FERRARI N.V.

ANNUAL REPORT

2021

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Disclaimer: this document is a PDF copy of the Annual Report of Ferrari N.V. at December 31, 2021 and is not presented in the ESEF-format as specified in the Regulatory Technical Standards on ESEF (Delegated Regulation (EU) 2019/815). The official Annual Report of Ferrari N.V. in ESEF single reporting package, as filed with the AFM, is available at: https://corporate.ferrari.com/en/investors/results


Montaggio Vetture
Car Assembly

BOARD REPORT

BOARD OF DIRECTORS AND AUDITORS

BOARD OF DIRECTORS

Executive Chairman
John Elkann

Acting Chief Executive Officer
Benedetto Vigna

Vice Chairman
Piero Ferrari

Directors
Delphine Arnault
Francesca Bellettini
Eddy Cue
Sergio Duca
John Galantic
Maria Patrizia Grieco
Adam Keswick

INDEPENDENT AUDITORS

Ernst & Young Accountants LLP


DAYTONA

LETTER FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER


John Elkann


Benedetto Vigna

Dear Stakeholders,

2021 was a pivotal year for Ferrari. It was a year of continuity and renewal, with innovation and growth as its themes, in line with our strategic objectives of brand exclusivity, product excellence, staying true to our racing DNA and achieving carbon neutrality by 2030.

Our annual financial results, with a double-digit growth across all main financial indicators and exceeding our guidance, proved once again the soundness of our business model. Last year the Group delivered 11,115 cars, recorded net revenues of Euro 4,271 million and an exceptional EBITDA margin at a record level of 35.9%. Beyond these figures there was an outstanding order intake, which we managed in line with our strategy to pursue a controlled growth and to preserve brand exclusivity.

Everything we revealed to the world in 2021 demonstrates our leadership in technology, design and driving experience. We have the broadest, most innovative, and most beautiful range of cars ever offered to our customers, from the revolutionary aerodynamics of the 812 Competizione, the exhilarating 296 GTB featuring our latest hybrid powertrain combining a V6 turbo and electric motor, and the evocative Ferrari Daytona SP3, our latest limited edition Icona.

When you buy a Ferrari you also join a vibrant, passionate community, and we focused on creating memorable, unique and authentic experiences for our clients on road, on track and in person. We marked Cavalcade's 10th anniversary with a very special event in Sicily for Classiche and Moderne drivers, and we restarted our Tributi and Corse Clienti activities, culminating in the Finali Mondiali at Mugello – all in full compliance with COVID-19 regulations.

We also brought our brand into exciting new territories: we launched our first fashion collection – a range that truly reflects our excellence in quality and design – and we have begun to give our stores a fresh new look to complement our merchandise. We reopened and revitalised our Cavallino restaurant while retaining its heritage.

On the track, this was our best ever season in GT racing, with Ferrari winning the Drivers' and Manufacturers' World titles in the FIA World Endurance Championship and victory at 24 Hours of Le Mans. We also announced our eagerly-awaited return to the top class of such Championship in 2023 with our Le Mans Hypercar (LMH) programme. We have attracted a passionate new audience with the Ferrari Esports Series, gaining 35,000 participants across Europe. With five podium places and a third in the constructor standings, the Formula One season produced some encouraging signs – we're focusing our energy on the 2022 challenge, confident that the Scuderia has the best pair of drivers on the grid in Charles Leclerc and Carlos Sainz.

Amidst our achievements, we continue in our unwavering pursuit of reaching carbon neutrality by 2030, addressing – in addition to our electrification journey – both direct and indirect emissions with a focus on energy and materials. As a further step forward in this process, in 2021 we calculated our carbon footprint considering the emissions related to all the Group activities over our entire value chain. Our calculation, based on GHG protocol methodology, has been certified according ISO 14064 requirements by a third-party player and allowed us to determine priority areas for action.

Our founder said, "Ferrari is made above all by people." Last year, as ever, it was essential that we continued to invest in training for our workers, care for their wellbeing and value the wonderful diversity of talent in our company. Our efforts were rewarded in 2021 by Equal Salary certification for the second consecutive year in Italy, and the first time in the United States.

