring costs of €112 thousand, IPO extra costs of €5.2 million, Covid-19 extra-costs of €1.9 million, and litigation costs of €123 thousand.

Rentals and Leases

Our rentals and leases increased by €1.3 million, or 23.8%, from €5.6 million for the year ended December 31, 2020 to €6.9 million for the year ended December 31, 2021, primarily due to (i) an increase in royalties mainly attributable to the increase in new yachts delivered; and (ii) an increase in expenses relating to short-term leases, which was generally in line with the growth of our business.

For the year ended December 31, 2021, among our rentals and leases, we incurred IPO extra costs of €11 thousand.

Personnel Costs

Our personnel costs increased by €20.0 million, or 21.6%, from €92.5 million for the year ended December 31, 2020 to €112.4 million for the year ended December 31, 2021, primarily due to an increase in the average headcount to support the growth of our business.

For the year ended December 31, 2021, among our personnel costs, we incurred IPO extra costs of €3.4 million, and Covid-19 extra-costs of €9 thousand.

Other Operating Expenses

Our other operating expenses remained relatively stable at €7.4 million for the year ended December 31, 2020 and €7.1 million for the year ended December 31, 2021.

For the year ended December 31, 2021, among our other operating expenses, we incurred IPO extra costs of €68 thousand, and Covid-19 extra-costs of €1 thousand.

Provisions and Impairment

Our provisions and impairment decreased by €2.2 million, or 12.6%, from €17.3 million for the year ended December 31, 2020 to €15.1 million for the year ended December 31, 2021, primarily due to the release of provisions for certain legal disputes, partially offset by an increase in provision for product warranties which was generally in line with the increase in new yachts delivered.

For the year ended December 31, 2021, among our provisions and impairment, we have released provisions for certain legal disputes of €5.0 million.

Depreciation and Amortization

Our depreciation and amortization increased by €6.0 million, or 14.2%, from €42.5 million for the year ended December 31, 2020 to €48.5 million for the year ended December 31, 2021, which was driven by the increases in our property, plant and equipment as well as intangible assets, reflecting the significant investments we made to renew and extend our product portfolio and upgrade our production facilities.

Share of Loss of a Joint Venture

Our share of loss of a joint venture increased from nil for the year ended December 31, 2020 to €24,000 for the year ended December 31, 2021.

Financial Income and Financial Expenses

Our financial income increased from €0.1 million for the year ended December 31, 2020 to €0.2 million for the year ended December 31, 2021. Our financial expenses decreased by €1.0 million, or 13.9%, from €6.9 million for the year ended December 31, 2020 to €5.9 million for the year ended December 31, 2021, primarily due to a decrease in the interest on bank loans, which was mainly attributable to a decrease in average bank loan balance driven by the substantial improvement of our net financial position and a significant increase in our cash and cash equivalents.

Foreign Exchange Losses

Our foreign exchange losses increased by €0.9 million from €0.6 million for the year ended December 31, 2020 to €1.5 million for the year ended December 31, 2021, primarily due to the appreciation in exchange rate of U.S. dollars against Euro.

Income Tax

We recorded income tax expense of €3.3 million for the year ended December 31, 2021, compared to income tax benefit of €18.5 million for the year ended December 31, 2020, primarily due to (i) an increase in current tax as attributable to the significant increase in our profit before tax; and (ii) a decrease in deferred tax assets recognized in respect of prior tax losses.

Profit for the Year

As a result of the foregoing, our profit for the year increased by €15.4 million, or by 70.1%, from €22.0 million for the year ended December 31, 2020 to €37.4 million for the year ended December 31, 2021. Our net profit margin, which represents profit for the year as a percentage of net revenue, increased from 3.6% for the year ended December 31, 2020 to 4.1% for the year ended December 31, 2021.

NON-IFRS MEASURE

To supplement our consolidated income statements which are presented in accordance with IFRS, we also use EBITDA as a non-IFRS measure, which is not required by, or presented in accordance with, IFRS. We believe that this measure facilitates comparison of operating performance from period to period by eliminating potential impacts of certain items.

We believe that this measure provides useful information to investors and others in understanding and evaluating our consolidated income statements in the same manner as they help our management. However, our presentation of EBITDA may not be comparable to similarly titled measures presented by other companies. The use of this measure has limitations as an analytical tool, as such, it should not be considered in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS.

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

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

	Year ended December 31,	
	2020	2021
	<i>(Euro in thousands)</i>	
		(Unaudited)
Profit for the year/period	21,982	37,383
Income tax (benefit)/expense	(18,455)	3,291
Financial income	(133)	(224)
Financial expenses	6,897	5,940
Depreciation and amortization	42,493	48,519
EBITDA	<u>52,784</u>	<u>94,909</u>

Certain Balance Sheet Items*Net Current Assets*

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

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

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

Inventories/Advances on Inventories

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

Trade and Other Receivables

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

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

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

Contract Assets

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

Intangible Assets

Our intangible assets remained relatively stable at €262.3 million as of December 31, 2020 and €258.2 million as of December 31, 2021.

Trade and Other Payables

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

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

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

Contract Liabilities

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

Capital Expenditures

Our capital expenditures were primarily in connection with our continuous efforts in renewing and extending our product portfolio as well as expanding and upgrading our production facilities. We intend to fund our planned capital expenditures through a combination of the net proceeds from the Global Offering as well as cash generated from operating activities.

The table below sets out our capital expenditures for the periods indicated:

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

Indebtedness

The table below sets forth our indebtedness as of the dates indicated:

	As of December 31,	
	2020	2021
	<i>(Euro in thousands)</i>	
	(Unaudited)	
Included in current liabilities		
Bank and other borrowings	79,024	31,157
Subtotal	79,024	31,157
Included in non-current liabilities		
Bank and other borrowings	84,846	57,326
Subtotal	84,846	57,326
	<u>163,870</u>	<u>88,483</u>

As of December 31, 2021, we had unutilized credit facilities of €105 million.

Contingent Liabilities

Except as disclosed above, we did not have, as of December 31, 2021, any outstanding debt securities, mortgage, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or acceptance credits, or other similar indebtedness, leasing and financial leasing commitments, hire purchase commitments or other material contingent liabilities.

Key Financial Ratios

The table below sets forth our key financial ratios for the years or as of the dates indicated:

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

	As of December 31,	
	2020	2021
		<i>(Unaudited)</i>
Liquidity ratios		
Current ratio ⁽³⁾	1.1	1.1
Quick ratio ⁽⁴⁾	0.7	0.8
Capital adequacy ratio		
Gearing ratio ⁽⁵⁾	35.4%	17.8%

Notes:

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

Our return on equity increased from 4.8% for the year ended December 31, 2020 to 7.8% for the year ended December 31, 2021, primarily due to an increase in profit.

Return on Total Assets

Our return on total assets increased from 2.3% for the year ended December 31, 2020 to 3.7% for the year ended December 31, 2021, primarily because the increase in our profit outpaced the increase in our total assets.

Current Ratio

Our current ratio remained stable at 1.1 as of December 31, 2020 and 2021.

Quick Ratio

Our quick ratio remained relatively stable at 0.7 as of December 31, 2020 and 0.8 as of December 31, 2021.

Gearing Ratio

Our gearing ratio decreased from 35.4% as of December 31, 2020 to 17.8% as of December 31, 2021, primarily due to a decrease in our borrowings.

DISCLOSURE ABOUT MARKET RISKS

See “Financial Information — Financial Risks” for further information.

CODE ON CORPORATE GOVERNANCE PRACTICES

Since we were not yet listed on the Stock Exchange during the year ended December 31, 2021, the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the “**Corporate Governance Code**”) was not applicable to us during such period under review. After the Listing, we will comply with all the code provisions set forth in the Corporate Governance Code.

REVIEW OF OUR PRELIMINARY FINANCIAL INFORMATION

We have established an audit committee in compliance with the Corporate Governance Code. The members of the Board, including those of the audit committee, have been informed and have received an extract of the 2021 Preliminary Financial Information as set out in the appendix.

The figures in respect of our consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended December 31, 2021 as set out in the 2021 Preliminary Financial Information above have been agreed to by the Reporting Accountants to the amounts set out in our Group’s draft consolidated financial statements for the year following their work under Practice Note 730 (Revised) “Guidance for Auditors Regarding Preliminary Announcement of Annual Results” issued by the Hong Kong Institute of Certified Public Accountants. The work performed by the Reporting Accountants in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong

Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Reporting Accountants on the 2021 Preliminary Financial Information.

PURCHASE, SALE OR REDEMPTION OF OUR COMPANY'S SHARES

Since we were not yet listed on the Stock Exchange during the year ended December 31, 2021, this disclosure requirement is not applicable to us.

SUMMARY OF THE BY-LAWS OF OUR COMPANY

Set out below is a summary of certain provisions of the By-laws, which is intended to provide investors with an overview of its contents.

As the information contained below is in summary form, it does not contain all of the information that may be important to potential investors. A copy of the full English translation of the By-laws is available for inspection as mentioned in “Appendix VI — Documents Delivered to the Registrar of Companies in Hong Kong and on Display”.

Our Company is a joint-stock company (*società per azioni*) existing under the laws of Italy.

Shareholders’ meetings

A shareholders’ meeting can be either ordinary or extraordinary. According to the By-laws, the ordinary shareholders’ meeting of our Company will resolve on matters that are within its power as set out by applicable laws and regulations and the By-laws itself. In particular, the shareholders in an ordinary shareholders’ meeting have the power to resolve on the following matters:

- (a) approval of the financial statements and the distribution of profits;
- (b) appointment and removal of the directors, election of the statutory auditors and their chairman as well as the external auditor;
- (c) compensation of directors and statutory auditors, as well as of the external auditor;
- (d) determination of the liability of directors and statutory auditors;
- (e) the purchase of the Company’s shares for an amount not exceeding disposable profits and distributable reserves as resulting from the last annual financial statements duly approved and, in any case, within the limits provided for by the laws and regulations applicable to the companies whose shares are listed on the Stock Exchange;
- (f) the approval of the regulations for the conduct of shareholders’ meetings; and
- (g) any other matters reserved to the shareholders’ meeting by the applicable laws and regulations as well as any authorization required under the By-laws or by the applicable laws and regulations for the performance of directors’ actions.

According to the By-laws, the shareholders in an extraordinary shareholders' meeting have the power to resolve on the following matters:

- (a) any amendment to the By-laws;
- (b) the voluntary winding-up of our Company;
- (c) the appointment and replacement of liquidators and the determination of their powers;
- (d) the issue of convertible bonds; and
- (e) any other matters reserved to shareholders in an extraordinary shareholders' meeting by Italian law, or laws and regulations applicable to companies whose shares are listed on the Hong Kong Stock Exchange (*i.e.*, share capital increases, mergers and demergers).

Location and frequency of the shareholders' meeting

The ordinary and extraordinary shareholders' meetings will normally be held in the municipality where the registered office of our Company is located, except as otherwise resolved by the board of directors, and provided always that such meetings will be held in Italy or in a country of the European Union, the United Kingdom of Great Britain and North Ireland or in a country of the Enlarged China (People's Republic of China, Hong Kong, Macao and Taiwan).

The ordinary shareholders' meetings must be convened at least once a year for the approval of the financial statements, within 120 days after the end of the financial year, or within 180 days after the end of the financial year if our Company is required to draw up consolidated financial statements or when this is necessary for particular needs concerning the structure and purpose of our Company.

Call of the shareholders' meeting

An ordinary general shareholders' meeting will be called by the board of directors whenever it deems it appropriate and in the circumstances specified under applicable laws and regulations.

A shareholders' meeting can also be called when requested by shareholders representing, so long as the shares are listed on the Stock Exchange and/or a regulated market of a country of the European Union, one-twentieth of the Company's share capital, provided the request mentions the item or items to be discussed at the meeting and unless the meeting has to resolve, pursuant to applicable Italian law, upon a proposal made by the directors or on the basis of a report or a

project to be drafted by them. In case of unjustified delay in calling the meeting, action will be taken by the board of statutory auditors. If the board of directors and the board of statutory auditors fail to proceed to call the shareholders' meeting and the refusal to proceed is unjustified, the calling of the meeting may be ordered by a competent court which, after having heard the members of the board of directors and of the statutory auditors, will designate the person who will chair the meeting. In order to file a request before a competent court, a shareholder has to be registered on the shareholders' ledger.

The shareholders' meetings are convened by means of a notice of call specifying the information required by the applicable laws and regulations.

The notice of call must be published on the website of our Company and in accordance with the procedures provided by the applicable Italian law and the Listing Rules. These procedures also include publication in at least one of the following Italian newspapers: "Il Sole 24 Ore", "Italia Oggi" and "MF Milano Finanza"; or, alternatively, on the Official Journal of the Italian Republic ("*Gazzetta Ufficiale della Repubblica Italiana*"). The notice of call of the shareholders' meeting shall be given at least 21 days prior to the date of the relevant meeting (or the longer term provided for pursuant to the applicable provisions of law).

Shareholders who, individually or jointly, own or control at least one-fortieth of the share capital may request, within 10 days from the publication of the notice of call, additions to the list of items on the agenda setting out the proposed additions. Requests must be submitted in writing. Additions to the agenda will be included in the document published for the notice of call. It will not be possible for shareholders to add to the agenda matters which, in accordance with the law, should be resolved based on a proposal by the board of directors or on the basis of a project or report prepared by the directors, other than a report relating to items included in the agenda.

Rights to attend a shareholders' meeting and to vote

The right to attend and to vote at shareholders' meetings shall be determined pursuant the By-laws and when not expressly provided for, by the applicable law in force from time to time.

Any person who is entitled to vote at the shareholders' meeting can be represented by a proxy. If any persons entitled to vote act on behalf of third parties, the persons in question may appoint as their proxies either the parties on whose behalf they act or one or more third parties indicated by such parties, pursuant and within the limits of the applicable laws and regulations.

If a shareholder is required by the applicable laws, regulations and listing rules of the place where our securities are listed to abstain from voting on any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted towards the resolution. For the avoidance of doubt, the shares held by such shareholder shall be counted for purposes of the quorum of the meeting.

Chairman and secretary of the meeting

Shareholders' meetings shall be chaired, in order, by the chairman of the board of the directors or, in his absence, by the deputy chairman or by the chief executive officer, if one is appointed. In the absence or impediment of the persons mentioned above, the shareholders' meeting shall appoint, with the majority of the capital represented, the person who will act as chairman of the shareholders' meeting.

The chairman of the shareholders' meeting shall be assisted by a secretary, appointed by the shareholders' meeting, who does not necessarily need to be a shareholder, and, if required, by one or more scrutineers. If required by applicable law or by the shareholders' meeting, a notary public will act as secretary of the meeting.

The chairman of the meeting (i) will confirm and right to attend, also by proxy, of those present; (ii) will ascertain that the meeting is properly held and is entitled to consider the resolutions; (iii) will ascertain the identity and legitimacy of those present and direct the meeting, also by deciding the order of items on the agenda to be discussed; (iv) will direct the discussions and decide the manner of voting; and (v) will ascertain and proclaim the results of the voting.

The conduct of shareholders' meetings is governed by a regulation approved by the ordinary shareholders' meeting, to the extent this is adopted.

As long as the shares are traded on the Stock Exchange, any shareholders' agreements must be notified to the Company and represented at the opening of each meeting, pursuant to article 2341-ter of the Civil Code.

Determination of the quorum and voting

The ordinary and the extraordinary shareholders' meetings are normally held in one call, unless the board of directors, for a specific meeting, resolves to provide the date for the second and, possibly, subsequent calls, with disclosure in the notice of call, except that, notwithstanding the foregoing, in case of request to call a shareholders' meeting submitted by shareholders

representing, so long as the shares are listed on the Stock Exchange and/or a regulated market of a country of the European Union, one-twentieth of our Company's share capital, the board of directors convenes that shareholders' meeting solely and exclusively in one call.

The quorum at an ordinary and extraordinary shareholders' meeting is provided by the law (see the section below "Italian Companies Law — Ordinary shareholders' meetings — Extraordinary shareholders' meetings").

Voting by secret ballot is not allowed. The chairman will determine which of the following procedures shall be adopted: (i) ballot or (ii) electronic voting. Voting by a show of hands is not permitted.

If provided for in the notice that called the meeting, those persons entitled to vote may attend the shareholders' meeting through telecommunication means, in accordance with the shareholders' meeting regulation, to the extent this is adopted.

Board of Directors

Powers of the board of directors

Our Company is managed by a board of directors vested with all powers for the ordinary and extraordinary management of our Company. In particular, our board of directors has the power to perform all acts it deems advisable for the implementation and achievement of the corporate purpose, except for those acts reserved by operation of law or by the By-laws to the shareholders' meeting.

The board of directors may delegate some of its powers to one or more of its members (see the section entitled "Delegated Bodies" below). However, by operation of the law, these powers cannot relate to the following matters:

- the issue of convertible bonds;
- drafting of the financial statements;
- share capital increase and the issue of new shares;
- reduction of the share capital due to losses; and
- drafting of merger or demerger plans.

Resolutions on the following matters shall also fall within the competence of the board of directors, without prejudice to the concurrent competence of the extraordinary shareholders' meeting:

- merger and proportional demerger (*“fusione per incorporazione e scissione proporzionale”*) of companies in which our Company owns shares or interests representing at least 90% of the share capital;
- establishments and winding-up of branch offices;
- indication of which directors shall be given the power to act as the legal representatives of our Company;
- reduction of the share capital in the event of shareholders' withdrawal (*“recesso del socio”*);
- amendment to the By-laws to reflect changes required under Italian laws;
- transfer of our Company's registered office within Italy.

Composition of the board of directors

The board of directors consists of no fewer than seven and no more than eleven members. The shareholders' meeting will determine the number of directors within these limits. The directors are appointed by the shareholders' general meeting for a period of up to three financial years. This term lapses on the date of the shareholders' meeting called to approve the financial statements for their last year of office. The directors may be reappointed.

Each director must satisfy the requirements for his eligibility, proficiency and integrity in accordance with applicable laws. A number of directors, representing at least one third of the members of the board of directors, in any event not less than three members, must satisfy the independence requirements set forth by the laws and regulations applicable to our Company, including, in case of trading of the shares on the Stock Exchange, the laws and regulations applicable to the companies whose shares are listed on the Hong Kong Stock Exchange in relation to the independence of directors. The composition of the board of directors must also comply with the minimum requirements, if any, envisaged by the law and regulations in force from time to time with regard to gender balance.

Appointment of the board of directors

Any person who, alone or together with others, represents at least 3% of the share capital (or the lower threshold provided for pursuant to law) of our Company may propose one or more candidates (up to eleven) by depositing the name of such candidates with our Company at its registered office within the 7th (seventh) day preceding the date of the shareholders' meeting convened for resolving upon the appointment of the directors.

The details of the candidates are to be published in accordance with the applicable laws and regulations in force from time to time.

In addition, the proposing person(s) are required, on penalty of inadmissibility, to file: (a) the list of the proposing person(s) or the Beneficial Owner(s) (as defined below) acting as proposing person(s), as the case may be, specifying the number of shares of our Company held by each of them, accompanied by evidence attesting compliance with the minimum threshold as required under the paragraph above (*i.e.* 3% of the share capital of our Company); (b) the *curriculum vitae* of each candidate; and (c) confirmations from each candidate accepting his nomination and attesting, in his own responsibility, that there are no grounds for his ineligibility and incompatibility to act as a director and that he satisfies the aforementioned integrity and, if applicable, independence requirements (“*requisiti di onorabilità, professionalità e indipendenza*”).

If the number of candidates satisfying the independence requirements pursuant to the previous paragraphs is lower than the minimum number set out above, the board of directors shall submit to the shareholders' meeting a sufficient number of candidates that satisfy the abovementioned characteristics in order to reach the minimum number as set forth by the By-laws.

The directors shall be appointed as follows:

- (a) the shareholders' meeting first determines the number of directors; and
- (b) a vote is taken in respect of every single candidate presented pursuant to the paragraphs above.

The candidates are to be divided into two slates: the first one will list candidates that comply with the independence requirements in numerical order according to the number of votes received by each of them (“**Slate A**”); the second one will list the other candidates in numerical order according to the number of votes received by each of them (“**Slate B**”).

The first three candidates in Slate A and the first candidates listed in Slate B in the number necessary to reach the number of directors set forth by the shareholders' meeting will be appointed.

Directors for any reason not appointed pursuant to the aforementioned procedure will be appointed by the shareholders' meeting, with the majorities prescribed by the law, in such a way as to ensure that the composition of the board of directors complies with the applicable laws and regulations and the By-laws.

The appointed directors must communicate to our Company if they have lost any of the abovementioned independence and integrity requirements ("*requisiti di onorabilità, professionalità e indipendenza*"), or if any situations of ineligibility or incompatibility have arisen.

The board of directors will periodically evaluate the independence and integrity of its members. If the integrity or independence requirements are not satisfied or are no longer applicable to a director, or if situations of ineligibility or incompatibility have arisen, such director ceases from office. The loss, by a director, of the independence requirements set out by the law and/or the regulations in force from time to time does not represent a reason for ceasing from office, provided that the minimum number of members set out in the applicable law and regulations, still holding the said independence requirements, remain in office.

The shareholders' meeting may, even during the board of directors' term of office, change the number of members of the board of directors, always within the limits set forth in the By-laws, and make the related appointments. The mandates of directors so elected will expire at the same time as those of the directors who are already serving.

If one or more directors no longer holds office, the other members may appoint a substitute director by adopting a resolution to be approved by the board of statutory auditors. The directors so appointed remain in office until the next shareholders' meeting. If a majority of directors' cease to hold office, the whole board of directors will be considered to have resigned and the directors in office or the board of statutory auditors must promptly call a shareholders' meeting to appoint a new board of directors.

Under Italian law, a director must be a minimum of 18 years old and there is no maximum age limit. In addition, a director does not need to hold a minimum number of shares in order to qualify as a director.

Chairman of the board of directors

The ordinary shareholders' meeting is entitled to appoint the chairman of the board of directors. If the shareholders' meeting has not appointed a chairman, the board of directors will elect one among its members. The board of directors can also appoint a deputy chairman with the power to assist the chairman and to deputise for the chairman in his absence.

The chairman of the board of directors — or, where it is impossible for the chairman, whoever acts in his place — will call the meetings of the board of directors, establish the agenda, coordinate the meeting and ensure that all directors are fully acquainted with the items on the agenda.

Delegated bodies

Within the limits set forth above (see section “Powers of the board of directors”), the board of directors may delegate part of its authorities to: (i) an executive committee (“*comitato esecutivo*”) to be formed by some but not all members of the board of directors, including the chairman and any director with delegated power; and/or (ii) one or more of its members.

The board of directors shall nevertheless retain the power to supervise and perform directly any transactions falling within its delegated powers, as well as retain the power to revoke any delegated powers. The delegated bodies shall report to the board of directors and the board of statutory auditors at least once every six months.

The board of directors may appoint general managers (“*direttori generali*”) and attorneys, determining their powers.

The board of directors may also establish committees from among its members to consult and make proposals on specific subjects.

Meetings and resolutions

The board of directors meets in the place indicated in the meeting notice, in the municipality where the registered office of our Company is located or elsewhere, provided that the meeting is held in a country of the European Union, in the United Kingdom of Great Britain and Northern Ireland or in a country of the Enlarged China (People's Republic of China, Hong Kong, Macao and Taiwan). The board of directors will meet as often as the chairman, the board of statutory auditors or at least two directors deem it necessary.

Board meetings are called on at least three days' notice, which must be sent to each director and to the statutory auditors by registered mail, telefax, e-mail or equivalent means. In cases of urgency the period of notice may be reduced to 24 hours.

Board meetings will be validly held if the majority of the directors in office are present and can pass resolutions with the favorable vote of the majority of those present. Where a director abstains from voting or has declared he has a conflict, he will not be counted in determining the quorum required for approval of the relevant resolution.

Voting by proxy at board meetings is not allowed. A director must inform the other directors and the board of statutory auditors if he has any conflict of interest either on his own behalf or as a result of his connections with third persons in a specific transaction of our Company and, in that case, he shall abstain from voting on the resolutions concerning the transaction itself.

A meeting of the board of directors will be validly held, even if not formally called, whenever all directors in office and all members of the board of statutory auditors are present.

Board meetings shall also be validly held if those present are located in different places, wherever situated, connected by audio/visual means, provided that: (i) where required by the law, the chairman and the secretary, if appointed, are present in the same place; (ii) the chairman of the meeting is allowed to ascertain the identity and legitimacy of the participants, to regulate the proceedings of the meeting, record and proclaim the results of the vote; (iii) the person taking the minutes is allowed to adequately perceive the events being recorded; (iv) all the participants are allowed to take part in the discussion and in the simultaneous vote in real time, with the possibility to receive and transmit the documentation in real time.

The board meetings shall be chaired by the chairman or, if the latter is absent, by the deputy chairman (if any is appointed). If the latter is also absent, the board meetings are to be chaired by the director designated by the board of directors.

Power to represent our Company

The power to legally represent our Company is vested with the chairman of the board of directors. The power to legally represent our Company is also vested with the directors with delegated powers within the limits of their attributions.

Remuneration

The directors are entitled to be reimbursed for the costs borne by reason of their office and to receive remuneration established by the shareholders' meeting.

The remuneration of directors granted with special powers shall be established by the board of directors, after having heard the opinion of the board of statutory auditors. Such remuneration may consist of a fixed and a variable component, linked to the achievement of certain targets, and/or it may consist (i) of the right to subscribe to shares or other financial instruments of our Company at a given price, including future issues, and/or (ii) of the allotment of shares (stock grant).

The shareholders' meeting may allocate an aggregate sum for the remuneration of all directors, including those entrusted with special authorities.

Board of statutory auditors

Powers of the board of statutory auditors

The board of statutory auditors ("*collegio sindacale*") shall supervise compliance with applicable laws, regulations and the By-laws and with the correct management principles.

Specifically, it shall ensure that the organization, administrative and accounting structure adopted by our Company is adequate and appropriate for our corporate purpose and actually functions.

Composition of the board of statutory auditors

The ordinary shareholders' meeting is convened to elect a board of statutory auditors comprising three statutory and two alternate statutory auditors, appoint the chairman of the board of statutory auditors and determine the remuneration of the statutory auditors for their entire term of office.

Appointment of the board of statutory auditors

Any persons who, alone or together with others, represents at least 3% of the share capital of our Company (or the lower threshold provided for pursuant to law), may propose one or more candidates, up to three statutory and two alternate auditors, depositing the name of such candidates with the Company at its registered office within the 7th (seventh) day preceding the date of the shareholders' meeting convened for resolving upon the appointment of the statutory auditors. At least one candidate of the statutory auditors and one candidate of the alternate auditors must be a chartered accountant ("*revisore legale iscritto nel registro*") and have carried out audit activities for no less than three years.

In addition, the proposing person(s) are required to, on penalty of inadmissibility, file: (a) the list of the proposing person(s), specifying the number of shares of our Company held by each of them, accompanied by evidence attesting compliance with the minimum threshold as required by the paragraph above (*i.e.* 3% of the share capital of our Company); (b) the curriculum vitae of each candidate; (c) confirmations from each candidate accepting his nomination and attesting, in his own responsibility, that there are no grounds for his ineligibility and incompatibility to act as a statutory auditor and that he satisfies the aforementioned integrity and, if applicable, independence requirements; and (d) the list of the offices as a member of the board of directors or the board of statutory auditors held by the candidate auditor in other companies.

The candidates shall be divided into two slates: the first (“**Slate C**”) contains the names of those candidates for appointment as effective auditors and the second (“**Slate D**”) contains the names of those candidates for appointment as alternate auditors. Every single name submitted is to be voted on a separate basis.

The three candidates drawn out from Slate C who receive the majority of votes expressed will be elected as effective auditors and the two candidates drawn out from Slate D that receive the majority of votes expressed will be elected as alternate auditors. The candidate drawn out from Slate C who receives the majority of votes expressed by the shareholders will be elected as chairman. If two or more candidates receive the same number of votes, the chairman will be appointed by the shareholders’ meeting in a separate vote.

Statutory auditors for any reason not appointed pursuant to the aforementioned procedure will be appointed by the ordinary shareholders’ meeting with the majorities prescribed by Italian law, in such a way as to ensure that the composition of the board of statutory auditors complies with the applicable legislation and the By-laws.

A meeting of the board of statutory auditors will be validly held if those present are located in different places, wherever situated, connected by audio/visual means, provided that: (i) where required by the law, the chairman and the secretary, if appointed, are present in the same place; (ii) the chairman of the meeting is allowed to ascertain the identity and legitimacy of the participants, to regulate the proceedings of the meeting, record and proclaim the results of the vote; (iii) the person taking the minutes is allowed to adequately perceive the events being recorded; (iv) all the participants are allowed to take part in the discussion and in the simultaneous vote in real time, with the possibility to receive and transmit the documentation in real time. The meeting is considered validly held in the place indicated in the meeting notice.

Audit company

The accounting audit of our Company is to be carried out by a certified and registered audit company. The appointment and replacement of the audit company, the duties, powers, responsibilities and the procedures to determine the remuneration of the audit company are set forth under the applicable law.

Share capital

The stock capital of our Company is fully paid-up, represented by ordinary shares without indication of the par value. The shares are represented by share certificates. Our Shares shall be subject to the dematerialization regime pursuant to articles 83-bis and following of Legislative Decree of 24 February 1998 no. 58, in case this is required under the applicable laws and regulations.

If our Shares become subject to a compulsory dematerialization regime, all the share certificates will have to be delivered to us or to the persons indicated by the Company (such as, without limitation, the person who may have been trusted with the maintenance of the Hong Kong branch register) in order to carry out the necessary formalities (which will require, among other things, the opening of a securities account with a bank or an authorized intermediary having access to the Italian securities clearing house). In this case, the rights pertaining to the Shares may be exercised only after the dematerialization of the relevant certificates and in accordance with the applicable special law. See “Potential Requirement to Dematerialize Our Shares”.

On 14 March 2022, the extraordinary shareholders’ meeting resolved to increase the share capital, with the exclusion of the option right, by issuing a maximum of 96,117,000 ordinary shares, in order to serve the Global Offering.

The shares will be registered and every share will entitle the holder to one vote.

Our company may create other classes of shares pursuant to the applicable laws in force. Each share of the same class shall carry the same rights. The shareholders’ meeting may also resolve to issue equity and non-interest bearing financial instruments, convertible or not convertible into shares, warrants and other financial instruments, in compliance with the legislation in force.

Resolutions affecting the rights of a class of shares are to be passed also by the special meeting of the holders of that class of shares. To every such special general meeting all the provisions relating to extraordinary shareholders’ meeting shall apply mutatis mutandis, except that, notwithstanding the foregoing, such special general meeting is duly held with the presence of

shareholders representing at least one-third of the issued share capital of that class (quorum for constitution), and adopts resolutions with the favorable vote (quorum for resolution) of at least three-fourths of the share capital represented in the special general meeting by the shareholders belonging to the interested class.

We hold, in compliance with the applicable laws, the principal shareholders' register, in paper or electronically, in accordance with the provisions of article 2215-*bis* of the Civil Code and the laws and regulations in force. As long as the shares are listed on the Stock Exchange, we will establish and maintain a branch register of shareholders' in Hong Kong, in accordance with the Hong Kong laws, rules and regulations. The principal shareholders' register and the branch register kept in Hong Kong together form the complete shareholders' register (*libro soci*). As long as the branch register in Hong Kong is established, the registration of transfers in that branch register constitutes a prerequisite for the regularity and validity of the subsequent corresponding entries in the principal shareholders' register, without prejudice to the legal nature and relevance of the latter pursuant to Italian law.

As long as the shares are listed on the Stock Exchange and/or a regulated market of a country of the European Union, the resolutions to increase our Company's share capital may exclude the option rights up to 10% of the pre-existing share capital, provided that the issue price corresponds to the market value of the shares and this is confirmed in a report by an auditor or an audit company.

Duration

The duration of our Company is until December 31, 2100.

The duration of our Company may be extended one or more times by a resolution of the extraordinary shareholders' meeting.

Registered office and domicile

The registered office of our Company is in Cattolica (Rimini), Italy. Our Company may open, change or close, establish or wind up branch offices, subsidiaries, representative offices, agencies and offices in general, in Italy and abroad.

For the purposes of their relations with our Company, the domicile of all shareholders, directors, statutory auditors and the external auditor will be the location of their address as it appears in our Company's books.

Bonds

Our Company may issue convertible and non-convertible bonds within the limits established under Italian law.

Loans

Our Company may obtain interest-bearing or non-interest bearing loans from its shareholders, with or without a repayment obligation, in compliance with applicable laws and regulations.

Except as would be permitted by the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) as in force from time to time, if our Company were a company incorporated in Hong Kong, and except as permitted under the Civil Code, our Company shall not directly or indirectly: (a) make a loan to a director or his close associates or a director of any holding company of our Company or a body corporate controlled by such a director; (b) enter into any guarantee or provide any security in connection with a loan made by any person to a director or a body corporate controlled by such a director; or (c) if any one or more of the directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company. These provisions have effect so long as our Shares are listed on the Stock Exchange.

Withdrawal right

Each shareholder has the right to withdraw from our Company in the manner provided for by the Civil Code.

The right to withdraw is excluded in case the shareholders do not take part in the approval of resolutions concerning the extension of the Company's duration and the introduction, amendment or removal of restrictions on the transfer of shares.

“Meaning” and purpose of the right to withdraw: from an Italian law perspective, the shareholders' right to withdraw constitutes a typical and mandatory legal protection instrument granted to the shareholders to liquidate, in full or in part, their investment in the company in case they dissent on resolutions on certain crucial corporate matters which might affect their rights.

“When” a shareholder may withdraw: under the Civil Code, a shareholder who does not participate to the adoption of the shareholders’ meeting resolution (namely, shareholders who do not attend the shareholders’ meeting or who vote against the proposed resolution or who abstain from voting) on the following matters may withdraw from the Company: (i) amendment to by-laws regarding voting and participation rights; (ii) revocation of winding-up; (iii) amendment to the corporate purpose resulting in a significant change to the company’s activities; (iv) the transformation of the company; (v) the transfer of the company’s registered office abroad; and (vi) changes to the criteria for determining the value of the shares in case of withdrawal.

“How” a shareholder may withdraw:

- **Consideration:** to be determined by the board of directors in advance of the shareholders’ meeting convened to resolve upon any of the relevant matters indicated above making reference to the average price of the shares over a six months period before the date when the shareholders’ meeting is convened.
- **Notice to be given by shareholders:** pursuant to article 2437-bis of the Civil Code, eligible shareholders can exercise their withdrawal right, in relation to some or all of their shares, by sending a notice via registered mail to the registered office of the Company no later than 15 days following registration with the competent register of enterprises of the resolution of the extraordinary shareholders’ meeting resolving upon one or more of the abovementioned matters.
- **Divestment method:** The shares with respect to which the withdrawal right has been exercised will be offered by the Company to its existing shareholders and subsequently, if any such shares remain unsold, they may be offered to third parties; potential outstanding and unsold shares shall be purchased by the Company.

For details, see “Italian Companies Law — Withdrawal right”.

Financial year and profits

The financial year of our Company will close on December 31 of each year.

At the end of each financial year, the board of directors will prepare our Company’s financial statements in compliance with the Italian law. A copy of our Company’s financial statements, including the directors’ report, balance sheet and profit and loss account shall be made available

and communicated to every shareholder in accordance with the applicable laws and regulations at least 21 days before the date of the relevant shareholders' meeting to approve those financial statements.

The net profit shown by the 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.

Rights to dividends not collected within five years of the day on which they become payable will be forfeited in favor of our Company and those dividends will be allocated to reserves.

Notices

Notices required pursuant to Italian law

Any notice required pursuant to applicable Italian law is made in accordance with terms and conditions provided by such law.

Notices required pursuant to Hong Kong regulation

Notices required pursuant to Hong Kong regulations will be served as follows.

Any notice or other document may, to the extent permitted by and in accordance with applicable law, be served on, or delivered to any shareholder by our Company either personally or by sending it by post in a prepaid letter addressed to a shareholder at his registered address as it appears in our shareholders' register, or in the Hong Kong branch register or by delivering it to, or by leaving it at, this registered address. In the case of any notice published by way of advertisement in one or more newspapers, the notice shall be served by sending it as an electronic communication to the shareholder at the address he may have provided our Company for written correspondence, by publishing it on a computer network (including a website) or by any other means authorized in writing by the shareholder. In the case of joint holders of a share, service or delivery of any notice or other document shall be carried out toward the joint holders or the common representative, being deemed in the latter case, for all purposes, a sufficient service on or delivery to all the joint holders.

Any notice or other document given or issued by or on behalf of our Company:

- (a) if sent by post, shall be deemed to have been served or delivered on the day after the day when it was posted (in the case of a shareholder with a registered address in Hong Kong), and on the second day after the day when it was posted (in the case of a shareholder with a registered address outside Hong Kong) and in proving this service or delivery it will be sufficient to prove that the notice or document was properly addressed, stamped and put in the post;
- (b) if not sent by post but left by our Company at the registered address of a shareholder, it will be deemed to have been served or delivered on the day it was delivered;
- (c) if sent as an electronic communication, it will be deemed to have been served on the day following that on which it was sent and proof that the address provided by the shareholder in relation to our Company in writing for the purposes of electronic communications was used to send the electronic communication containing the notice or document will be conclusive evidence that the notice or document was served or delivered;
- (d) if published on a computer network, it will be deemed to have been served on the day on which the notice of the publication is served on, or delivered to, the shareholder concerned or where no notice of such publication is required by law to be served on, or delivered to the shareholder concerned, the day on which the notice or document first appears on the computer network concerned; and
- (e) if served, sent or delivered by any other means authorized in writing by the shareholder concerned, it will be deemed to have been served, received, or delivered when our Company has carried out the action it has been authorized to take for that purpose.

Except as specified under paragraph above any notice shall be exclusive of the day on which it is served or deemed served and of the day for which it is given.

Any notice or other document delivered or sent to any shareholder shall, notwithstanding that the shareholder is not deceased or bankrupt, or that any other event has occurred, and whether our Company has notice of the death or bankruptcy or other event, be deemed to have been duly served or delivered in respect of any share registered in the name of such a shareholder as sole or joint holder unless his name, at the time of the service of the notice or document, has been removed from the principal shareholders' register of our Company (or from the Hong Kong branch

register) as the holder of the share and this service or delivery will be for all purposes be deemed as a sufficient service or delivery of such notice or document on all interested persons (whether jointly with, or as claiming through or under him) in the share.

Exercise of shareholders' rights

If the shares of our Company are listed on the Hong Kong Stock Exchange which provides for the distinction between legal ownership and beneficial ownership, the exercise of the rights pertaining to the shareholders will be permitted, with the prior authorization of the legal owner, to the beneficial owners to the fullest extent allowed by applicable Italian regulations.

All persons resulting as legal owners of the ordinary shares and as such registered in both the principal shareholders' register and the branch register kept in Hong Kong, are entitled on their own right, by virtue of such registration, to exercise all corporate rights in the manner provided for by applicable law and our By-laws.

All Beneficial Owners (as defined below), not resulting as legal owners of the shares neither on the principal shareholders' register nor the branch register kept in Hong Kong, lacking legitimacy in their own name, may exercise all corporate rights, including attendance and voting at shareholders' meetings, (a) collectively, through the Holder of Record recorded in both the principal shareholders' register and the branch register kept in Hong Kong or a person specifically appointed by such Holder of Record, or (b) individually, either through the Holder of Record or a person specifically appointed by such Holder of Record, or on its own subject to appropriate authorization and/or delegation by the Holder of Record, in compliance with all applicable statutory and regulatory provisions.

The exercise of corporate rights by the Beneficial Owners (as defined below), in the name of the Holder of Record, both collectively and individually, does not entail any obligation to update the branch register kept in Hong Kong and the principal shareholders' register.

The entitlement to exercise corporate rights is assessed according to the entries in the principal shareholders' ledger and the branch register kept in Hong Kong as at the dates fixed by the board of directors for:

- (a) determining the shareholders entitled to receive any dividend, distribution, allotment or issue, including the Beneficial Owners (as defined below) entitled to receive dividend, distribution, allotment or issue to the shares held by the Holder of Record (as defined below); such record date may be on, before or after any date on which such dividend, distribution, allotment or issue is declared, paid or made;

- (b) determining the shareholders entitled to receive notice of and to vote at any shareholders' meeting of our Company, provided that, in the case of voting, such record date is not more than two business days before the date of such shareholders' meeting.

A shareholder entitled to more than one vote shall not be obligated to use all its votes and/or cast all the votes he/she/it is entitled to in the same way. The "diverging vote" ("**voto divergente**") is valid and legitimate.

If a clearing house recognized according to laws and regulations applicable pursuant to the listing of our shares on the Hong Kong Stock Exchange (or one or more nominee(s) of such clearing house) is a shareholder of our Company (or holder of other financial instruments issued by our Company) registered as legal owner of the shares in both the principal shareholders' register and the branch shareholders' register kept in Honk Kong, the clearing house (or its nominee(s)) may authorize one or more persons to act as its proxy(ies) or representative(s) at any ordinary or extraordinary meeting (or other meeting relating to financial instruments when issued) of our Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares (or financial instruments) in respect of which each such person is so authorized. A person so authorized pursuant to this provision shall be deemed to have been duly authorized without further evidence of the facts and shall be entitled to exercise at the relevant shareholders' meeting the same rights and powers on behalf of the delegating party (being the clearing house (or its nominee(s))) as if such person (or its nominee(s)) were an individual shareholder of our Company holding the number and class of shares (or financial instruments) specified in such authorization.

For the purposes of the valid exercise of the right of withdrawal in accordance with Italian law and our By-laws, the Beneficial Owners (as defined below) who exercise the right of withdrawal directly or through the Holder of Record, pursuant to what set forth above, must prove that they were Beneficial Owners at the time of the adoption of the resolutions from which the right of withdrawal arises and did not vote in favor of such resolution.

For the purposes of the valid exercise of the right to challenge the shareholders' meeting resolutions in accordance with article 2377 of the Italian Civil Code, the Beneficial Owners (as defined below) will be able to challenge resolutions, directly or through the Holder of Record, pursuant to what set forth above, only by proving that they were Beneficial Owners of the shares at the time of the adoption of the relevant resolutions and did not vote in favor of such resolutions.

Certificates

Every person whose name is entered as a shareholder in the Hong Kong branch register shall be entitled, without payment, to receive within two months after allotment (or within such other period as the terms of issue shall provide) one certificate for all his shares of any one class or several certificates each for one or more of his shares of such class upon payment for every certificate after the first of such reasonable out of pocket expenses as the board of directors may from time to time decide. In the case of a share held jointly by several persons, delivery of a certificate to one of several joint holders shall be sufficient delivery to all. Upon every transfer of shares the certificate held by the transferor shall be given up to be cancelled, and shall forthwith be cancelled accordingly, and a new certificate shall be issued to the transferee in respect of the shares transferred to him in accordance with the applicable laws, regulations and listing rules of Hong Kong. A shareholder who has transferred part of the shares comprised in his holding shall be entitled to a certificate for the balance.

Shares may not be issued in bearer form.

Cancellation of share certificates

If a share certificate is stolen, lost or destroyed, it may be replaced according to the procedure set forth by the Civil Code according to which, *inter alia*:

- (i) the shareholder claiming the theft, loss or detriment of his/her/its share certificates has to notify us of the theft, loss or detriment of the share certificates and has to petition the magistrate in charge of the Italian court of the place where our Company has its registered office with the request for the replacement of the share certificates;
- (ii) the shareholder is entitled to file his/her/its petition if he/she/it results as the subject entitled to exercise the rights embedded in the share certificates (*i.e.*, corporate rights) before the occurrence of their theft, loss or detriment, based on the applicable provisions on the transfer of share certificates;
- (iii) if the magistrate in charge of court accepts reasons for the replacement of the share certificates (by assessing the relevant facts and the entitlement of the shareholder having filed the petition), he/she issues a decree by means of which the shareholder may obtain, provided that in the meantime no objection is filed by another claimant before the court having issued the decree (by filing a claim also to be notified to our Company and the

shareholder having filed the petition claiming the theft, loss or detriment of the share certificates), the issuance of a share certificate replacing the ones stolen, lost or destroyed;

- (iv) the said decree of the magistrate in charge of the competent court is to be notified to our Company and published on the Official Journal of the Italian Republic (“*Gazzetta Ufficiale della Repubblica Italiana*”). Starting from the day of publication of the decree, any person interested in opposing the issuance of the new share certificates has a 30-day term for filing his/her/its claim.

If a share certificate is stolen, lost or destroyed, the relevant shareholder should contact the Hong Kong Share Registrar in the first instance.

Transfer of shares and proxies

As long as our Shares are listed on the Hong Kong Stock Exchange, the procedures for transfers of shares traded thereon from time to time shall also apply.

All transfers of shares registered on the Hong Kong branch register of shareholders shall be effected by transfer in writing in the usual or common form or in such other form as the board of directors may accept provided that it shall always be in such a form as prescribed by the Hong Kong Stock Exchange and complying with the procedure set forth above (see “Appendix IV — Summary of the by-laws of our Company and Italian companies law and taxation — Italian Companies law — Extraordinary shareholders’ meeting”) and may be under hand or, if the transferor or transferee is a clearing house (or its nominee(s)), under hand or by machine imprinted signature or by such other means of execution as the board of directors may approve from time to time within the limits set forth by applicable laws and regulations.

The board of directors is entitled to establish procedures, by appointing a third-party provider or otherwise, for the identification of the persons who — as a consequence of the registration on the Hong Kong branch register pursuant to applicable regulations of a single depository entity of the shares (the “**Holder of Record**”), as designated by the company responsible for the centralized management — hold indirect ownership of the ordinary shares (the “**Beneficial Owners**”) and are therefore entitled to indirectly exercise the corporate rights pertaining to them.

The instrument constituting a proxy and (if required by the board of directors) the power of attorney or other authority, (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of our Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment

or, in either case, in any document sent therewith) not less than 48 hours before the time fixed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid provided always that the chairman of the meeting may at his/her discretion direct that an instrument of proxy shall be deemed to have been duly deposited upon receipt of telex or cable or facsimile confirmation from the appointor that the instrument of proxy duly signed is in the course of transmission to our Company.

Inspection of the shareholders' ledger

The shareholders are entitled to inspect the shareholder's ledger and to obtain, at their own expense, extracts thereof in accordance with article 2422 of the Civil Code. With specific reference to the branch register kept in Hong Kong, this shall be open for inspection for at least two hours on every business day by shareholders without charge. The branch register kept in Hong Kong may, after notice has been given by any electronic means in such manner as may be accepted by the Stock Exchange to that effect, be closed at such times or for such periods not exceeding in the whole 30 days in each year as the board of directors may determine and either generally or in respect of any class of shares.

Jurisdiction and applicable laws

Any controversy brought by, against and/or among the shareholders, our Company, the directors, the liquidators and/or the statutory auditors deriving from, or relating to these by-laws, which are mandatorily governed by the Italian laws to be heard before the courts in Italy (e.g., liquidation, dissolution etc.) and/or any other matters (e.g., controversy concerning the determination of the liquidation price in case the withdrawal rights and the request of relief orders in case of irregularities in the management of our Company pursuant to article 2409 of the Civil Code, etc.) mandatorily governed by Italian laws, shall be exclusively submitted to the Italian jurisdiction and to the courts of the place where our Company's registered office is located. Without prejudice to the foregoing, any controversy involving our Company, its directors and/or liquidators, the shareholders or other persons acting in the interest of or on behalf of our Company deriving from Hong Kong laws and related and applicable implementing rules and regulations may be submitted, to the extent permitted by the applicable laws of Italy and Hong Kong, to the non-exclusive jurisdiction of the courts of Hong Kong.

Our Company is subject to the rules provided for by the Civil Code with regard to joint stock companies (*società per azioni*) and to all the legislative and regulatory provisions applicable to joint stock companies (*società per azioni*).

So long as our Shares are traded on the Stock Exchange of Hong Kong, the provisions of the Civil Code concerning companies with shares listed on regulated markets shall also apply, pursuant to article 2325-bis of the Civil Code. This is without prejudice to the applicability of the provisions set out in Legislative Decree of 24 febbraio 1998 no. 58 (*Testo Unico delle Disposizioni in Materia di Intermediazione Finanziaria*) and in other relevant laws in case of trading of the shares on a regulated market of a country of the European Union.

Any reference in the By-laws to applicable law is, unless otherwise specified, be construed as referring to Italian law and, if applicable, Hong Kong law and market regulations applicable to our Company by virtue of the listing of its shares on the Stock Exchange of Hong Kong.

ITALIAN COMPANIES LAW

Set out below is a summary of certain provisions of the relevant Italian law in force as at the date of this prospectus applicable to an Italian company whose shares are listed on the Hong Kong Stock Exchange.

The summary below is for general guidance only and does not constitute legal advice nor should it be used as a substitute for specific legal advice on the corporate laws of Italy. The summary does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the corporate laws of Italy, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar. Investors should note that the following summary is based on the laws and regulations in force as at the date of this prospectus, which may be subject to change.

Introduction

The relevant Italian corporate laws and regulations governing Italian joint stock companies, including those whose shares are listed on the regulated markets like the Hong Kong Stock Exchange, are mainly included in the Civil Code.

Incorporation

Our Company is a joint-stock company (*società per azioni*) governed by the Civil Code. A joint-stock company is incorporated in the presence of an Italian notary. The notary is required to verify whether the conditions for the incorporation of a company have been complied with and whether the by-laws of the company comply with Italian law. The liability of the shareholders of

our Company is limited. Under Italian law, a joint-stock company is normally established for a specified period. This period can be extended by a resolution of the shareholders at an extraordinary general meeting.

Share capital

The minimum amount of share capital provided for a joint-stock company is equal to €50,000 (fifty thousand).

The increase or reduction in the share capital of a company shall be resolved upon by an extraordinary general meeting of shareholders, acting in accordance with the conditions prescribed for the amendment of the by-laws.

In addition, should the by-laws or a subsequent extraordinary meeting resolution grant to the board of directors such relevant power, a capital increase of a company can also be resolved upon by its board of directors in one or more times up to the amount specified in the relevant resolution of the extraordinary shareholders' meeting and for the maximum period indicated by the same which cannot exceed five years from the date of registration of the company (or of the extraordinary meeting resolution granting this power).

Capital increases

As a general rule, new issues of ordinary shares are subject to the existing shareholders' option rights and each such shareholder is entitled to subscribe for shares on a pro rata basis. However, shareholders' option rights are excluded, if the capital increase is carried out as a result of a contribution in kind, and can be excluded or limited if (i) the by-laws of the company expressly provide for this possibility, but only for a number of newly issued shares not exceeding 10% of the issued and outstanding shares (in this case the issue price must be equal to the market price of the shares and such circumstance is confirmed by a specific opinion of the audit company) with respect to companies whose shares are listed on a regulated market only; or (ii) this is in the best interest of the company; or (iii) the newly issued shares are offered to employees of the company, of its controlling company or of its subsidiaries.

Capital reductions

A reduction of share capital can be either voluntary or compulsory. It is compulsory when: (i) the losses incurred by our company exceed one-third of its share capital and are not reduced within this threshold by the end of the financial year following the one in which they are recorded, or (ii) the losses incurred by the company result in a reduction of the share capital below the minimum

threshold set forth by the Civil Code (*i.e.* €50,000). In this case, either the extraordinary shareholders' meeting resolves upon a capital increase to an amount not lower than the minimum requirement or the transformation of the company into another form of legal entity requiring a lower minimum capital, or the company is liquidated.

The voluntary reduction can be carried out either by a repayment to shareholders or waiver of their obligation to pay up their shares if they are not already fully paid up within the limits set out by law.

The reduction of the share capital shall be approved by an extraordinary shareholders' meeting of the company. When the capital reduction is voluntary, the relevant resolution of the extraordinary shareholders' meeting can only be effective after 90 days from the date of its registration in the register of enterprises (*registro delle imprese*) provided that during this period no objection has been made by any creditor of the company that was a creditor before the above registration.

Notwithstanding any such objection, the relevant court can still order that the reduction of capital should be carried into effect, if the risk of prejudice for creditors is deemed groundless or the company provides adequate security.

In the event that the company owns treasury shares, the voluntary capital reduction shall be carried out so that the treasury shares, if any, owned after the share capital reduction shall not exceed 20% of the share capital.

Dividends and distributions of profits

A company may proceed with a distribution of profits by means of a resolution adopted by the ordinary shareholders' meeting that approves the annual financial statements. A portion not lower than 5% of the annual net profits must be set aside to a non-distributable reserve (*riserva legale*) until this reserve is equal to 20% of the share capital of the company.

The distribution may only be out of actual profits as resulting from the financial statements that has been duly approved by shareholders. In the case of capital losses, a company shall not proceed to distribute profits as long as the share capital has not been reinstated or reduced by a corresponding amount.

Distribution of profits made in breach of such provisions cannot be recovered from recipients if the shareholders collected them in good faith on the basis of financial statements duly approved showing correspondent net profits.

Dividends in shares

The allotment of additional shares in lieu of dividends would be a capital increase and would require a resolution of the extraordinary shareholders' meeting.

Shareholders' suits/Protection of minority shareholders' rights

The board of directors — or the board of statutory auditors, if the board of directors fails to do so — shall call a shareholders' meeting without delay upon request of shareholders representing at least 5% of the company's share capital — or the lower percentage set forth in the by-laws — provided that the items to be discussed shall be indicated in the request.

If the board of directors — and the board of statutory auditors, if applicable — fails to convene the meeting when requested, the relevant court — upon request by one or more shareholder(s) registered in the shareholders' ledger and after hearing the members of the board of directors and of the board of statutory auditors — shall call the meeting by a decree, if it considers the failure to convene the meeting is unjustified. In such event, the court will also designate the person who will chair the meeting ordered by the relevant court.

The calling of a shareholders' meeting upon request of the shareholders is not allowed on matters which, pursuant to Italian law, should be proposed by the directors or on the basis of a report or a project to be drafted by them¹.

Shareholders representing at least 0.1% of the share capital and registered in the shareholders' ledger (or the lower percentage provided in the by-laws) may challenge before a competent court any resolutions approved by the shareholders' meeting without their favourable vote if the resolutions are not adopted in compliance with applicable law or the by-laws and may seek annulment of the same. They may also seek suspension of the resolution by an injunction. The complaint must be filed within 90 days from the date on which the resolution is adopted or, as the case may be, registered in or filed with the register of enterprises before the court of the place where the company has its registered office. Members of the board of directors and the board of statutory auditors have the same right to challenge a shareholders' resolution that is not adopted in compliance with applicable law or the by-laws.

¹ Under Italian law there are a number of shareholders' meeting resolutions (such as financial statements approval, merger or demerger approval, capital increase reserved to third parties) that require specific preliminary activities of the board of directors (drafting a report/project or detailing the reason for the proposal). In such cases, a shareholders' meeting cannot be called upon request of the shareholders.

Shareholders are entitled to claim damages suffered as a result of resolutions not compliant with applicable law or the company's by-laws.

If there are serious reasons to believe that directors, infringing any of their duties, have committed serious irregularities in the management of the company which may harm the company (or one or more of its subsidiaries), shareholders representing at least 5% of the share capital and registered in the shareholders' ledger (or the lower percentage provided in the by-laws) are entitled to report the facts to the competent court, which can order an investigation into our company's management and take appropriate interim measures, including the dismissal of any or all of the directors and/or the statutory auditors and/or the appointment of a judicial commissioner.

Board of directors

Management powers and disposal of assets

The board of directors is vested with powers to manage the company and to perform all acts necessary to obtain the corporate purpose (such as administration and disposition of its assets).

The number of directors is determined by the company's by-laws.

The board of directors elects a chairman from among its members, unless the shareholders' meeting has already appointed one.

The board of directors may delegate part of its powers to an executive committee made up of some of its members or to one or more directors, determining their powers in compliance with the limitations set forth by applicable law.

The board of directors (i) assesses the adequacy of the organizational, administrative and accounting structure of the company; (ii) examines the strategic, industrial and financial plans of the company; and (iii) examines, on the basis of the information received of the corporate bodies, the general performance of the company.

Directors shall act in an informed manner; each director can require that any delegated body refers to the board of directors information relating to its management activity.

Directors are appointed by the ordinary shareholders' meeting and can be removed by an ordinary shareholders' meeting resolution at any time. In the case of removal without cause they are entitled to damages.

If during a financial year one or more directors cease from the office for any reason, the remaining directors resolve upon their substitution with the favourable opinion of the board of statutory auditors, provided that the majority of the directors are appointed by the ordinary shareholders' meeting.

The incoming directors remain in office until the subsequent shareholders' meeting. If the majority of directors appointed by the ordinary shareholders' meeting cease from office for any reason, the remaining directors shall call an ordinary shareholders' meeting for their substitution. If all directors cease from office for any reason, the board of statutory auditors shall promptly call a shareholders' meeting for the appointment of new directors.

Resolutions adopted by the board of directors not in compliance with applicable laws and the by-laws may be challenged only by the board of statutory auditors and directors who did not attend the meeting or vote against the resolution within 90 days from the date of the relevant resolution.

Shareholders may challenge a board resolution if it is detrimental to their rights. Rights acquired by bona fide third parties in compliance with board resolutions cannot be challenged.

Conflict of interests

A director must disclose to other directors and to the board of statutory auditors any interest that he has on his own or on behalf of third parties in a specific transaction of the company, specifying the nature, the terms, the origin and the relevance of the interest. If any director — by virtue of a power of attorney granted to him/her — has the power to decide on an individual basis with respect to a specific transaction in which he has a concurrent interest, he must abstain from carrying out the transaction and the decision regarding the transaction shall be voted on by the board of directors. In the case of an interest held by a director, the resolution of the board of directors must adequately justify the reasons for and the benefits to the company of the transaction.

In the event of non-compliance with the provisions above or if the resolution of the board is adopted with the determining vote of the interested director and its contents may prejudice the company, the resolution may be challenged by the directors or by the board of statutory auditors within 90 days from the date of its adoption. Any director who voted in favour of the resolution, if the information requirements have been complied with, cannot challenge the resolution.

The director is liable for any damages suffered by the company as a result of his actions or omissions. The director is also liable for the damages which may be suffered by the company from the use for his own benefit or that of third persons of data, information or business opportunities obtained in connection with his appointment.

The board of directors must adopt internal rules aimed at ensuring transparency and fairness both from a substantive and a procedural standpoint in relation to related party transactions. The board of statutory auditors supervises compliance with such rules.

Directors' liability towards the company

Directors have a general duty to act with care, without self-interest and on a well-informed basis. The applicable standard of conduct is determined, on a case-by-case basis, taking into account the characteristics of the company, the specific tasks and responsibilities conferred to the single directors, and the personal skills of the latter. Directors are jointly and severally liable to the company for damages caused by the failure to comply with their duties, except for functions vested solely in the executive committee or in one or more directors. In any case, directors are jointly and severally liable, if being aware of prejudicial acts, they do not do what they can in order to prevent their performance or to eliminate or reduce their harmful consequences. Liability for acts or omissions of directors does not extend to a director who, being without fault, has had his dissent entered without delay in the minutes of the board of directors and has immediately given written notice to the chairman of the board of statutory auditors.

Action for directors' liability brought by the company

An action for directors' liability is brought pursuant to a resolution of the ordinary shareholders' meeting. The resolution concerning directors' liability can be adopted when the shareholders' meeting examines the annual financial statements even if not included in the agenda when it relates to matters pertaining to the fiscal year to which the financial statements refer. The action may be brought upon resolution of the statutory auditors adopted with a two-thirds majority. The action may be commenced within five years from the termination of the director's appointment. The resolution to bring an action for liability entails the removal from office of the directors against whom the case is brought provided that it is adopted with the favourable vote of at least 20% of the share capital. In such a case the same shareholders' meeting provides for their replacement.

The company can waive the right to bring an action for liability and can settle it provided that such waiver and settlement are approved by an express resolution of the ordinary shareholders' meeting and unless 5% — or the lower percentage set out in the by-laws which, in such a case, cannot exceed 2.5% — or more of the share capital vote against.

Action for directors' liability brought by shareholders

The company action for liability may also be exercised by shareholders representing at least 2.5% of the company's share capital registered in the shareholders' ledger (or the lower percentage set out in the by-laws). The shareholders who intend to promote the action may appoint, by majority of the share capital owned, one or more common representatives for the exercise of the action and for the performance of the related acts. If the claim is accepted, the company reimburses the plaintiff's judicial expenditures and those incurred for the ascertainment of the facts which the judge does not charge to the losing party or which may not be possible to recover upon enforcement against them. Shareholders who have initiated the action may abandon it or settle it.

Any compensation for waiver or settlement must be for the benefit of the company.

Individual action of the shareholders and of third parties

Individual shareholders or third parties who have been directly damaged as a result of malice, fraud or negligence by the directors can sue the company for damages. Such action can be brought within five years from the act that damaged the shareholder or the third party.

Action for directors' liability brought by creditors

Directors are liable vis-à-vis creditors of the company if they do not fulfil their obligations in connection with the keeping of the integrity of the company assets. Creditors may exercise their action in the event that the company assets are not sufficient to satisfy their credits.

Board of statutory auditors

Duties and powers of the statutory auditors

The board of statutory auditors supervises compliance with the law and the by-laws, compliance with the principles of proper management and, in particular, on the adequacy of the organizational, administrative and accounting structure adopted by the company and on its functioning.

The board of statutory auditors, in the case of omissions or unjustified delay by the directors, must convene the shareholders' meeting and arrange for the relevant publications required by law.

The board of statutory auditors may at any time proceed, also individually, to inspections and controls and may request information from directors, also with reference to controlled companies, on the trend of corporate affairs or on specific matters. It may also exchange information with the correspondent bodies of the controlled companies on the administration and control system and on the general trend of the corporate bodies.

The board of statutory auditors may also, subject to a prior communication to the chairman of the board of directors, convene the meeting if, in the performance of its duties, it becomes aware of censurable serious facts and there is urgency to take action.

Appointment, removal and replacement of statutory auditors

Statutory auditors are appointed for the first time in the by-laws and subsequently by the ordinary shareholders' meeting. They remain in office for a period of three years and the termination of their office becomes effective on the date on which a new board of statutory auditors is re-appointed.

The appointment of the statutory auditors may be revoked only for cause. The resolution for revocation must be approved by decree of the relevant court after having heard the interested person.

In the case of the death or resignation of a statutory auditor or non-satisfaction of the relevant independence requirements by a statutory auditor, the alternate auditor who is the most senior in age takes his place. The alternate auditor remains in office until the next meeting which will have to elect the statutory and alternate auditors necessary for the integration of the board. The term of office of the newly-appointed auditors expires together with the term of those in office.

In case of substitution of the chairman of the board of statutory auditors, the chairmanship is assumed by the statutory auditor senior in age until the next meeting.

If it is not possible to fill the vacancies on the board of statutory auditors with alternate auditors, an ordinary shareholders' meeting shall be called in order to fill those vacancies.

Meetings and resolutions of the board of statutory auditors

The board of statutory auditors shall meet at least every 90 days. The meeting may take place, if allowed in the by-laws, also through telecommunications means.

The board of statutory auditors is validly convened with the presence of the majority of the statutory auditors and resolves by absolute majority of those present. A dissenting statutory auditor has the right to have the reasons for the dissent registered in the minute.

The statutory auditors shall attend the meetings of the board of directors and meetings of shareholders and of the executive committee.

Statutory auditors who, without justifiable reason, fail to attend meetings of shareholders or, twice in a row during a company fiscal year, meetings of the board of directors or of the executive committee, forfeit their office.

Complaint of shareholders to the board of statutory auditors

Any shareholder can complain to the board of statutory auditors of facts deemed censurable and the board of statutory auditors shall take the complaint into account in its report to the shareholders' meeting.

If the complaint is submitted by shareholders representing one-fiftieth of the company's share capital, the board of statutory auditors shall investigate, without delay, the facts set forth in the complaint and submit its findings and possible recommendations to the shareholders' meeting.

Compensation

The annual compensation of statutory auditors, if not established in the by-laws, shall be specified by the shareholders' meeting at the time of their appointment for the entire duration of their office.

Liability of statutory auditors

The statutory auditors shall discharge their duties with the professionalism and diligence required by the nature of their office. They are liable for the truth of their statements, and shall keep secret the facts and documents of which they have knowledge by reason of their office.

They are jointly and severally liable with the directors for acts and omissions of the latter, when the damage for the company would not have occurred if they had exercised vigilance in compliance with the duties of their office.

The action for liability against the statutory auditors is regulated, to the extent compatible, by the provisions applicable to liability action against the directors.

Accounting and auditing requirements

The annual financial statements of the company must be audited by a certified and registered public accountant or an audit company (the “**Auditor**”). The annual financial statements and the Auditor’s report are submitted to, and approved by, the annual general shareholders’ meeting of the company.

The Auditor is appointed every three years by the general shareholders’ meeting of the company, on the basis of a proposal of the board of statutory auditors.

Removal of the Auditor before the term’s expiration is resolved upon by the general shareholders’ meeting of the company only for cause and after consultation with the board of statutory auditors. For the avoidance of doubt, a difference of opinion concerning the application of accounting principles or the procedure carried out does not represent a ground for removal for cause.

The same shareholders’ meeting called for the removal of the Auditor shall appoint a new Auditor.

In the case of resignation of the Auditor or mutual agreement to terminate its office, the Auditor shall carry out its activities until a new Auditor has been appointed and, in any case, for a maximum period of six months.

The remuneration of the Auditor is resolved upon by the general shareholders’ meeting of the company.

Register of shareholders

A register of the shareholders shall be maintained at the registered office of the company. Shareholders may examine the register of shareholders free of charge and make copies at their own expenses in accordance with article 2422 of the Civil Code. A shareholder's legal title to shares is evidenced by the registration of his name on the register of shareholders. Italian law allows companies to keep the registers of the shareholders electronically.

According to Italian law, the notice of call has to be published on at least a daily newspaper or, in case of discontinuation of the publication or objective impediment, on the Official Journal of the Italian Republic. The by-laws may also provide for additional requirements, such as the publication of the notice on the website of the company.

Voting Rights

Generally, each shareholder is entitled to one vote for each share held by such shareholder at all shareholders' meeting of the company.

The by-laws may provide that certain share classes carry, no, limited, contingent or multiple (up to 3 votes per share) voting rights.

Shareholders' meeting resolutions

Shareholders' meetings are either ordinary or extraordinary and under Italian law there is no distinction between ordinary resolutions and special resolutions. Both ordinary and extraordinary shareholders' meetings are usually called by the board of directors, but Italian law — in particular circumstances — expressly provides that a shareholders' meeting may be called in a different manner.

The notice of call must contain at least the indication of the date, time and venue of the meeting, together with the list of items to be discussed.

Any persons entitled to vote can attend shareholders meetings.

The by-laws of companies whose shares are not dematerialized may (but are not required to) require the prior deposit of the shares at the registered office of the company or with the banks indicated in the notice of call of the relevant meeting, fixing the term within which the deposit has

to take place and eventually contemplating that the shares may not be withdrawn prior to the meeting. Such term cannot be longer than two business days for companies whose shares are widely spread among the public.

Ordinary shareholders' meetings

An ordinary shareholders' meeting is called to resolve upon, *inter alia*: (i) approval of the financial statements; (ii) appointment or removal of the directors, appointment of the statutory auditors, and appointment of the Auditor; (iii) the amount of the compensation for directors and statutory auditors (unless such amounts are already set forth in the by-laws), as well as the compensation of the Auditor; (iv) purchase and disposal of own shares, (v) legal proceedings against directors or statutory auditors for violation of their fiduciary duties; and (vi) resolves on the authorizations, if any, required by the by-laws for carrying out certain transactions.

An ordinary shareholders' meeting must be convened at least once a year within 120 days from the end of the financial year; the by-laws can increase such term up to 180 days when the company is required to draw up consolidated financial statements or when this is necessary for particular needs concerning the structure and purpose of the company.

The notice calling the ordinary shareholders meeting can specify a second call for the case in which the attendance on first call does not meet the minimum quorum requirement set forth by Italian law. In particular, in the first call, the ordinary shareholders' meeting (a) is duly held with the presence of shareholders representing at least one-half of the company's share capital, and (b) adopts resolutions with the favourable vote of the majority of the represented share capital or the higher quorum set out in the by-laws; in the second call, the ordinary meeting, regardless of the amount of share capital represented at the meeting, adopts resolutions with the favourable vote of the majority of the represented share capital. There is no minimum quorum requirement.

The by-laws may provide for higher quorums in the second call, except for approval of the financial statements and appointment and revocation of the corporate bodies.

If the notice calling the ordinary shareholders' meeting does not foresee a second call and shareholders present at the first call do not represent in the aggregate at least one-half of the company's share capital, the meeting must be called again.

As to companies having access to capital markets ("*mercato del capitale di rischio*") , the shareholders' meetings are held in one call. However, the by-laws of companies having access to capital markets ("*mercato del capitale di rischio*") can provide the possibility of calls subsequent to the first one. In this case, the shareholders' meeting is held in a single call and the quorum

requirement is the same as that applicable to ordinary shareholders meeting held on second call. Accordingly, the shareholders' meeting adopts resolutions with the favourable vote of the majority of the represented share capital, regardless of the amount of share capital present at the meeting, that is, there is no minimum quorum requirement. On the other hand, in the first call, the ordinary shareholders' meeting is duly held with the presence of shareholders representing at least one-half of the company's share capital and the ordinary shareholders' meeting adopts resolutions with the favourable vote of the majority of the represented share capital.

Extraordinary shareholders' meetings

An extraordinary shareholders' meeting is called to resolve upon, *inter alia*, (i) any amendment of the by-laws, (ii) appointment or removal of liquidators, (iii) capital increases and reductions, (iv) mergers and demergers, and (v) any other matter expressly provided by the law.

The notice calling the extraordinary shareholders' meeting can specify a second call (and a third one for companies having access to capital markets) for the case in which the attendance on prior call does not meet the minimum requirement set forth by Italian law. In particular, in the first call, the extraordinary shareholders' meeting (a) is duly held with the presence of shareholders representing at least one-half of the company's share capital or the higher quorum set out in the by-laws, and (b) adopts resolutions with the favourable vote of at least two-thirds of the represented share capital. If the shareholders present at the first call do not represent in the aggregate the portion of capital required, the extraordinary meeting must be called again. In the second call, the extraordinary meeting (a) is duly held with the presence of shareholders representing at least one-third of the company's share capital or the higher quorum set out in the by-laws, and (b) adopts resolutions with the favourable vote of at least two-thirds of the represented share capital. If the shareholders present at the second call do not represent in the aggregate the portion of capital required, the extraordinary meeting must be called again. In the third call, the extraordinary meeting (a) is duly held with the presence of shareholders representing at least one-fifth of the company's share capital or the higher quorum set out in the by-laws, and (b) adopts resolutions with the favourable vote of at least two-thirds of the represented share capital.

As to companies having access to capital markets, the shareholders' meetings are held in one call. However, the by-laws of companies having access to capital markets can provide the possibility of calls subsequent to the first one. In this case, the shareholders' meeting is held in a single call and the quorum required for passing valid resolutions are those applicable to extraordinary shareholders' meeting held on third call. Accordingly, the shareholders' meeting (a) is duly held with the presence of shareholders representing at least one-fifth of the company's share capital, and (b) adopts resolutions with the favourable vote of at least two-thirds of the

represented share capital. On the other hand, in the first and second call, the extraordinary shareholders' meeting is duly held with the presence of shareholders representing at least, respectively, one-half and one-third of the company's share capital and the extraordinary shareholders' meeting, both in the first and in the second call, adopts resolutions with the favourable vote of at least two-thirds of the represented capital.

Proxies

Any person entitled to vote at the shareholders' meeting can attend the meeting by proxy. The proxy shall be conferred in writing and the related documents shall be kept by the company.

For companies having access to capital markets ("*mercato del capitale di rischio*") a proxy may be granted only for a single meeting, but it is also valid for subsequent calls, unless the proxy is granted as a general power of attorney or is granted by a company, association, foundation or other collective entity or institution to one of its employees.

A proxy cannot be issued with a blank for the name of the attorney and may always be revoked irrespective of any agreement to the contrary. The attorney may be substituted only by another person expressly indicated in the proxy.

If the proxy is granted to a company, association, foundation or other collective entity or institution, such entities may delegate only one of their employees or consultants as the proxy. A corporation may execute a form of proxy under the hand of a duly authorized officer.

A proxy cannot be granted to members of the board of directors or to statutory auditors or to employees of the company and neither to any of its subsidiaries and each of their respective directors, members of the board of statutory auditors and employees.

For companies having access to capital markets, the same person cannot represent at a meeting more than 200 shareholders if the company has a capital higher than €25 million.

Power of the company to purchase its own shares

A company may purchase its own shares (and hold them in treasury), provided they are fully paid up for an amount not exceeding the distributable profits and distributable reserves resulting from the last annual financial statements duly approved at the relevant shareholders' meeting. Save

as expressly provided by the Civil Code², in companies having access to capital markets the par value of the treasury shares owned by the company (plus the par value of the shares of the company owned by its subsidiaries, if any) shall not exceed 20% of the issued share capital of the company. The purchase of own shares must be authorized by the ordinary shareholders' meeting which determines the terms and conditions at which the shares can be purchased, indicating in particular the maximum number of shares to be purchased, the period — not exceeding 18 months — for which the authorization is granted, the minimum price and the maximum price at which the shares can be purchased. Shares purchased and held by the company may only be resold pursuant to a shareholders' meeting resolution which determines the relevant terms and conditions. Shares that are not acquired in compliance with the principles set forth above must be sold within one year.

The shares purchased by the company are not entitled to dividends or, save as otherwise resolved upon by the ordinary shareholders' meeting, pre-emption rights in connection with capital increases. These shares do not carry a right to vote but are nevertheless computed in the share capital for purposes of calculating the quorum requirements at shareholder meetings.

A company is required to create a corresponding reserve in its financial statements for an amount equal to the book value of its own shares held from time to time.

Such reserve is not available for distribution, unless such shares are resold to third parties or cancelled.

Financial assistance by a company to purchase or underwrite its own shares

A company shall not directly or indirectly provide financial assistance for the purchase or underwriting of its own shares unless the following procedure is met:

- (i) a report is prepared by the board of directors highlighting, both from a legal and economic standpoint, the terms and conditions of the transaction, evidencing the purposes which justify the specific interest that the transaction carries for the company, the risks that could affect the liquidity and ability of the company to repay its debts, as well the acquisition price. The directors shall also certify that the transaction is carried out at market terms and conditions (having particular regard to the guarantees and the

² The Civil Code provides some exceptions when a company purchases its own shares: (a) in connection with a resolution of the extraordinary shareholders meeting calling for a capital reduction for losses, (b) without any consideration, provided always the shares are fully paid-up, (c) in connection with a merger or demerger, or (d) in connection with an enforcement procedure.

interest rate applied) and that the credit has been duly evaluated. The report has to be filed with the registered office of the company during the 30 days before the date fixed for the shareholders' meeting; and

- (ii) the transaction is approved by the extraordinary shareholders' meeting.

In case of financial assistance for the purchase of its treasury shares, together with the transaction, the extraordinary shareholders' meeting authorizes directors to sell such treasury shares. The purchase price shall be at least equal to the weighted average price of the shares during the six months before the issue of the shareholders' meeting notice.

In case of financial assistance for the purchase of its own shares by single directors of the company or its controlling entity or by the controlling entity, or to the third parties acting on behalf of such persons, the directors' report shall also certify that the financial assistance is in the best interests of the company.

The aggregate amount of the proceeds used and the aggregate amount of the guarantees granted for the acquisition of its own shares shall not exceed the amount of the distributable profits and of the distributable reserves as resulting from the last financial statements duly approved by the relevant shareholders' meeting. The aggregate amount of the proceeds used to pay and the aggregate amount of the guarantees granted shall be recorded as non-distributable reserve in the balance sheet liabilities.

A company cannot either directly or indirectly accept its own shares as security.

If the treasury shares acquired not in compliance with the principles set forth above are not sold within one year, they shall be promptly cancelled and the share capital shall be reduced accordingly by the shareholders' meeting; if the shareholders' meeting does not proceed, directors and statutory auditors shall apply to the court to proceed to share capital reduction by court order.

Bonds

A company may issue bearer or registered bonds for an aggregate amount not exceeding two times the aggregate of its share capital, legal reserves and distributable reserves contained in the latest financial statements duly approved by the shareholders. The board of statutory auditors will certify compliance with this limit.

The limit referred to above may be exceeded if the bonds issued in excess of such limit are reserved to professional investors which are under the supervisory control of regulatory authorities. If such bonds are subsequently distributed, the transferor remains liable for the solvency of the company towards any purchasers who are non-professional investors.

The issuance of bonds guaranteed by a first degree mortgage on real estate assets owned by the company is not subject to the limitation referred to above and does not fall within the relevant computation for the amount up to two-thirds of the value of the mortgaged assets.

Guarantees issued by the company for bonds of other Italian or foreign companies are included within the computation of the limit referred to above.

Unless provided otherwise by the law or the by-laws, the issuance of bonds is resolved upon by the board of directors; the minutes of the relevant meeting are drafted by a notary and are deposited and registered with the relevant companies' register.

Withdrawal right

The Civil Code provides a withdrawal right to shareholders who did not vote in favour of the following resolutions adopted in the company's shareholders' meeting:

- (i) changes in the corporate purpose of the company when the change effects a significant alteration to the activities of the company;
- (ii) transformation of the company (e.g. from a joint-stock company into a limited liability company);
- (iii) transfer abroad of the company's registered office;
- (iv) revocation of the proposed winding-up of the company;
- (v) removal of one or more of the grounds for withdrawal contemplated in the by-laws;
- (vi) changes to the criteria for determining the value of the shares in the event of a withdrawal;
- (vii) amendments to the by-laws concerning the voting or participation rights.

Unless the by-laws of the company provide otherwise, shareholders who did not vote in favor of the following resolutions may also be entitled to a withdrawal right:

- (i) extension of the duration of the company;
- (ii) introduction or removal of the restrictions on transfer of shares.

Our By-laws specifically exclude the right to withdraw in the circumstances set out in paragraph (i) and (ii) above.

Any agreement aimed at excluding or rendering more burdensome the exercise of the withdrawal right in the circumstances referred to in the paragraphs above is void as a matter of Italian law.

Terms and modalities of the exercise

The withdrawal right is exercised by withdrawing shareholders by sending a registered letter within 15 days after the date on which the relevant resolution is registered in the register of enterprises, providing details of the withdrawing shareholders and their address for communications relating to the proceeding and of the number and category of shares for which the withdrawal right is exercised. If the circumstance that gives rise to the withdrawal right is not a shareholders' meeting resolution, the withdrawal right must be exercised within 30 days after the date in which the withdrawing shareholder becomes aware of it.

The shares for which the withdrawal right has been exercised cannot be transferred.

The withdrawal right cannot be exercised — and if exercised becomes ineffective — if, within the following 90 days, the company revokes the resolution from which the withdrawal right arises or if shareholders approved the liquidation of the company.

Determination of the value of the withdrawn shares

The value of the withdrawn shares is determined by making exclusive reference to the arithmetic average of the closing prices registered on regulated markets during the six months preceding the publication or receipt of the notice calling the meeting, the resolutions of which justify the withdrawal right. The by-laws of the company may provide for different criteria for the determination of the value of the withdrawn shares.

Shareholders are entitled to be informed of the determination of the value of the withdrawn shares during the 15 days preceding the shareholders' meeting, the resolutions of which justify the withdrawal right; each shareholder is entitled to review the valuation and to obtain a copy of it at his cost.

Procedure for the liquidation of the withdrawn shares

The directors of the company have to offer the withdrawn shares to the other shareholders who have a right to acquire a number of such shares proportional to their equity interest in the company. The offer of option is filed with the register of enterprises within 15 days of the final determination of the liquidation value. A term of not less than 30 days from the filing of the offer must be given for the exercise of the option right. Shareholders who exercise their option right, if they make a concurrent request, have a pre-emptive right for the purchase of the withdrawn shares for which no option has been exercised.

If the shareholders do not purchase the withdrawn shares so offered, in whole or in part, directors may place them with third parties through an offer on regulated markets. In the event that any withdrawn share is not placed within 180 days from the communication of the withdrawal right, such withdrawn shares are reimbursed by means of a purchase by the company utilizing the reserves available even in derogation to the limit set forth for the purchase of its own shares. Alternatively, if the company does not have profits and available reserves, an extraordinary shareholders' meeting shall be promptly convened in order to resolve upon the reduction of share capital or the liquidation of the company.

Take-overs

The Italian law on take-over bids implementing the EU Directive 2004/25/CE only applies to takeover bids for the securities of Italian companies, where all or some of those securities are admitted to trading on a regulated market of an EU Member State. Accordingly, neither EU Directive 2004/25/CE nor any other rules, regulations, laws or directives in the EU or Italy concerning takeover bids apply to our Company. However, the Hong Kong Code on Takeovers and Mergers will apply to take-over bids relating to our Company.

Liquidation

A company may be wound up upon the occurrence of any one of the following events: (i) expiration of the term set out in the by-laws; (ii) achievement of the corporate purpose or impossibility to achieve it, unless an extraordinary shareholders' meeting promptly resolves upon an appropriate amendment to the company by-laws; (iii) impossible running of the shareholders'

meeting or constant inactivity of the shareholders' meeting (including consistent failure to hold the shareholders' meeting and the constant inability to pass resolutions); (iv) reduction of the share capital below the minimum amount prescribed by law, namely, €50,000, unless the extraordinary shareholders' meeting promptly resolves upon the transformation of the company into another form of legal entity requiring a lower minimum capital; (v) impossibility to carry out the reimbursement of the shares, when such reimbursement is required in the context of the withdrawal procedure of one or more shareholders; (vi) a specific shareholders' meeting resolution to wind up the company; or (vii) any other situation provided by the by-laws or by law.

As soon as the board of directors becomes aware of the occurrence of a situation requiring the liquidation of the company, it shall call an extraordinary shareholders' meeting to resolve upon (i) the number of liquidators to be appointed and, if more than one liquidator is appointed, the rules that will govern the liquidation committee; (ii) the appointment of the liquidators specifying which among them have the power to represent the company; (iii) the procedures to be adopted to proceed with the winding up and all other relevant and subsequent resolutions. Such procedures can also specify the way in which the liquidators, after satisfaction of the claims of all other creditors, can divide the remaining assets among shareholders.

Until the appointment of the liquidators is recorded in the register of enterprises and the delivery to them of the corporate records, the company's directors remain liable for the day-by-day management and they shall be responsible for maintaining the company's assets maintenance.

Under Italian law, and subject to satisfaction of the claims of all other creditors, shareholders are entitled to a distribution of the remaining liquidated assets in proportion to the number of shares they own on the total number of the issued and outstanding shares.

A company is dissolved and cancelled from the register of enterprises upon approval of the final liquidation statement as prepared by the liquidators.

Once a company is dissolved, creditors who have not been satisfied during the liquidation procedure can claim reimbursement from (i) shareholders within the limit of the liquidation proceeds received by them, and (ii) the liquidators if the non-payment was due to their improper behaviour.

Pledge***Overview***

The pledge on shares of an Italian joint-stock company may be granted by the shareholder with a procedure depending whether:

- (i) the shares are represented by certificates issued by the company; or
- (ii) the shares have been dematerialized.

Shares represented by certificates

A pledge on shares represented by certificates may be created by carrying out one of the following procedures:

- (i) registration of the pledge both on the certificate and on the shareholders' register; or
- (ii) endorsement in favour of the beneficiary of the pledge (*girata in garanzia*) on the certificate. In this case, the pledge becomes effective vis-à-vis the company only after registration on the shareholders' register.

Once the pledge is created in compliance with the procedures set forth under points (i) and (ii) above, the certificates must be delivered to the pledgee or to a third party appointed as custodian of the certificates. Share certificates need first to be withdrawn from the CCASS.

Dematerialized shares

In case of dematerialized shares, a pledge may be created by means of registration of the pledged shares in a special bank account held by the relevant financial intermediary.

Economic and administrative rights attached to the shares

Unless otherwise agreed by the parties in the contractual documentation relating to the pledge, voting rights are granted to the pledgee, while the other administrative rights (e.g. the right to challenge resolutions of the shareholders' meeting) are granted both to the pledgor and the pledgee.

As regards economic rights, the pledgee has title to the distribution of profits (unless otherwise agreed with the shareholder) and to the distribution upon winding up of the company. Option rights in case of share capital increase accrue to the pledgor.

ENFORCEMENT OF JUDGMENTS AGAINST THE COMPANY, ITS DIRECTORS OR ITS MAJOR SHAREHOLDER

Under Italian law there is nothing which would prevent the enforcement of judgments passed by a courts in Hong Kong against persons or entities having Italian nationality or domiciled or resident in Italy. Any judgment obtained from a court of competent jurisdiction in Hong Kong in proceedings brought by a shareholder of our Company against our Company, our Directors or our major shareholder will be recognized and enforced in Italy, in accordance with and subject to the requirements set forth in article 64 of Italian Law No. 218 of 1995 relating to the recognition and enforcement of foreign judgments. Under this article, any such judgment will be recognized (without any special procedure being required) unless: (a) the court that gave it did not have jurisdiction over the case according to the principles of Italian law on jurisdiction; (b) the defendant was not served with the document that instituted the proceedings in accordance with the law governing the proceedings (i.e., Hong Kong law), or the fundamental rules of due process were violated; (c) the parties did not appear in the proceedings but the default of appearance was not duly declared in accordance with the law governing the proceedings; (d) the judgment is still subject to appeal; (e) the judgment is irreconcilable with a judgment given by an Italian court which has become *res judicata*; (f) at the time recognition is sought, other proceedings involving the same cause of action are pending between the same parties before an Italian court, if the Italian court was first seized; or (g) the effects of the judgment are contrary to the Italian public policy. The judgment is not subject to review as to its substance. If recognition is disputed or enforcement is necessary, the interested party may request the competent court in Italy to ascertain that the requirements for recognition are met, whereupon the judgment can be enforced in the same manner as a judgment given by an Italian court.

CERTAIN DISCLOSURE OF INTEREST AND OTHER SHAREHOLDING REQUIREMENTS UNDER ITALIAN LAW DO NOT APPLY TO OUR SHAREHOLDERS

The following requirements do not apply to our shareholders:

- **Disclosure of interest requirements.** Disclosure of interest requirements only apply to Italian issuers of securities which are listed and admitted to trading on a regulated market in an EU Member State within the meaning of Directive 2004/39/EC. Since our Company is not listed in Italy or in any other EU Member State, the EU or Italian rules, regulation, laws and directives imposing requirements on investors after listing only on

the Hong Kong Stock Exchange would not apply to our Company. Under Italian corporate law, there is no further requirement of disclosure of interest for the shareholders of a company, unless expressly provided by the by-laws. However, notwithstanding the foregoing the Civil Code requires disclosure of agreements entered into among shareholders of a company, such as our Company, having access to capital markets (“*società che fanno ricorso al mercato del capitale di rischio*”) within the meaning of the Civil Code. In particular, agreements relating to: (i) the exercise of voting rights in the company or its controlling entities, (ii) restrictions on the transfer of shares of the company or its controlling entities, (iii) the exercise, even jointly, of a dominant influence over the company or its controlling entities, have to be (a) communicated to the company to which they refer, (b) declared at the inception of each shareholders’ meeting. In the absence of this latter form of disclosure, the shareholders participating to the undisclosed shareholders agreement are prevented from exercising their voting rights.

The Civil Code does not provide for a definition of shareholders’ agreements but identifies certain agreements to which the relevant legislative rules apply. More specifically, article 2341-bis of the Civil Code, entitled “shareholders’ agreements” (“*patti parasociali*”) expressly refers to those agreements governing the shareholding structure and/or governance of the Company that:

- (i) “concern the exercise of voting rights in the company or its controlling entities”; in other words, these are agreements under which the contracting shareholders agree in advance how to vote in the shareholders’ meetings;
- (ii) “restrict the transfer of shares of the company or of its controlling entities”; these include any agreements that may affect the general principle of free transferability of shares (e.g. private agreements among certain shareholders concerning preemptive rights, an absolute prohibition of transfer, or making the transfer subject to the approval of one or more of the contracting shareholders);
- (iii) “have as object or as effect the exercise, even jointly, of a dominant influence over the company or its controlling entities”; this is a residual concept aiming at capturing all those agreements which could entail as effect, potentially or in fact, a dominant influence on the Company or its controlling companies (e.g., agreements under which the contracting shareholders undertake to agree certain managerial decisions and to make sure the directors execute them).

Based on the foregoing, it follows that, if an agreement entered into between certain Company's shareholders with respect to their shares in the Company does not possess the features set out above would not qualify as "shareholders' agreement" (*"patto parasociale"*) and would not trigger any related disclosure requirement. As a way of example, a mere promise made by a shareholder to pledge his/her shares in the Company in favor of another shareholder would fall out the scope of article 2341-bis of the Civil Code.

The Civil Code refers to agreements "in whatever form stipulated". Accordingly, even verbal agreements could possibly qualify as "shareholders' agreements" (*"patto parasociale"*).

It will be the chairman of the board of directors to assess whether a certain agreement notified to the Company by certain contracting shareholders does fall within the legal concept of "shareholders' agreement" (*"patto parasociale"*).

As to the disclosure, communication and declaration procedure, the Civil Code does not provide any details in relation thereto. That said, a prudent approach suggests to communicate the shareholders' agreements to the Company (i.e., to the board of directors, in the person of its Chairman) in its entirety (rather than a mere extract thereof), also in light of the rationale of the relevant legislative rules, aiming at making all the non-contracting shareholders aware of the existence as well as the content of "shareholders' agreements" (*"patti parasociali"*).

The Civil Code does not set forth a term for complying with the communication obligation to the Company. In this last regard, a benchmark reference is provided by the article 122 of the Legislative Decree no. 58/1998 — the Consolidated Financial Act (which, for the sake of clarity, will not apply to the Company upon Listing), providing a 5-day term starting from the conclusion of a "shareholder's agreement" (*"patto parasociale"*) for contracting shareholders to communicate it. Compliance with this term would meet the rationale behind the relevant legislative rules mentioned above.

As to the declaration to be made at the inception of each shareholders' meeting, this is a verbal declaration concerning the existence of a certain shareholders' meeting (previously communicated to the Company) as well as its content. The declaration is to be recorded in the minutes of the shareholder's meeting, which are then registered with the competent register of enterprises.

Shareholders' agreements entered into by Beneficial Owners would be deemed relevant for the purposes of the provisions summarized above (including disclosure requirements).

There are no other consequences for failing to notify "shareholders' agreements" ("*patti parasociali*") for the Company and the relevant shareholders, aside from the fact that the shareholders shall be prohibited from exercising their voting rights as described in this prospectus.

- **Restrictions on ownership of interests in an Italian *società per azioni*.** There are no particular share ownership restrictions for a joint-stock company (*società per azioni*) under Italian corporate law. Shares in a joint-stock company (*società per azioni*) are freely transferrable, subject to the provisions of its by-laws or other contractual obligations entered into by shareholders.

AMENDMENTS TO THE BY-LAWS

Set out below is a summary of the material differences between shareholders' protection regimes in Italy and Hong Kong. Our By-laws have been amended in respect of certain specific matters with a view to affording our Company's shareholders a level of protection in respect of those matters substantially comparable with the protection provided under Hong Kong law for shareholders of a Hong Kong incorporated company. The major amendments made for this purpose are summarized below:

Appointment of Directors required to be voted on individually

Under Hong Kong law, a public company is prohibited from appointing two or more directors by the passage of a single resolution at a general meeting unless the company has first passed a motion approving a multiple appointment. If such motion is passed without any vote being cast against it, the resolution may be put to the general meeting regarding the multiple appointments. Under Italian law, no distinction is made between the appointment of a single director or multiple directors. Our By-laws have been amended to provide that the appointment of the directors by shareholders' resolutions shall be voted on individually to reflect the position under Hong Kong law.

Declaration of interests by directors

Under Hong Kong law, when a company proposes to put a resolution to a general meeting of the company, the notice of the meeting must be accompanied by a statement that (among other things) discloses any material interest of any director in the matter which is the subject of the resolution. There is no requirement under Italian law to include a disclosure of any director's conflict of interest in such a notice. Our By-laws have been amended to include a requirement to disclose any director's conflict of interest in notices of general meetings.

Prohibition of loans to directors

Under Hong Kong law, there is a general prohibition against the making of loans to or the provision of guarantees or other security for the benefit of directors of public companies or persons related to them, unless falling within certain exemptions specified under Hong Kong law. Italian law does not expressly provide for any such limitations. Provisions have been included in our By-laws to impose prohibitions against such transactions with Directors similar to that under Hong Kong law.

CORE SHAREHOLDERS PROTECTIONS STANDARDS

Our Company was incorporated in Italy and is subject to the Civil Code and other applicable laws and regulations in Italy. Set out below is a discussion on the core shareholder protection standards offered under the By-laws and the Italian laws and regulations that we consider material to our Shareholders and potential investors and as required under Appendix 3 to the Listing Rules.

Appointment of Directors

Paragraph 4(2) of Appendix 3 to the Listing Rules requires that any person appointed by the directors to fill a casual vacancy on or as an addition to the board shall hold office only until the first annual general meeting of the issuer after his appointment and shall then be eligible for re-election.

Paragraph 4(3) of Appendix 3 to the Listing Rules further requires that where not otherwise provided by law, the members in general meeting shall have the power by ordinary resolution to remove any director (including a managing or other executive director, but without prejudice to any claim for damages under any contract) before the expiration of his term of office.

Under the Civil Code, directors are appointed by the ordinary shareholders' meeting and can be removed by an ordinary shareholders' meeting resolution at any time, save for the right of the removed director to claim compensation for damages in case of removal without just cause. If during a financial year one or more directors cease from the office for any reason, the remaining directors may resolve upon their substitution with the favourable opinion of the board of statutory auditors, provided that the majority of the directors is still composed by directors appointed by the ordinary shareholders' meeting. Except as otherwise provided by the by-laws or the shareholders' meeting, the so-appointed directors remain in office until the subsequent shareholders' meeting. If the majority of directors appointed by the ordinary shareholders' meeting cease from office for any reason, the remaining directors shall call an ordinary shareholders' meeting for their substitution. If all directors cease from office for any reason, the board of statutory auditors shall promptly call a shareholders' meeting for the appointment of new directors.

Article 11.1 of the By-laws grants the power to the shareholders in relation to appointment or removal of the directors at an ordinary shareholders' meeting, and Article 19.13 of the By-laws provides that if during the term of office, one or more directors should no longer hold office, action will be taken in compliance with the Civil Code. Furthermore, as allowed by the Civil Code, Article 19.13 provides that if, during the term of office, a majority of directors should cease to hold office, the whole board of directors will be considered to have ceased and the directors still in office or the board of statutory auditors shall promptly call an ordinary shareholders' meeting to appoint a new board of directors.

We believe that the aforementioned articles of By-laws and the Civil Code are in line with the shareholder protection standards under Paragraphs 4(2) and 4(3) of Appendix 3 to the Listing Rules.

Proceedings at General Meetings

Annual general meetings

Paragraph 14(1) of Appendix 3 to the Listing Rules requires that an issuer must hold a general meeting for each financial year as its annual general meeting. Generally, an issuer must hold its annual general meeting within six months after the end of its financial year.

Under Italian law, shareholders' general meetings are to be held at least once a year and each year no later than the 120th day following the closure of the reference financial year. The Civil Code allows companies' by-laws to set forth a longer term, in any case no longer than the 180th

day following the closure of the reference financial year, to which companies may make recourse to the extent that they are required to draw up consolidated financial statements or when this is necessary for particular needs relating to the companies' structure and purpose.

Article 13.4 of the By-laws reports the above-mentioned provisions of Italian law, which we believe are in line with the requirements under Paragraph 14(1) of Appendix 3 to the Listing Rules.

Notice of general meetings

Paragraph 14(2) of Appendix 3 to the Listing Rules requires that an issuer must give its members reasonable written notice of its general meetings. "Reasonable written notice" normally means at least 21 days for an annual general meeting and at least 14 days for other general meetings. This is unless it can be demonstrated that reasonable written notice can be given in less time.

Under Italian law, a shareholders' general meeting is required to be called at least 15 days prior to the date of the meeting.

Article 14.3 of the By-laws further provides that in the event that the Shares are listed on the Stock Exchange, the notice of call must be published in accordance with the procedures provided by applicable Italian law at least twenty-one days before the date of the meeting.

Right to speak and vote at the general meeting

Paragraph 14(3) requires that members must have the right to speak and vote at a general meeting.

The Civil Code sets forth that each share confers on its holder the right to vote. Those entitled to vote have the right to intervene to the shareholders' meeting. Even though the Civil Code does not expressly set forth anything thereon, according to Italian Authors and courts judgments, the right to intervene also includes the right to speak (i.e., the right of a shareholder to express his own opinion participating in the possible debate).

Article 15.1 of the By-laws provides the shareholder the right to attend, speak and vote at shareholders' meetings.

Restrictions on voting right

Paragraphs 14(3) and 14(4) of Appendix 3 to the Listing Rules require that where any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

In order to achieve an outcome substantially equivalent to that under Paragraphs 14(3) and 14(4) of Appendix 3 to the Listing Rules, Article 15.3 of the By-laws provides that where a shareholder is required by the applicable laws, regulations and listing rules of the place where our securities are listed to abstain from voting on a particular resolution, any vote cast by or on behalf of that shareholder in contravention of such requirement or restriction shall not be counted towards the resolution. For the avoidance of doubt, the shares held by such shareholders shall be counted for the purposes of the quorum of the meeting.

Rights to convene extraordinary general meeting and add resolutions

Paragraphs 14(5) of Appendix 3 to the Listing Rules requires that members holding a minority stake in the total number of issued shares must be able to convene an extraordinary general meeting and add resolutions to a meeting agenda. The minimum stake required to do so must not be higher than 10% of the voting rights, on a one vote per share basis, in the share capital of the issuer.

The Civil Code provides that the board of directors — or the board of statutory auditors if the board of directors fails to do so — shall call a shareholder's meeting without delay upon request of shareholders representing at least 5% of the company's share capital — or the lower percentage set forth in the by-laws — provided that the items to be discussed shall be indicated in the request.

Article 14.2 of the By-laws provides such right to convene a shareholders meeting with shareholders representing at least 5% of the share capital. In addition, Article 14.5 of the By-laws provides the right of shareholders representing at least one-fortieth of the share capital to add resolutions to a meeting agenda.

Variation of Rights

Paragraphs 15 of Appendix 3 to the Listing Rules requires that a super-majority vote of the issuer's members of the class to which the rights are attached shall be required to approve a change to those rights. A "super-majority vote" means at least three-fourths of the voting rights of the members holding shares in that class present and voting in person or by proxy at a separate general meeting of members of the class where the quorum for such meeting shall be holders of at least one third of the issued shares of the class. This is unless it can be demonstrated that shareholder protection will not be compromised by a lower voting threshold (e.g. simple majority votes in favour of the relevant resolutions with a higher quorum requirement) and in such case a "super-majority vote" is deemed to be achieved.

Under Italian law, resolutions affecting the rights attached to a class of shares are to be passed also by the special meeting of the holders of the class of shares. To such special meetings, the quorum set forth for extraordinary shareholders' meetings apply. The extraordinary shareholders' meeting can adopt resolutions, in single call or in first, second or third call, with the favourable vote of at least two-thirds of the represented share capital. As to quorum, according to our By-laws, the shareholders' meeting is held on one call, unless the board of directors establishes that the meeting has to be held on first call and, if necessary, on second call, as well as, possibly, on subsequent calls. In case the shareholders' meeting is held on one single call, the quorum of the meeting is one-fifth of the share capital; in case the notice of call provides for more subsequent possible calls, the quorum of the meeting is as follows: (i) one-half of the share capital on first call, (ii) one-third of the share capital on second call, (iii) one-fifth of the share capital on subsequent calls.

In order to comply with Paragraph 15 of Appendix 3 to the Listing Rules, article 6.4 of the By-laws provides that whenever the share capital of the Company is divided into different classes of shares, the resolutions affecting the rights of any of such classes of shares are to be passed also by the special general meeting of the holders of the shares of that class. To every such special general meeting all the provisions relating to extraordinary general meetings of the Company or to the proceedings thereat shall apply mutatis mutandis, except that, notwithstanding the foregoing, such special general meeting is duly held with the presence of shareholders representing at least one-third (1/3) of the issued share capital of that class (quorum for constitution), and adopts resolutions with the favorable vote (quorum for resolution) of at least three-fourths (3/4) of the share capital represented in the special general meeting by the shareholders belonging to the interested class.

Amendment of Constitutional Documents

Paragraphs 16 of Appendix 3 to the Listing Rules requires that a super-majority vote of the issuer's members in a general meeting shall be required to approve changes to an issuer's constitutional documents, however framed. A "super-majority vote" means at least three-fourths of the total voting rights of the members present and voting in person or by proxy at the general meeting. This is unless it can be demonstrated that shareholder protection will not be compromised by a lower voting threshold (e.g. simple majority votes in favour of the relevant resolutions with a higher quorum requirement) and in such case a "super-majority vote" is deemed to be achieved.

For the adoption of resolutions concerning changes to companies' by-laws, the Civil Code sets forth the competence of the extraordinary shareholders' meeting. The extraordinary shareholders' meeting can adopt resolutions, in single call or in first, second or third call, with the favourable vote of at least two-thirds of the represented share capital. As to quorum, according to our By-laws, the shareholders' meeting is held on one call, unless the board of directors establishes that the meeting has to be held on first call and, if necessary, on second call, as well as, possibly, on subsequent calls. In case the shareholders' meeting is held on one single call, the quorum of the meeting is one-fifth of the share capital; in case the notice of call provides for more subsequent possible calls, the quorum of the meeting is as follows: (i) one-half of the share capital on first call, (ii) one-third of the share capital on second call, (iii) one-fifth of the share capital on subsequent calls.

In order to comply with paragraph 16 of Appendix 3 to the Listing Rules, article 17.2 of the By-laws provides that the resolutions concerning the amendments to the By-laws are adopted with the favorable vote (quorum for resolution) of at least three-fourths (3/4) of the share capital represented in the shareholders' meeting.

Appointment, Removal and Remuneration of Auditors

Paragraph 17 of Appendix 3 to the Listing Rules requires that the appointment, removal and remuneration of auditors must be approved by a majority of the issuer's members or other body that is independent of the board of directors.

As to auditors, Legislative Decree No. 39/2010 applies. This sets forth that it is the ordinary shareholders' meeting to be competent for resolving, based upon reasoned proposal by the board of statutory auditors, on the appointment and remuneration of the auditor. The ordinary shareholders' meeting may revoke the assignment given to the auditor for cause, having heard the opinion of the

board of statutory auditors. The Legislative Decree No. 39/2010 specifies that a difference of opinion regarding an accounting treatment or audit procedures does not represent cause for revoking the assignment.

Article 11 of the By-laws sets out that the shareholders' meeting shall resolve, *inter alia*, on the appointment and removal of the auditor, as well as on its compensation.

Proxies and Corporate Representatives

Paragraph 18 of Appendix 3 to the Listing Rules requires that every member shall be entitled to appoint a proxy who needs not necessarily be a member of the issuer and that every shareholder being a corporation shall be entitled to appoint a representative to attend and vote at any general meeting of the issuer and, where a corporation is so represented, it shall be treated as being present at any meeting in person. A corporation may execute a form of proxy under the hand of a duly authorised officer.

Under Italian law, any person entitled to vote at the shareholders' meeting can attend the meeting by proxy. The power of attorney shall be conferred in writing and the related documents shall be kept by our Company. The power of attorney cannot be conferred on our directors, members of our board of statutory auditors and our employees, and neither on our subsidiaries and each of their respective directors, members of the board of statutory auditors and employees.

Article 15.2 of the By-laws provides, in particular, that those entitled to vote may be represented by a proxy and, if the shareholder is a corporation, the power of attorney is conferred under the hand of an officer, attorney or other person duly authorized to sign the power of attorney.

HKSCC's Right to Appoint Proxies or Corporate Representatives

Paragraph 19 of Appendix 3 to the Listing Rules requires that HKSCC must be entitled to appoint proxies or corporate representatives to attend the issuer's general meetings and creditors meetings and those proxies or corporate representatives must enjoy rights equivalent to the rights of other shareholders, including the right to speak and vote.

Under Italian law, any person entitled to vote at the shareholders' meeting can attend the meeting by proxies, according with the limits already reported above.

Article 33.2 of the By-laws provides that, if the holder of the Shares is a recognised Hong Kong clearing house, the latter (or its nominee(s)) is entitled to authorise one or more persons to act as its proxy(ies) or representative(s) at any ordinary or extraordinary meeting (or other meeting relating to financial instruments when issued) of the Company, and such person so authorised shall be entitled to exercise at the relevant shareholders' meeting the same rights and powers on behalf of the delegating party specified in such authorisation.

Inspection of Branch Register

Paragraph 20 of Appendix 3 to the Listing Rules requires that the branch register of members in Hong Kong shall be open for inspection by members but the issuer may be permitted to close the register on terms equivalent to section 632 of the Companies Ordinance.

The Civil Code provides that the shareholders have the right to inspect, *inter alia*, the shareholders' ledger and, at their own expense, to obtain extracts therefrom in accordance with Article 2422 of the Civil Code.

Article 6.10 of the By-laws provides that the shareholders are entitled to inspect the shareholders' register and to obtain, at their own expense, extracts therefrom in accordance with article 2422 of the Civil Code. With specific reference to the branch register of the Company kept in Hong Kong, Article 35 provides that this shall be open for inspection for at least two (2) hours on every business day by shareholders of the Company without charge. The branch register kept in Hong Kong may, after notice has been given by any electronic means in such manner as may be accepted by the Stock Exchange of Hong Kong to that effect, be closed at such times or for such periods not exceeding in the whole thirty (30) days in each year as the Board may determine and either generally or in respect of any class of shares.

Voluntary Winding Up

Paragraph 21 of Appendix 3 to the Listing Rules requires that a super-majority vote of the issuer's members in a general meeting shall be required to approve a voluntary winding up of an issuer. A "super-majority vote" means at least three-fourths of the total voting rights of the members present and voting in person or by proxy at the general meeting. This is unless it can be demonstrated that shareholder protection will not be compromised by a lower voting threshold (e.g. simple majority votes in favour of the relevant resolutions with a higher quorum requirement) and in such case a "super-majority vote" is deemed to be achieved.

Similar to the changes to companies' by-laws, the voluntary winding up is subject to the extraordinary shareholders' meeting under the Civil Code. The extraordinary shareholders' meeting can adopt resolutions, in single call or in first, second or third call, with the favourable vote of at least two-thirds of the represented share capital. As to quorum, according to our By-laws, the shareholders' meeting is held on one call, unless the board of directors establishes that the meeting has to be held on first call and, if necessary, on second call, as well as, possibly, on subsequent calls. In case the shareholders' meeting is held on one single call, the quorum of the meeting is one-fifth of the share capital; in case the notice of call provides for more subsequent possible calls, the quorum of the meeting is as follows: (i) one-half of the share capital on first call, (ii) one-third of the share capital on second call, (iii) one-fifth of the share capital on subsequent calls.

In order to comply with paragraph 21 of Appendix 3 to the Listing Rules, article 17.2 of the By-laws provides that the resolutions concerning the voluntary winding-up are adopted with the favorable vote (quorum for resolution) of at least three-fourths (3/4) of the share capital represented in the shareholders' meeting.

SUMMARY OF MAIN ITALIAN TAX ASPECTS RELEVANT TO SHAREHOLDERS OF THE COMPANY

General remarks

The following is a non-exhaustive summary of certain material Italian tax consequences for Shareholders holding and disposing of Shares. It does not purport to be a complete analysis of all possible tax situations that may be relevant to a decision to purchase Shares or with regard to the taxation of the Company.

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposal of, and dealing in Shares (or exercising rights attached to them). The Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or affiliates and any other person or party involved in the Global Offering do not accept responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to Shares. No conclusions should be drawn with respect to issues not specifically addressed by this summary.

The following description of Italian tax law is based upon Italian law and regulations in effect and as interpreted by the Italian tax authorities on the date of this prospectus and is subject to any amendments in law (or in interpretation) that may be introduced later, whether or not on a retroactive basis. It is not intended to be, nor should it be construed to be, legal or tax advice.

The Company intends to produce a tax booklet, that will provide the Italian tax framework relating the ownership of the shares.

As described below, the Italian tax regime applicable may vary depending upon whether the Hong Kong Stock Exchange is regarded as a ‘regulated stock market’ in accordance with Italian tax law. This summary assumes that the Shares will be listed on a regulated stock market according to Circular Letter no. 32/E, 23 December 2020. In fact by Circular Letter 32/E, 2020, the Italian Revenue Agency clarified that ‘regulated markets’ — understood as systems subject to regulation considered compliant to EU rules by the Supervisory Authority — include not only the regulated markets referred to in the Consolidated Law on Finance (‘TUF’) and markets of countries belonging to the OECD (including EU and EEA countries), but also any other market regulated by an organisation and by operating rules which (i) ensure orderly trading, in terms of efficient execution of orders, (ii) “recognised” by competent Authorities and (iii) ‘open to the public’. Hong Kong’s stock markets is mentioned in the list of “regulated stock markets” released by ‘Assogestioni’ on 23 February 2013.

The interpretation issued by the Italian Revenue Agency on the definition of ‘regulated stock market’ appear to include into its scope the Hong Kong Stock Exchange.

We highlight that no specific indication on Hong Kong Stock Exchange has been released by Italian Revenue Agency.

Considering the mentioned Circular letter on this topic and the concerns related to the application, the Company recommends all Shareholders to consult their professional advisors.

Assuming that Hong Kong Stock Exchange qualifies as ‘regulated stock market’, the criterion to distinguish qualified holdings from non-qualified shareholding is the following:

- ‘*Qualified shareholding*’ if it exceeds 2% of the voting rights or 5% of the capital or of the equity in case of securities traded in an Italian or foreign public regulated stock market;

- ‘*Non-qualified shareholding*’ if it does not exceed 2% of the voting rights or 5% of the capital or of the equity in case of security traded in an Italian or foreign public regulated stock market.

Jurisdiction with which Italy has entered into double taxation conventions

The list of all jurisdiction with which Italy has entered into a double taxation convention is published on the Italian Ministry of Finance’s official website (<https://www.finanze.gov.it/it/Fiscalita-dellUnione-europea-e-internazionale/convenzioni-e-accordi/convenzioni-per-evitare-le-doppie-imposizioni/>).

Double taxation convention between Italy and Hong Kong

The DTA (Double Taxation Agreement) between the Government of the Italian Republic and the Government of the Hong Kong Special Administrative Region of the People’s Republic of China has entered into force on August 10, 2015.

Under DTA provisions:

- the withholding tax rate applicable on dividends paid by the Company to an individual and corporate Shareholder resident in Hong Kong (who do not carry on business in Italy through a permanent establishment situated therein) cannot exceed **10% of the gross amount of the dividend**³(art. 10);
- capital gains realized by individual and corporate Shareholders resident in Hong Kong from the sale of the Shares are taxable **only in Hong Kong** (art. 13, par. 5)

Dividend payments

General remark

Under Italian law, a withholding agent — such as the Company — must apply the correct withholding tax rate and it is subject to penalties if it fails to do so. Due to the inherent characteristics of the Hong Kong central clearing and settlement system (“CCASS”), the Company

³ However, due to the inherent characteristic of the ‘CCASS’, the Company is not able to ascertain the identity and the tax residency of the beneficial owners of Shares who hold their investments through CCASS Participants (unless they are Investor Participants) in CCASS, so the Company applies a withholding tax rate of 26% on dividend paid to the individual Shareholders irrespective of their tax residency (included individual Shareholders resident in Hong Kong who can claim a tax refund to the Italian Revenue Agency for withholding tax paid over conventional 10%).

is not able to ascertain the identity, and consequently the tax residence, of the beneficial owners of Shares who hold their investments in CCASS. The Company is therefore not able to apply a rate of withholding tax on an individual basis to beneficial owners of Shares who hold through CCASS. As a consequence, the Company will, upon distribution, apply a withholding tax on the whole amount of the dividend payable to such beneficial owners at a rate equal to 26%, which is the ordinary rate for the dividend paid to non-Italian residents and the highest possible withholding tax rate under Italian law.

Subject to the provisions of any applicable double taxation convention, the rate of withholding tax may be reduced. Shareholders who have paid tax on the dividend in another jurisdiction may also claim a credit refund equal to the lower of 11/26th of the Italian withholding tax levied and the foreign tax actually paid on the dividend.

Shareholders entitled to a reduced (or to zero) withholding tax may seek to recover the excess amount of tax paid through a refund procedure initiated with the Italian Revenue Agency.

Shareholders should note that delays may be encountered in the process of obtaining a credit refund.

In the case where the Offer Shares are held through HKSCC Nominees, under Hong Kong law the legal title over the Offer Shares is with HKSCC Nominees, whereas the beneficial title remains with the ultimate Shareholders. For Italian tax purposes the owner is in principle the legal owner but, if the legal ownership and the economic ownership of an asset (in the case at hand, the Offer Shares) clearly differ, for tax purposes the asset should be attributed to the economic owner.

In the case where the Shareholders were to be considered as the economic owners of the Offer Shares, such Offer Shares would have to be attributed to the Shareholders for tax purposes. It follows that, unless otherwise specified, references in this Prospect to the “Shareholder” or to the “taxpayer” shall include beneficial owners of Shares even if legal title is held through another entity e.g. a nominee Company such as HKSCC Nominees Limited.

In this case, it would be the Shareholders who/which would have to file a withholding tax refund claim directly with the Italian tax administration. Upon request from the Italian tax administration, evidence may have to be provided that the economic ownership is with the Shareholders and not with HKSCC Nominees.

*Individual Shareholders**Shareholders resident in Italy*

Dividends paid by the Company to individual Shareholders resident in Italy are subject to different tax treatment depending on the following circumstances:

- dividends paid to Italian resident individuals not engaged in business activity are subject to 26% final tax withheld at source in Italy. In this case, the holders are not required to report the dividends in their income tax returns;
- dividends paid to Italian resident individuals who hold the Shares in connection with a business activity (“**Sole Proprietors**”) are not subject to any tax withheld at source in Italy; provided, that, in this case, the holders declare at the time of receipt that the profits collected are from holdings connected with their business activity. In this case, dividends must be reported in the income tax return, but these dividends are included in the holder’s overall business income taxable in Italy for 58.14% of their amount in the case of distribution of dividends originated from profits generated in the years subsequent to the year running on December 31, 2016.

Shareholders not resident in Italy

Dividends paid by the Company to non-Italian resident individual Shareholders (who do not carry on business in Italy through a permanent establishment situated therein) are subject to a 26% final withholding tax as a general rule. In this case, the Shareholders are not required to file the income tax return in Italy.

Subject to the provisions of any applicable double taxation convention, Shareholders entitled to a reduced (or to zero) withholding tax may seek to recover the excess amount of tax paid through a refund procedure initiated with the Italian Revenue Agency.

In particular, provided that conditions set by article 10 of the DTA are applicable, for dividends paid by the Company on or after January 1st, 2016, Hong Kong resident individual Shareholders may claim a credit refund equal to the difference between the tax withheld and 10% of the gross amount of the dividends.

Alternatively, non-Italian resident Shareholders may claim a credit refund equal to the lower of 11/26th of the Italian withholding tax levied and the foreign tax actually paid on the dividend in their country of residence. However, this credit refund cannot be enjoyed where a Shareholder seeks relief from double taxation based on an applicable tax convention, i.e. the two forms of juridical double taxation relief are alternatives.

Shareholders should note that delays may be encountered in the process of obtaining a credit refund.

Companies

Shareholders resident in Italy

In general, 95% of dividends paid by the Company to corporate Shareholders resident in Italy should be exempted from tax (the same rules apply to companies adopting IAS/IFRS, except for dividends paid on shareholdings classified as “held for trading” that are fully taxable).

Italian resident Shareholders may claim a credit refund equal 100% of the Italian withholding tax levied. Shareholders should note that delays may be encountered in the process of obtaining a credit refund.

Shareholders not resident in Italy

Dividends paid by the Company to non-Italian resident corporate Shareholders (who do not carry on business in Italy through a permanent establishment situated therein) are in principle subject to a 26% final withholding tax as a general rule. In this case, the Shareholders are not required to file the income tax return in Italy.

Subject to the provisions of any applicable double taxation convention, Shareholders entitled to a reduced (or to zero) withholding tax may seek to recover the excess amount of tax paid through a refund procedure initiated with the Italian Revenue Agency.

In particular, provided that conditions set by article 10 of the DTA are applicable, for dividends paid by the Company on or after January 1, 2016, Hong Kong resident corporate Shareholders may claim a credit refund equal to the difference between the tax withheld and 10% of the gross amount of the dividends.

Alternatively, non-Italian resident corporate Shareholders may claim a credit refund equal to the lower of 11/26th of the Italian withholding tax levied and the foreign tax actually paid on the dividend in their country of residence. However, this credit refund cannot be enjoyed where a Shareholder seeks relief from double taxation based on an applicable tax convention, i.e. the two forms of juridical double taxation relief are alternatives.

Special rules apply, among others, for dividends paid to European Union (“EU”) or European Economic Area (“EEA”) “white listed” companies, which are in principle subject to a 1.2% withholding tax; in this case the 11/26th credit refund would not be applicable.⁴

Shareholders should note that delays may be encountered in the process of obtaining a credit refund.

Credit refund procedure

Where double taxation convention is applicable, non-Italian resident Shareholder may claim a partial or full refund of the Italian withholding tax levied. For the request of the credit refund official forms have been issued by the Italian Revenue Agency.

The same rules are provided for “white listed” Company Shareholders of European Union (“EU”) or European Economic Area (“EEA”) which are in principle subject to a 1.2% withholding tax or to a withholding exemption (provided that the requirements laid down in European Union Parent — Subsidiary Directive are met).

⁴ Furthermore, following the implementation of the 2011/96/EU European Union Parent-Subsidiary Directive (the “**Directive**”) of November 30th, 2011 (as amended by 2015/121/EU Directive), a withholding exemption applies if the corporate Shareholder meets the following requirements:

- it is resident for tax purposes in an EU Member State;
- it is incorporated in one of the forms listed in the Annex to the Directive;
- it is subject to one of the taxes listed in the Annex to the Directive, without benefiting from an exemption, unless temporarily or territorially limited; and
- it holds at least 10% of the capital of the subsidiary for at least one uninterrupted year.

The parent-subsidiary regime is not available in the case of transactions falling within the scope of the so called “abuse of law” rule, which is aimed at disowning non-economic transactions that carry undue tax advantages.

A copy of the forms, along with the related instructions, are available at the following links:

https://www.agenziaentrate.gov.it/portale/documents/20143/345018/Provvedimento+10+luglio+2013+convenzione+modelli_TOTALE_Provvedimento+approvazione+modelli+del+Direttore_allegati_1_10_07_2013.pdf/c0ab2951-aa88-cbb6-9d5f-2d47e6793e9f

A credit refund request, if any, must be filed with the Italian Revenue Agency by the Shareholder not later than 48 months following the date on which the tax on the dividend is finally paid by the Shareholder in its home jurisdiction.

Shareholders should note that delays may be encountered in the process of obtaining a credit refund.

Where no double taxation convention is applicable, non-Italian resident Shareholders may claim a partial refund equal to the lower of 11/26th of the Italian withholding tax levied and the foreign tax actually paid on the dividend in their country of residence. However, if the dividend is not subject to final taxation in Shareholder's country of residence, the non-Italian resident Shareholder will not be entitled to receive any credit refund.

In order to be entitled to the credit refund, the non-Italian resident Shareholder must (i) provide evidence of being resident for tax purposes in its home jurisdiction, by way of a certificate issued by the relevant tax authority in that jurisdiction and (ii) demonstrate that a final tax on the same dividend has been paid, by means of proper documentation issued by the above mentioned tax authority.

Capital gains

Individual Shareholders

Shareholders resident in Italy

Capital gains realized by individual Shareholders upon a disposal for consideration of Shares are subject to the following tax treatment:

- starting from January 1, 2019, capital gains realized through the sale both of a substantial and a non-substantial participation not held in a business capacity are fully (i.e. 100%) subject to a substitute tax of 26%;

- 41.86% of capital gains realized through the sale of participation (qualifying for the “Participation exemption” regime described below) held in a business capacity are exempt from tax. The remaining 58.14% of the capital gains are taxable at progressive rates (which range from 23% for income up to €15,000.00 — to 43% for income exceeding €50,000.00);
- capital gains realized through the sale of a participation (not qualifying for the “Participation exemption” regime described below) held in a business capacity are fully (i.e. 100%) taxable at progressive rates (which range from 23% — for income up to €15,000.00 — to 43% — for income exceeding €50,000.00).

Shareholders not resident in Italy

Capital gains realized by non-Italian resident individual Shareholders (who do not carry on business in Italy through a permanent establishment situated therein) on sales of Shares are subject to the following tax treatment:

- starting from January 1, 2019, capital gains realized through the sale both of a substantial and a non-substantial participation not held in a business capacity are fully (i.e. 100%) subject to a substitute tax of 26%. A full exemption, as described below, applies in case of capital gains realized through the sale of a non-substantial participation in Italian companies listed on regulated stock-market;
- capital gains realized through the sale of a non-substantial participation in companies listed on regulated stock markets are not regarded as Italian-sourced income (i.e. they are not subject to tax in Italy). The interpretation issued by the Italian Revenue Agency on the definition of ‘regulated stock market’ appear to include into its scope the Hong Kong Stock Exchange. It follows that capital gains tax is only applicable for capital gains realized by non-Italian resident Shareholders through the sale of a substantial participation in the Company;
- please note that under the DTA entered in force between Italy and Hong Kong, in principle capital gains realized by individual Shareholders resident in Hong Kong from the sale of the Shares are taxable only in Hong Kong. **It follows that individual Shareholders resident in Hong Kong, that can benefit from the DTA, will not be subject to capital gains tax and will not be required to file a tax return in Italy for capital gains realized from the sale of the Shares.**

A participation is considered to be ‘substantial’ when it entitles the holder to (i) more than 2% of the voting rights or more than 5% of the capital in companies listed on regulated stock markets (according to Italian law), or (ii) more than 20% of the voting rights or more than 25% of the capital in other companies, including companies listed on non-regulated stock markets (according to Italian law).

On the assumption that the Hong Kong Stock Exchange is a regulated stock market for this purpose, the thresholds of 2% and 5% would apply before a participation is considered to be ‘substantial’. For the purpose of this computation, all disposals of Shares that occurred within a 12-month period should be aggregated.

As mentioned before, the amount of tax due in Italy may be reduced or eliminated pursuant to any applicable double taxation convention.

Companies

Shareholders resident in Italy

According to the ‘Participation exemption’ regime, capital gains realized upon a disposal of the Shares of an Italian joint stock company by a corporate Shareholder resident in Italy are 95% exempted, provided that the following requirements are met:

- (a) the participation has been held continuously from the first day of the 12th month prior to that of the disposal;
- (b) the participation was classified as a fixed financial asset in the first balance sheet closed after the acquisition (in the case of companies adopting IAS/IFRS, Shareholdings are deemed to be fixed financial assets if they are not held for trading);
- (c) the subsidiary is resident in a ‘white list’ country; and
- (d) the subsidiary carries on a commercial activity.

The last two conditions must have been met since the beginning of the third year preceding the year of the disposal and, in the case of Shares held in a holding company, they should be tested with reference to its subsidiaries.

Where one of these conditions above is not met, capital gains are fully taxable at the ordinary rate of 24%.

The same tax regime applies to capital gains realized by a non-Italian resident corporate Shareholder upon a disposal of Shares held through a permanent establishment in Italy (i.e. Shares are effectively connected with the permanent establishment).

Shareholders not resident in Italy

Capital gains realized by non-Italian resident corporate Shareholders (who do not carry on business in Italy through a permanent establishment situated therein) on sales of Shares are subject to the following tax treatment:

- capital gains realized through the sale of a substantial participation in companies listed on regulated stock markets are fully (i.e. 100%) subject to a 26% substitute tax;
- capital gains realized through the sale of a non-substantial participation in companies listed on regulated stock markets are not regarded as Italian-sourced income (i.e. they are not subject to tax in Italy). The interpretation issued by the Italian Revenue Agency on the definition of ‘regulated stock market’ appear to include into its scope the Hong Kong Stock Exchange. It follows that capital gains tax is only applicable for capital gains realized by non-Italian resident Shareholders through the sale of a substantial participation in the Company;
- please note that under the DTA entered in force between Italy and Hong Kong, in principle capital gains realized by corporate Shareholders resident in Hong Kong from the sale of the Shares are taxable only in Hong Kong. **It follows that corporate Shareholders resident in Hong Kong, that can benefit from the DTA, will not be subject to capital gains tax and will not be required to file a tax return in Italy for capital gains realized from the sale of the Shares.**

A participation is considered to be ‘substantial’ when it entitles the holder to (i) more than 2% of the voting rights or more than 5% of the capital in companies listed on regulated stock markets (according to Italian law), or (ii) more than 20% of the voting rights or more than 25% of the capital in other companies, including companies listed on non-regulated stock markets (according to Italian law). On the assumption that the Hong Kong Stock Exchange is a regulated stock market for this purpose, the thresholds of 2% and 5% would apply before a participation is considered to be ‘substantial’. For the purpose of this computation, all the disposals of Shares that occurred within a 12-month period should be aggregated.

The amount of tax due in Italy may be reduced or eliminated pursuant to any applicable double taxation convention.

Capital gains-Tax return

Where capital gains have been realized by a non-Italian resident Shareholder through the sale of a substantial participation in companies listed on regulated stock markets (according to the interpretations of Italian Revenue Agency, the Hong Kong Stock Exchange is a regulated stock market), the relevant shareholder is required to file a tax return in Italy.

With specific reference to exemptions from capital gains tax and tax return filing granted to Shareholders resident in Hong Kong in case of sale of the Shares, please refer to paragraph “*Double taxation convention between Italy and Hong Kong*”. As mentioned above, provided that DTA between Italy and Hong Kong is applicable, Shareholders resident in Hong Kong will not be subject to capital gains tax and will not be required to file a tax return in Italy for capital gains realized from the sale of the Shares.

Even if an investor holds Shares through an intermediary, it is nonetheless the investor, as beneficial owner, who has the obligation to eventually pay capital gains tax and to submit the tax return.

A specific tax return form (“*Modello Unico*”) is issued for each tax period; hence, this form changes every year. The relevant form, containing guidelines for completing the tax return, can be downloaded from the Italian Revenue Agency website. Currently the form and its guidelines are not available in English.

The tax return form are usually published on Italian Revenue Agency website. In order to comply with the obligations imposed by Italian law, a non-Italian resident taxpayer (with no permanent establishment in Italy) must:

1. apply for an Italian Tax Identification Code (“*Codice Fiscale*”);
2. fill in the proper tax return;
3. submit the tax return before the deadline;
4. pay the tax due within the deadline;
5. use one of the allowed methods of paying the tax.

*How to obtain an Italian Tax Identification Code (“Codice Fiscale”) and Special PIN Code*Italian Tax Identification Code (“*Codice Fiscale*”)

Tax Identification Code (made up of 16 alphanumeric symbols — numbers and letters) is a means of identifying each natural or legal person for the purpose of managing his/her relationship with Italian public offices and administrations. In order to be valid, this code must be registered in the Tax Register under the domain of the Italian Revenue Agency (“*Agenzia delle Entrate*”). An Italian Tax Identification Code may be obtained through the local Italian Consulate. The Italian Revenue Agency has enabled local Italian consulates to print paper certificates of attribution of the Tax Identification Code. A non-Italian resident may, in special circumstances, also apply for a plastic-coated card containing the Tax Identification Code (which is delivered to the local Italian consulate and then, in turn, to the applicant). As an alternative, the Italian Tax Identification Code may be obtained through an Italian Chartered Tax Advisor.

The Italian Revenue Agency’s website contains a special section in English for non-resident taxpayers which provides general information at the following link:

<https://www.agenziaentrate.gov.it/portale/web/english/nse/individuals/tax-identification-number-for-foreign-citizens>.

Special PIN Code

The Special PIN Code is a code assigned by the Italian Revenue Agency which allows, among other things, the tax return to be submitted online and the payment to be made online. Shareholders who are neither resident in Italy, nor Italian citizens, may request a Special PIN Code online only if their tax domicile is in Italy (where the second part of the Special PIN Code will be delivered); or, if they are in an Italian national territory, they may contact the local Inland Revenue offices.

Taxpayers without a Special PIN Code may only submit a tax return in paper form or via an Italian authorized intermediary.

How to file the tax return

In this respect, please note that:

- a) there are specific tax return forms for both non-Italian resident individuals (the “*MODELLO UNICO PERSONE FISICHE*”) and non-Italian resident companies (the “*MODELLO UNICO ENTI NON COMMERCIALI ED EQUIPARATI*”).

- b) An updated version of the tax return forms is issued every year by the Italian Revenue Agency; the tax return form can be downloaded from the Italian Revenue Agency website. Guidelines for filling in the tax return are also available on the same website. Neither the tax return forms nor the relevant guidelines are currently available in English;
- c) the tax return form can be completed:
1. by the taxpayer, by filling in a printed paper version of the tax return form by hand;
 2. by the taxpayer, by filling in an electronic version of the tax return form using special software provided by the Italian Revenue Agency. In order to file a tax return electronically using this software, the taxpayer is first required to obtain a Special PIN Code from the Italian Revenue Agency. Guidelines on how to obtain the Special PIN Code are available on the Italian Revenue Agency website (in Italian only);
 3. by an Italian authorized intermediary (e.g. a Chartered Tax Advisor), upon instructions of the taxpayer.

The Italian Revenue Agency's website contains a special section in English for non-resident taxpayers which provides general information at the following link:

<https://www.agenziaentrate.gov.it/portale/web/english/how-and-when-to-file-a-tax-return1>

Deadlines for filing a tax return

The tax return can be filed:

1. Electronic submission: the taxpayer may file the tax return electronically by using the special software for filing and managing the tax return provided by the Italian Revenue Agency. In the case of electronic submission, the tax return must be filed by November 30th of the tax period following the one in which the capital gain is realized. For the electronic submission of the tax return, the taxpayer is first required to obtain a Special PIN Code from the Italian Revenue Agency; then, he needs to access the special page of the Italian Revenue Agency website dedicated to web services in order to prepare the electronic file and submit it. Please note that taxpayers who are neither resident in Italy,

nor Italian citizens, may request a Special PIN Code online only if their tax domicile is in Italy; or, if they are in an Italian national territory, they may contact the local Italian Revenue Agency; or

2. By post: the taxpayer may submit the tax return through a Post Office in Italy (i.e. by handing in the form in person at an Italian Post Office) or, by post from overseas. When posting from overseas, the completed tax return must be placed unfolded in an ordinary envelope. The envelope must be sent by registered post or by equivalent means from abroad clearly showing the date of dispatch. The envelope should be addressed to the following office of the Italian Revenue Agency: Agenzia delle Entrate Centro Operativo di Venezia via Giorgio De Marchi n. 16, 30175 Marghera (VE) Italy The envelope should bear a label with the following information: (i) the taxpayer's surname and first name; (ii) the taxpayer's Tax Identification Code; (iii) the label "Contiene dichiarazione Modello Unico Persone Fisiche" (Modello Unico Persone Fisiche form inside).
3. Via an Italian authorized intermediary: the tax return may be filed by an Italian authorized intermediary on behalf of the taxpayer.

The tax return must be filed by:

1. June 30th of the tax period following the one in which the capital gain is realized if the tax return is submitted through an Italian post office in Italy; or
2. November 30th of the tax period following the one in which the capital gain is realized if the tax return is submitted electronically, via the Revenue Agency's online services or through an authorised intermediary

The Shareholder may include in the tax return an overseas address for tax notification purposes. Based the interpretations issued by the Italian Revenue Agency, the tax period for non-Italian resident companies (who do not carry on business in Italy through a permanent establishment situated therein) coincides with the calendar year (i.e. from January 1st to December 31st).

Please note that all of the above deadlines may be subject to amendment from time to time. Updated information will be available on the Italian Revenue Agency's website at the link:

<https://www.agenziaentrate.gov.it/portale/web/english/how-and-when-to-file-a-tax-return1>

Deadlines for the payment of capital gain tax

For both non-Italian resident individuals and for non-Italian resident companies, ordinarily, the payment must be made by June 30th (or within the following 30 days with an additional levy equal to 0.4% of the tax due) of the tax period following the one in which the capital gain is realized. Shareholders should note, therefore, that payment is due before the deadline for filing the tax return. Please note that these deadlines may be subject to amendment from time to time.

Methods of payment of capital gain tax

Payment of capital gains tax can be made as follows:

1. through the internet (“**F24 Online**”, which is available to taxpayers who have already obtained a Special PIN Code and have a bank account with a bank authorized with the Italian Revenue Agency or post office (Poste Italiane Spa)). The procedures on how to obtain a Special PIN Code are summarized above. The list of bank authorized with the Italian Revenue Agency is available at the following link: <https://www.agenziaentrate.gov.it/portale/web/guest/schede/pagamenti/f24/elenco-banche-convenzionate-f24/elenco-banche-f24-xcodice>.
2. through an Italian bank via internet banking (for taxpayers who have a bank account in Italy with a bank that offers internet banking facilities enabling tax payments);
3. non-resident taxpayers can pay taxes by a wire transfer in Euro compliant with the standard of “SWIFT MT 103” and it has to indicate as a BIC code “BITAITRRENT”. The transfer must be addressed to the IBAN code IT 15C 01000 03245 348 0 06 1034 0421 and in the space provided for indicating the “reason for the transfer” the following information shall be provided: — the taxpayer’s Tax Identification Code; — the tax code “1100”; — the tax year to which the payment relates. Generally, IBAN codes and Tax codes do not change every year; however the Company recommends that all Shareholders should consult their professional advisors in order to verify possible IBAN and Tax codes changes. Payment by cheque is not permitted. In addition, please note that capital gains tax must be paid in Euro.

Recommendation to Shareholders and Penalties

For Italian tax purposes, capital gains on Shares issued by Italian-resident companies (such as the Company) are, as a general rule, deemed to be sourced in Italy and, consequently, taxable in Italy.

For the purpose of computing the amount of capital gains which are taxable, all disposals of the Shares that occurred within a 12-month period should be aggregated.

The Italian Revenue Agency's website contains a special section in English for non-resident taxpayers which provides general information.

As stated in paragraphs here upon, where capital gains (if taxable in Italy) have been realized by a non-Italian resident shareholder through the sale of a substantial participation in companies listed on regulated stock markets, the relevant shareholder is required to file the income tax return in Italy.

We recommend that Shareholders who are liable to tax in Italy for capital gains realized through the sale of a participation in the Company should consult an advisor who specializes in tax compliance issues for non-Italian resident taxpayers to double check — among others — the capital gain computation, the deadline and methods for the payment.

If a non-Italian resident taxpayer fails to submit the income tax return, the following penalties shall apply (in addition to any tax unpaid and interest accrued): (i) a penalty ranging from 120% to 240% of the amount of taxes due (with a minimum penalty of Euro 250.00); or (ii) a penalty ranging from Euro 250.00 to Euro 1,000.00 if taxes are not due.

Omitted, insufficient or late payment of taxes declared in the income tax return is punishable by a penalty of 30% of the unpaid amount or the late payment amount.

Financial Transaction Tax on Transfer of shares

Taxable transaction

The Financial Transaction Tax applies to the transfer of the ownership (including the bare ownership) of:

- shares and other participating financial instruments issued by companies resident in Italy and securities representing equity investments regardless of the place of residence of the issuer;
- financial derivatives and transferable securities, provided that the underlying or reference value consists for more than 50% of the market value of the instruments referred to the said shares (and other financial instruments);

- transactions executed on the Italian financial market deemed to be “High frequency Trading” referred to the said shares (and other financial instruments), financial derivatives and transferable securities,

In the following paragraphs it is commented only the impact of the FTT on the transfer of the ownership of the Shares.

Transfer of the ownership

The FTT is due if the ownership of Shares (including the beneficial ownership) issued by Italian resident companies is transferred, regardless of their place of residence and the place where the contract is concluded, even in the case in which the registered shareholder is a trust company or — as it is reasonable assumed, in the lack of precise indications from the Italian Tax Authorities in this respect — a nominee company. Transfers made through intermediaries buying in their name but on behalf of another person shall be deemed to be transfers of property only with regard to the person on behalf of whom the transfer has been made.

Basing on the above mentioned principle, the Circular letter COM_2013_070 of Assofiduciaria, stated that are excluded from FTT scope the deposit/withdrawal of shares to Trust company.

In the same way in case of CCASS participant’s deposit/withdrawal of shares no Financial Transaction Tax should be applicable because it is missing the transfer of shares’ ownership; on the contrary in case of Electronic transfer within CCASS (Exchange Trade, e.g. normal buy/sell) or Transfer using transfer form with register shareholder change, FTT will be applicable because the ownership of the shares will be transferred.

Tax rate

The FTT ordinary tax rates are:

- 0.10%, for transfers of shares, other participating financial instruments issued by Italian resident companies and securities representing equity investment, executed in regulated stock markets or through multilateral trading facilities;
- 0.20% for all other taxable transfers.

Based on the specific FTT regulations, on the assumption that the Hong Kong Stock Exchange is considered a regulated stock market for FTT purposes, the transfer of Shares should be subject to 0.10% FTT tax rate. The Company recommends that all Shareholders should consult their professional advisors in order to confirm that the Hong Kong Stock Exchange can be considered (for regulatory perspective) in regular operation and authorized by a National Public Authority with State supervision.

In fact, Letter f) of paragraph 2 of article 1 of the ministerial decree dated February 21st, 2013 relating to the implementation of the FTT (the “**Ministerial Decree**”) published by the Ministry of Economy and Finance in the gazette dated February, 28th 2013, defines the regulated markets and multilateral trading facilities as:

1. the markets and systems recognized pursuant to Directive 2004/39/EC of the European Parliament and of the Council of April, 21th 2004, relevant to the Economic European Area, as included in the list published in the specific section of the European Securities and Markets Authority’ website (<https://www.esma.europa.eu/databases-library/registers-and-data>) for the purposes provided for in paragraph 2 of Article 13 of (EC) Regulation No 1287/2006 of the Commission, of August, 10th 2006, provided that they are established in States and territories included in the list referred to in the ministerial decree issued in accordance with Article 168-bis of the Italian CIT Code (i.e. the Presidential Decree n. 917, dated December 22nd, 1986, “**TUIR**”);
2. in case of States to which the aforesaid provisions do not apply, regulated markets and multilateral trading facilities are considered those in regular operation and authorized by a National Public Authority with State supervision, including therein those recognized by Italian Supervisory Authority For The Investors’ Protection (i.e. “**CONSOB**”) pursuant to Article 67, paragraph 2, of TUF, provided that they are established in States and territories included in the list referred to in the above mentioned ministerial decree. The Hong Kong Stock Exchange appear to be considered (for regulatory perspective) in regular operation and authorized by a National Public Authority with State supervision.

Taxable value

The value of the transaction subject to FTT is determined on the basis of the net balance of the transactions regulated daily, calculated for each liable person with reference to the number of Shares traded on the same day and relating to the same financial instrument.

The FTT base is the number of Shares resulting from the algebraic positive sum of the final net balances multiplied by the weighted average price of the purchases made on a particular day.

We recommend that Shareholders who are liable to tax in Italy for FTT purpose should consult an advisor who specializes in tax compliance issues to double check — among others — the FTT computation, the deadline and methods for the payment.

Who is liable to FTT

The FTT is due by the persons to which the ownership of Shares (including the beneficial ownership), other participating financial instruments issued by Italian resident companies and of securities representing equity investment is transferred, regardless of their place of residence and the place where the contract is concluded, even in the case in which the registered shareholder is a trust company or — as it is reasonable assumed, in the lack of precise indications from the Italian Tax Authorities in this respect — a nominee company like HKSCC Nominees Limited. Transfers made through intermediaries buying in their name but on behalf of another person shall be deemed to be transfers of property only with regard to the person on behalf of whom the transfer has been made. Generally, the payment is executed by the financial intermediary involved in the transaction. When no financial intermediaries — or other persons such as financial intermediaries qualified for providing collective asset or portfolio management services, trusts and notaries — are involved in the transfer of the Shares, payment are executed by the ultimate purchaser.

If there are more than one financial intermediary involved in the execution of the transaction, the obligation to pay the FTT falls on the intermediary that directly receives the transaction(s) order from the ultimate purchaser. In this latter case, if the purchaser or final counterparty of the order of execution is a financial intermediary or other person involved in the execution of the transaction(s) which is located in a country with which Italy has agreements in force for the purposes of the exchange of information or the assistance in the collection of tax credits (as identified in the specific Provisions dated March, 1,2013; March, 29, 2013; May 30, 2016, issued by the Director of the Italian Inland Revenue Office —Hong Kong is not included in such list), such person shall pay directly the FTT due.

If the financial intermediary or other person involved for any reason in the execution of the transaction(s) is located in a country with which Italy has no agreement in force for the purposes of the exchange of information or the assistance in the collection of tax credits, such person shall be considered for all effects as purchaser or final counterparty of the order of execution. In such a case, the net balance of the transactions regulated daily shall be calculated separately for each beneficial owner.

FTT Payment

FTT must be paid through the so called “F24” payment form using the payments code released by the Italian Tax Authority with the resolution n. 62 dated October 10, 2013. Among others, the code to be used for the payment of the FTT due on the transfer of shares, other participating financial instruments and securities representing equity investment is “4058”.

Non-residents who are not provided with an Italian bank account and are not in the condition to process payments through the F24 form, can process the FTT payment by wire transfer (in EURO) in favour of “Bilancio dello Stato — Capo 8 — Capitolo 1211”, indicating the following information:

- Transfer of shares and others participating instruments

Articolo: 1 BIC: BITAITRRENT IBAN: IT 83T 01000 03245 348 0 08 1211 01
IMPOSTA: IMPOSTA SULLE TRANSAZIONI DI AZIONI E DI ALTRI STRUMENTI
PARTECIPATIVI DI CUI ALL'ARTICOLO 1, COMMA 491 DELLA LEGGE 24
DICEMBRE 2012, N. 228.

- Transfer of derivatives and transferable securities

Articolo: 2 BIC: BITAITRRENT IBAN: IT 60U 01000 03245 348 0 08 1211 02
IMPOSTA: IMPOSTA SULLE TRANSAZIONI RELATIVE A DERIVATI SU EQUITY
DI CUI ALL'ARTICOLO 1, COMMA 492 DELLA LEGGE 24 DICEMBRE 2012, N.
228.

- Transactions deemed to be “High-frequency Trading”

Articolo: 3 BIC: BITAITRRENT IBAN: IT 37V 01000 03245 348 0 08 1211 03
IMPOSTA: IMPOSTA SULLE NEGOZIAZIONI AD ALTA FREQUENZA RELATIVE
AD AZIONI E STRUMENTI PARTECIPATIVI DI CUI ALL'ARTICOLO 1, COMMA
495 DELLA LEGGE 24 DICEMBRE 2012, N. 228.

In the space provided for indicating the “reason for the transfer” should be provided the taxpayer’s code, the payment code and the tax period to which the payment is referred. More information are available at the following link:

<https://www.agenziaentrate.gov.it/portale/web/guest/schede/pagamenti/imposta-sulle-transazioni-finanziarie/non-residenti-imposta-transazioni-finanziarie/versamenti-intermediari>

Exclusions and exception

With reference to transaction excluded or exempted from FTT, article 15 of FTT Ministerial Decree dated February, 28, 2013, includes a punctual description of the transactions excluded from the scope of the tax; article 16 of the mentioned FTT Ministerial Decree outlines the exemptions from FTT by drawing a distinction between transactions that shall be wholly exempt and transactions that shall be exempt only with respect to a single party to the transaction with the result that the counterparty may be liable to payment of the tax.

Among others, transfers of the ownership of shares traded on regulated markets or in multilateral trading facilities issued by the companies whose average market capitalization in the month of November of the year preceding the one in which they are carried out was lower than Euro 500 million are excluded from the scope of the FTT. In case of admission to trading on regulated markets or in multilateral trading facilities, the mentioned requirement is verified as from the year following that for which it is possible to calculate an average market capitalization for the month of November; until this year, a capitalization lower than the 500 million capitalization limit is assumed.

According to article 15 of the mentioned FTT Ministerial Decree, FTT tax does not apply to entities that interpose themselves in a transaction if certain conditions occur. In particular, FTT is not applicable in case of financial intermediary interposed between two parties acting as a counterparty to both sides, purchasing on one hand, and selling on the other, securities or other financial instruments where for both operations price, total number and date of settlement of buying and selling transactions coincide, except the cases where the person to whom the financial intermediary transfers the title or the financial instruments does not fulfill its obligations.

FTT tax does not apply to purchases of securities or other financial instruments entered into systems interposing in the transactions for the purposes of clearing and collateral of said transactions. To that end, reference is made to the authorised or recognised entities under Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012. For those countries where the above regulation is not in force, reference is made to equivalent foreign systems which are authorized by a national public authority, provided that they are established in States and territories included in the list referred to in the Ministerial Decree issued in accordance with Article 168-bis of Tuir (Italian Income Tax Code). Hong Kong it is included in such list.

FTT Return

The persons obliged to pay the FTT shall annually comply with the tax return obligations for the transactions. It follows that, if no financial intermediary is involved, the ultimate purchaser is bound for filing such tax return. The persons obliged to pay the FTT are exempted from the obligation to file a tax return if the tax amount is lower than €50,00.

The deadline for the submission of the FTT return is the 31st of March.

Non-resident persons submit the return:

1. through a permanent organisation in Italy as provided for by article 162 of the Consolidated Law on Income Tax (TUIR);
2. through an appointed tax representative chosen from among the categories set out in article 23 of Presidential Decree no. 600/1973 and representing the person concerned at the time the return is submitted;
3. directly, in the absence of a permanent organisation in Italy or a tax representative, after having applied for a tax code (unless already in possession of one).

The return may be sent:

1. directly, by persons authorised by the Revenue Agency;
2. through one of the following with authorisation to send the return:
 - a. a company in the group, if the taxpayer submitting the return belongs to a group of companies (the controlling entity or company and the subsidiary companies are considered to belong to the group; public limited companies, limited share partnerships and limited liability companies of whose capital 50% or more is owned in the form of stocks and shares by the controlling company or entity or through another subsidiary company are considered to be subsidiary companies);
 - b. one of the appointed persons set out in article 3, paragraph 3 of Presidential Decree no. 322/1998 and subsequent amendments and additions (professionals, trade associations, Tax Assistance Centres, other persons).

The intermediary authorised to submit the return electronically must issue the declarant, simultaneously with the receipt of the return or the acceptance of the instruction to prepare it, an undertaking to submit the data contained in it electronically to the Revenue Agency. The intermediary must also issue the declarant with a copy of the return containing the data submitted electronically on a form that is analogous to the official form together with a copy of the confirmation of receipt from the Revenue Agency. The documentation is deemed to have been submitted on the date on which the reception of the data on the part of the Revenue Agency is completed and proof that the return has been submitted is provided by the confirmation of reception issued by the Revenue Agency. The declarant must keep the documentation after signing the declaration confirming the data indicated.

More information are available to the following links:

https://www.agenziaentrate.gov.it/portale/documents/20143/254541/FTT+Istruzioni+english_Istruzioni_FTT_ING.pdf/1aa40836-ef62-d8bc-f18b-95efdc41edcc

<https://www.agenziaentrate.gov.it/portale/schede/pagamenti/imposta+sulle+transazioni+finanziarie/modello+e+prospetti+imposta+transazioni+finanziarie>

Recommendation to Shareholders and Penalties

In case of delayed, insufficient or omitted payment of the tax, penalties provided for in Article 13 of Legislative Decree No 471 of 18 December 1997 (penalty of 30% of the unpaid amount or the late payment amount) are applied exclusively against the persons having to comply with such obligation and also liable for the payment of the tax. In case of insufficient or omitted payment of the tax, the Tax Administration has the authority to recover the tax and the relevant interests also against the taxpayer concerned.

As regards the breaches concerning the tax return, its contents and the instrumental requirements as of Article 19, paragraph 5, the penalties set forth in Legislative Decree No 471 of 18 December 1997 on the valued added tax shall apply. It follows that in such cases will be applicable: (i) a penalty ranging from 120% to 240% of the amount of taxes due (with a minimum of Euro 250.00) if FTT are due; (ii) a penalty ranging from Euro 250.00 to Euro 2,000.00 if FTT are not due. The penalty is applied against the persons having to comply with the FTT tax return.

Shareholders are recommended to consult their independent advisors with respect to the application of FTT.

Registration tax and stamp duty

Transfers of Shares based on contracts executed in Italy before a Notary Public are subject to a lump-sum registration tax of €200.00. This tax is also payable in “case of use” in Italy (e.g. where a contract executed abroad or with different formalities is presented to an Italian registration office or an Italian court).

The sale of Shares is exempt from Italian stamp duty.

We recommend that Shareholders who are liable to tax in Italy should consult an advisor who specializes in tax compliance issues.

Inheritance and Gift Tax

Subject to certain exceptions, Italian inheritance and gift tax is generally payable on transfers of assets and rights (including shares) (i) by reason of death or donations by Italian residents, even if the transferred assets are held outside Italy and (ii) by reason of death or donations by non-Italian residents, but limited to transferred assets located in Italy (which are presumed by law to include shares of Italian resident companies).

Subject to certain exceptions, transfers of assets and rights (including the Shares) on death or by gift are generally subject to inheritance and gift tax:

- at a rate of 4% in case of transfers made to the spouse or relatives in direct line, on the portion of the global net value of the transferred assets, if any, exceeding, for each beneficiary, Euro 1,000,000.00;
- at a rate of 6% in case of transfers made to relatives to the fourth degree or relatives-in-law to the third degree (in the case of transfers to brothers or sisters, the 6% rate is applicable only on the portion of the global net value of the transferred assets, if any, exceeding, for each beneficiary, Euro 100,000.00; and
- at the rate of 8% in any other case.

If the beneficiary of any such transfer is an individual with a severe disability pursuant to Law No. 104 of February 5, 1992, inheritance or gift tax is applied only on the value of the asset transferred in excess of Euro 1,500,000.00 at the rates illustrated above, depending on the relationship existing between the deceased or donor and the beneficiary.

Tax Monitoring Obligations

Individuals, non-commercial entities and certain partnership resident in Italy for tax purposes are required to report in their yearly income tax return, for tax monitoring purposes, the amount of securities and financial instruments (including the Shares) held abroad during a tax year, from which income taxable in Italy may be derived.

In relation to the Shares, such reporting obligation shall not apply if the Shares are not held abroad and, in any case, if the Shares are deposited with an Italian financial intermediary that intervenes in the collection of the relevant income and the intermediary applied the due withholding or substitute tax on any income derived from such Shares.

We recommend Italian shareholders to consult an advisor who specializes in tax compliance issues to check if they are required to report in their yearly income tax return, for tax monitoring purposes, the amount of the Shares.

FURTHER INFORMATION ABOUT OUR GROUP**Incorporation of the Company**

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. See “History and Corporate Development” for details of our history.

The Company has established a place of business in Hong Kong at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. The Company was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Companies (Non-Hong Kong Companies) Regulation (Chapter 622J of the Laws of Hong Kong) on March 11, 2022. Ms. Wong Hoi Ting has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As the Company was incorporated in Italy, its operations are subject to Italian laws and the By-laws. See “Regulation Overview” and “Appendix IV — Summary of the By-laws of Our Company and Italian Companies Law and Taxation” for details.

Change in Share Capital of the Company

The following alterations in the issued and paid-up share capital of the Company have taken place since its date of incorporation up to the date of this prospectus:

- (a) as at the date of incorporation of the Company on July 16, 2004, the authorized share capital of the Company was equal to EUR10,000;
- (b) on July 25, 2005, the shareholders’ meeting of the Company resolved to increase the share capital from EUR10,000 to EUR5,000,000;
- (c) on July 11, 2006, the shareholders’ meeting of the Company resolved to convert the Company from a limited liability company into a joint stock company; as a consequence, the share capital, equal to EUR5,000,000 was represented by 5,000,000 Shares with nominal value of EUR1.00 each;

- (d) on September 20, 2006, the Company implemented a shares split by allotting 50 new ordinary Shares with nominal value of EUR0.02 each for every Share with nominal value of EUR1.00; following the completion of the shares split, the share capital of the Company was equal to EUR5,000,000 divided into 250,000,000 Shares with a nominal value of EUR0.02 each;
- (e) on July 22, 2009, the Company changed the nominal value per Share to EUR1.00 each, by grouping the Shares in the ratio of 1 new Share with a nominal value of EUR1.00 for every 50 Shares without nominal value; on the same date, the Company increased the share capital to EUR90,000,000 divided into 90,000,000 Shares;
- (f) on July 3, 2012, the Company's share capital increased to EUR100,239,156 divided into 100,239,156 Shares with a nominal value of EUR1.00 each;
- (g) on March 10, 2015, the shareholders' meeting resolved to increase the Company's share capital from EUR100,239,156 to EUR180,239,156 divided into 180,239,156 Shares with a nominal value of EUR1.00 each;
- (h) on September 3, 2019, the Company's share capital increased from EUR180,239,156 to EUR239,530,473 divided into 239,530,473 Shares; and
- (i) following further increases of the Company's share capital on September 6, 10, 12 and 19, 2019, the share capital increased from EUR239,530,473 to EUR250,734,594 divided into 250,734,594 Shares.

As at the Latest Practicable Date, the total issued share capital of the Company was EUR250,734,954, divided into 250,734,954 ordinary shares with no nominal value, all of which were fully paid-up.

Save as disclosed above in this appendix, there has been no alteration in the issued share capital of the Company since the date of its incorporation.

Resolutions Passed by Our Shareholders' Meeting in Relation to the Global Offering

At the shareholders' meeting of the Company held on March 14, 2022, the following resolutions, among other things, were duly passed:

- (1) the Company approved and adopted its new By-laws with effect from the Listing Date, the terms of which are summarized in Appendix IV to this prospectus;

- (2) conditional upon the satisfaction (or, if applicable, waiver) of the conditions set out in “Structure of the Global Offering — Conditions of the Global Offering” and pursuant to the terms set out therein:
- (i) the Global Offering was approved and the Directors were authorized to allot and issue the Shares pursuant to the Global Offering; and
 - (ii) the Listing was approved and the Directors were authorized to implement the Listing.

Subsidiaries

See “Appendix I — Accountants’ Report” for details of the subsidiaries of the Company.

The following subsidiary of the Company was incorporated within two years immediately preceding the date of this prospectus:

<u>Name of Subsidiary</u>	<u>Place of Incorporation</u>	<u>Date of Incorporation</u>
Ferretti Tech S.r.l.	Italy	May 18, 2021
Ferretti Gulf Marine-Sole Proprietorship LLC	United Arab Emirates	November 17, 2021

There has been no change in the share capital of our subsidiaries during the two years preceding the date of this prospectus.

FURTHER INFORMATION ABOUT OUR BUSINESS

Summary of Material Contracts

The following contracts (not being contracts in the ordinary course of business) were entered into by us or any of our subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- a. the Hong Kong Underwriting Agreement;
- b. the Non-competition Agreement;



- c. a cornerstone investment agreement dated March 18, 2022, entered into between our Company, Hainan Free Trade Port Construction Investment Fund Co., Ltd. and China International Capital Corporation Hong Kong Securities Limited. See “Cornerstone Investors” for details;
- d. a cornerstone investment agreement dated March 18, 2022, entered into between our Company, Sanya Development Holdings Co., Ltd. and China International Capital Corporation Hong Kong Securities Limited. See “Cornerstone Investors” for details;
- e. a cornerstone investment agreement dated March 18, 2022, entered into between our Company, Hainan Financial Holdings Co., Ltd. and China International Capital Corporation Hong Kong Securities Limited. See “Cornerstone Investors” for details;
- f. a cornerstone investment agreement dated March 18, 2022, entered into between our Company, Sunshine Life Insurance Corporation Limited and China International Capital Corporation Hong Kong Securities Limited. See “Cornerstone Investors” for details; and
- g. a cornerstone investment agreement dated March 18, 2022, entered into between our Company, Qingdao Haifa Holding Development Co., Ltd. and China International Capital Corporation Hong Kong Securities Limited. See “Cornerstone Investors” for details.







Intellectual Property

As of the Latest Practicable Date, the following intellectual property rights are material to our Group’s business.

Trademarks

As at the Latest Practicable Date, our Group had registered the following trademarks which are material to our business:

No.	Trademark	Place of Registration	Registration Number
1.		Italy	1578674
2.		Italy	1464860

No.	Trademark	Place of Registration	Registration Number
3.		Italy	1666910
4.		Italy	362017000079024
5.		Italy	302017000119817
6.		Italy	302016000046527
7.		Italy	302017000121866
8.		European Union	002943991
9.		European Union	008627259
10.		Italy	302021000039326

Domain Names

As at the Latest Practicable Date, our Group had registered the following domain names which are material to our business:

No.	Domain Name	Registered Owner
1.	alliedmarine.com	the Company
2.	crn-yacht.com	the Company
3.	customline-yacht.com	the Company
4.	ferrettigroup.com	the Company
5.	ferrettigroupamerica.com	the Company
6.	ferrettigroupasiapacific.com	the Company
7.	ferrettisecuritydivision.com	the Company
8.	itama-yacht.com	the Company
9.	pershing-yacht.com	the Company
10.	riva-yacht.com	the Company
11.	wally.com	the Company
12.	ferretti-yachts.com	the Company

Patents

As at the Latest Practicable Date, our Group had registered, *inter alia*, in Italy, the following patents which are material to our business:

No	Patent Name	Jurisdiction of Registration	Patent Number
1.	Architettura propulsiva per imbarcazione	Italy	1391554
2.	Imbarcazione con dispositivo movimentatore di una plancetta di poppa provvisto di gradini integrati	Italy	102019000012366
3.	Imbarcazione con plancetta di poppa traslante	Italy	1417739
4.	Imbarcazione con plancetta di poppa traslante e portante gradini scorrevoli su gradini fissi della poppa	Italy	102017000105321
5.	Imbarcazione con portellone poppiero con doppia possibilita di apertura	Italy	1417210
6.	Imbarcazione con portellone poppiero con movimentazione integrata	Italy	1422553
7.	Imbarcazione con portellone poppiero immergibile	Italy	1422555
8.	Imbarcazione con portellone poppiero mobile con la plancetta di poppa immergibile	Italy	1425047
9.	Imbarcazione con tettuccio rigido mobile, a scomparsa	Italy	1417213
10.	Pannello stratificato multifunzione per ambienti	Italy	102016000057841
11.	Procedimento e sistema per la gestione di dati e segnali di sensori, generati da sottosistemi di imbarcazioni	Italy	1389898
12.	Scafo per imbarcazione con caratteristiche di scafo dislocante e di scafo planante	Italy	1390959
13.	Un apparato per la manovra di un attrezzatura di ancoraggio in un imbarcazione	Italy	1353224
14.	Imbarcazione con portellone poppiero mobile con la plancetta di poppa immergibile	Italy	1425047

FURTHER INFORMATION ABOUT THE DIRECTORS

Interests of the Directors and Chief Executive of our Company

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), the interests and/or short positions (as applicable) of the Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of the Company and any interests and/or short positions (as applicable) in shares, underlying Shares or debentures of any of our Company's associated corporations (within the meaning of Part XV of the SFO) which (1) will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions (as applicable) which they are taken or deemed to have under such provisions of the SFO), (2) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (3) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange, will be as follows:

Interests in the Shares

Name of Director/ Chief Executive	Nature of Interest	Number of Shares	Approximate percentage of shareholding interest
Mr. Piero Ferrari ⁽¹⁾ . . .	Interest in controlled corporation ⁽²⁾	27,926,766	8.353%

Notes:

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

(2) The Shares referred to in this sub-section are all long positions.

Save as disclosed above, none of the Directors or the chief executive of our Company will, immediately following the completion of the Global Offering, have an interest and/or short position (as applicable) in the Shares, underlying Shares or debentures of our Company or any interests and/or short positions (as applicable) in the shares, underlying Shares or debentures of our Company's associated corporations (within the meaning of Part XV of the SFO) which (i) will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), (ii) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) will be required, pursuant to the Model Code for

Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange.

Disclosure of Interest of Substantial Shareholders

For information on the persons who will, immediately following the completion of the Global Offering, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of the Company or of any member of the Group, see “Substantial Shareholders”.

Particulars of Letters of Appointment

Executive Director

Mr. Alberto Galassi is our sole executive Director. On September 25, 2019, we entered into a directorship agreement with Mr. Galassi (the “**Directorship Agreement**”). The Directorship Agreement took effect from October 1, 2019 and will remain in force until our annual shareholders’ meeting called to approve our 2022 financial statements. Pursuant to the Directorship Agreement, Mr. Galassi has been re-appointed as our Chief Executive Officer (*amministratore delegato*) and there is an undertaking that Mr. Galassi shall continue to be appointed as *amministratore delegato* for the entire term of such agreement. The Directorship Agreement provides the fixed pre-tax compensation of Mr. Galassi up to €1,428,000 per annum and gives Mr. Galassi the right: (i) to participate in the management incentive plan to be implemented by us after the Listing Date; and (ii) to receive customary fringe benefits such as insurance policies, the use of a home, automobile and yacht.

Mr. Galassi will remain entitled to the bonus agreed in the agreement between him and our Company dated April 27, 2017, until the amounts of all the bonuses and incentives to be payable under our management incentive plan shall be determined. However, in the event of an early termination of Mr. Galassi’s term of employment with us, the Directorship Agreement provides as follows:

- If Mr. Galassi qualifies as a “bad leaver,” he will receive whatever accrued compensation is due and payable and be subject to a non-competition obligation in the EMEA and Asia-Pacific regions (but not the Americas) for a period of 12 months following his departure. If Mr. Galassi violates this non-competition obligation, he

would be subject to a penalty in the amount of 40% of his fixed annual compensation. Mr. Galassi would qualify as a bad leaver in the event he is terminated for “cause” (as defined in the Directorship Agreement) or voluntarily resigns his position.

- If Mr. Galassi qualifies as a “good leaver,” he will receive whatever accrued compensation is due and payable plus twice the total pre-tax fixed and variable compensation he received in the preceding 12 months (three times his compensation if we decide not to renew the Directorship Agreement other than for cause). Mr. Galassi would qualify as a good leaver in the event of, *inter alia*: (i) his termination other than for cause, (ii) a breach by the Company of the Directorship Agreement; (iii) a change of control; (iv) Mr. Galassi’s death or disability; or (v) a decision by us not to renew his directorship following the expiration of its three year term.

Non-executive Directors

Each of non-executive Directors has been appointed for an initial term of three financial years commencing from March 16, 2020 (subject to termination in certain circumstances as stipulated in the relevant letters of appointment). The appointments are subject to the provisions of the By-laws with regard to vacation of office of Directors and removal and retirement by rotation of Directors.

The non-executive Directors are entitled to receive remuneration of €30,000 per annum in their capacities as Directors under their respective appointment letters.

Independent non-executive Directors

Each of our independent non-executive Directors has been appointed for an initial term of two financial years commencing from December 21, 2021 (subject to termination in certain circumstances as stipulated in the relevant letters of appointment). The appointments are subject to the provisions of the By-laws with regard to vacation of office of Directors and removal and retirement by rotation of Directors.

The annual director’s fees of our independent non-executive Directors payable by us under their respective appointment letters is €30,000 per annum.

Save as disclosed above, none of the Directors has entered into any service contract as a director with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

Directors' Remuneration

For details of the Directors' remuneration, see "Directors and Senior Management — Directors' Remuneration and Remuneration of Five Highest Paid Individuals".

Agency Fees or Commissions Received

The Underwriter will receive an underwriting commission in connection with the Underwriting Agreements, as detailed in "Underwriting — Commission and Expenses and Sole Sponsor's Fee". Save in connection with the Underwriting Agreements, no commissions, discounts, brokerages or other special terms have been granted by the Group to any person (including the Directors and experts referred to in "Other Information — Qualifications and Consents of Experts" below) in connection with the issue or sale of any capital or security of the Company or any member of the Group within the two years immediately preceding the date of this prospectus.

Personal Guarantees

The Directors have not provided personal guarantees in favor of lenders in connection with banking facilities granted to the Group.

Disclaimers

Save as disclosed in this prospectus:

- (a) none of the Directors nor any of the experts referred to in "— Other Information — Qualifications and Consents of Experts" below has any direct or indirect interest in the promotion, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (b) save in connection with the Underwriting Agreements, none of the Directors nor any of the experts referred to in "— Other Information — Qualifications and Consents of Experts" below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group;

- (c) save as disclosed in “Relationship with the Controlling Shareholders”, neither the Controlling Shareholders nor the Directors are interested in any business apart from the Group’s business which competes or is likely to compete, directly or indirectly, with the business of the Group, which would require disclosure under Rule 8.10 of the Listing Rules;

so far as is known to the Directors, none of the Directors or their associates or any Shareholders who are expected to be interested in 5% or more of the issued share capital of the Company has any interest in the five largest customers or the five largest suppliers of the Group.

OTHER INFORMATION

Hong Kong Taxation

Dividend Taxation

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of shares. However, trading gains from the sale of the Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers (for example, financial institutions, insurance companies and securities dealers) are likely to be regarded as deriving trading gains rather than capital gains unless these taxpayers can prove that the investment securities are held for long-term investment purposes.

Trading gains from sales of Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of Shares effected on the Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.13% on the higher of the consideration for or the market value of the Shares, will be payable by the purchaser on every purchase and by the seller on every sale of the Hong Kong securities, including Shares (in other words, a total of 0.26% is currently payable on a typical sale and purchase transaction involving Shares). In addition, a fixed duty of HK\$5.00 is currently payable on any instrument of transfer of Shares. Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

Estate Duty

Pursuant to the Revenue (Abolition of Estate Duty) Ordinance 2005, estate duty ceased to be chargeable in Hong Kong in respect of the estates of persons dying on or after February 11, 2006.

The Directors have been advised that no material liability for estate duty is likely to be imposed on the Group.

Litigation

Save as disclosed in this prospectus, no member of the Company was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened against any member of the Company as of the Latest Practicable Date.

Promoters

The Company has no promoter for the purpose of the Listing Rules.

Compliance Advisor

The Company has appointed Gram Capital Limited as the compliance advisor upon Listing in compliance with Rules 3A.19 of the Listing Rules.

Preliminary Expenses

The Company has not incurred any material preliminary expenses.

Qualifications and Consents of Experts

The qualifications of the experts, as defined under the Listing Rules, who have given opinions or whose advices are contained in, or referred to in, this prospectus are as follows:

Name	Qualifications
China International Capital Corporation Hong Kong Securities Limited	A corporation licensed to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) regulated activities under the SFO
Ernst & Young	Certified Public Accountants under the Professional Accountants Ordinance (Cap. 50) and Registered Public Interest Entity Auditor under the Financial Reporting Council Ordinance (Cap. 588)
EY S.p.A.	Independent Auditor registered in the Register held by MEF (Italian Ministry of Economy and Finance) and Recognised PIE Auditor under the Financial Reporting Council Ordinance (Cap. 588)
Pedersoli Studio Legale	Qualified Italian Lawyers
China Insights Industry Consultancy Limited	Industry consultant

Each of the experts listed above has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters the references to their names included herein in the form and context in which they are respectively included.

None of the experts named above has any shareholding interests in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash; and
 - (ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (b) No founder, management or deferred shares of the Company or any of its subsidiary have been issued or have been agreed to be issued.
- (c) None of the equity and debt securities of the Company or its subsidiary is presently listed or dealt in on any other stock exchange nor is any listing or permission to deal being or proposed to be sought.
- (d) The Company has no outstanding convertible debt securities or debentures.
- (e) None of the experts referred to in section headed “— Other Information — Qualifications and Consents of Experts” has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group save in connection with the Underwriting Agreements.

- (f) There has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this prospectus.

- (g) There is no arrangement under which future dividends are waived or agreed to be waived.

APPENDIX VI DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND ON DISPLAY

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of the **GREEN** Application Form;
- (b) a copy of each of the material contracts referred to in “Appendix V — Statutory and General Information — Further Information about Our Business — Summary of Material Contracts”;
- (c) the written consents referred to in “Appendix V — Statutory and General Information — Other information — Qualifications and Consents of Experts”; and
- (d) the written statement of adjustments signed by Ernst & Young and EY S.p.A. setting out the adjustments made by them in arriving at the figures shown in their report and giving the reasons therefore.

DOCUMENTS ON DISPLAY

The following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and our Company (www.ferrettigroup.com) up to and including the date which is 14 days from the date of this prospectus:

- (a) the By-laws;
- (b) the Accountants’ Report and the report on the unaudited pro forma financial information prepared by Ernst & Young and EY S.p.A., the texts of which are set out in “Appendix I — Accountants’ Report” and “Appendix II — Report on Pro Forma Financial Information”, respectively and the statement of adjustments signed by Ernst & Young and EY S.p.A. setting out the adjustments made by them in arriving at the figures shown in their report and giving the reasons therefore ;
- (c) the audited consolidated financial statements of the Group for the years ended December 31, 2019 and 2020 and the nine months ended September 30, 2021;

**APPENDIX VI DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
IN HONG KONG AND ON DISPLAY**

- (d) the letter of advice prepared by Pedersoli Studio Legale, our legal advisor on Italian laws, summarizing the By-laws and certain aspects of the Civil Code referred to in “Appendix IV — Summary of the By-laws of Our Company and Italian Companies Law and Taxation”;
- (e) the material contracts referred to in “Appendix V — Statutory and General Information — Further Information about Our Business — Summary of Material Contracts”;
- (f) the written consents referred to in “Appendix V — Statutory and General Information — Other information — Qualifications and Consents of Experts”;
- (g) the letters of appointment between each of the Directors and the Company referred to in “Appendix V — Statutory and General Information”;
- (h) the industry report prepared by CIC; and
- (i) Civil Code.



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