We have also refined our company's organisational structure to foster innovation, optimise processes and increase collaboration, both internally and with our partners. By promoting internal talent and through the appointment of some key strategic external hires, we have enhanced our agility and are ready to seize the opportunities ahead.

The process of growing and learning together has always underpinned our success. In 2022 we celebrate our 75th Anniversary since the opening of the Maranello factory as a single, formidable team, ready to embrace all the exciting challenges and rewards that the future will hold.

February 25, 2022

John Elkann
Chairman

Benedetto Vigna
CEO

CERTAIN DEFINED TERMS AND NOTE ON PRESENTATION

CERTAIN DEFINED TERMS

In this report, unless otherwise specified, the terms "we", "our", "us", the "Group", the "Company" and "Ferrari" refer to Ferrari N.V., individually or together with its subsidiaries as the context may require. References to "Ferrari N.V." refer to the registrant.

NOTE ON PRESENTATION

This Annual Report includes the consolidated financial statements of Ferrari N.V. as of December 31, 2021 and 2020, and for the years ended December 31, 2021, 2020 and 2019 prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, as well as IFRS as adopted by the European Union. There is no effect on these consolidated financial statements resulting from differences between IFRS as issued by the IASB and IFRS as adopted by the European Union. The designation IFRS also includes International Accounting Standards ("IAS") as well as all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC" and "SIC"). The consolidated financial statements and the notes to the consolidated financial statements are referred to collectively as the "Consolidated Financial Statements".

BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Group's financial information is presented in Euro. In some instances, information is presented in U.S. Dollars. All references in this document to "Euro" and "€" refer to the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty on the Functioning of the European Union, as amended, and all references to "U.S. Dollars" and "$" refer to the currency of the United States of America (the "United States").

The language of this Annual Report is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

The financial data in the section "*Results of Operations*" is presented in millions of Euro, while the percentages presented are calculated using the underlying figures in thousands of Euro.

Certain totals in the tables included in this document may not add due to rounding.

FORWARD-LOOKING STATEMENTS

Statements contained in this Annual Report, particularly those regarding our possible or assumed future performance, competitive strengths, costs, dividends, reserves and growth as well as industry growth and other trends and projections, are "forward-looking statements" that contain risks and uncertainties. In some cases, words such as "may", "will", "expect", "could", "should", "intend", "estimate", "anticipate", "believe", "remain", "continue", "on track", "successful", "grow", "design", "target", "objective", "goal", "forecast", "projection", "outlook", "prospects", "plan", "guidance" and similar expressions are used to identify forward-looking statements. These forward-looking statements reflect the respective current views of Ferrari with respect to future events and involve significant risks and uncertainties that could cause actual results to differ materially from those indicated in the forward-looking statements.

Such risks and uncertainties include, without limitation:

- our ability to preserve and enhance the value of the Ferrari brand;
- the success of our Formula 1 racing team and the expenses we incur for our Formula 1 activities, the uncertainty of the sponsorship and commercial revenues we generate from our participation in the Formula 1 World Championship, including as a result of the impact of the COVID-19 pandemic, as well as the popularity of Formula 1 more broadly;
- our ability to keep up with advances in high performance car technology, to meet the challenges and costs of integrating advanced technologies, including hybrid and electric, more broadly into our car portfolio over time and to make appealing designs for our new models;
- our ability to preserve our relationship with the automobile collector and enthusiast community;
- changes in client preferences and automotive trends;
- changes in the general economic environment, including changes in some of the markets in which we operate, and changes in demand for luxury goods, including high performance luxury cars, which is highly volatile;
- competition in the luxury performance automobile industry;
- our ability to successfully carry out our controlled growth strategy and, particularly, our ability to increase our presence in growth market countries;
- our low volume strategy;
- global economic conditions, macro events and pandemics, including the effects of the evolution of and response to the COVID-19 pandemic;
- the impact of increasingly stringent fuel economy, emission and safety standards, including the cost of compliance, and any required changes to our products;
- reliance upon a number of key members of executive management and employees, and the ability of our current management team to operate and manage effectively;

- the performance of our dealer network on which we depend for sales and services;
- increases in costs, disruptions of supply or shortages of components and raw materials;
- disruptions at our manufacturing facilities in Maranello and Modena;
- the effects of Brexit on the UK market;
- the performance of our licensees for Ferrari-branded products;
- our ability to protect our intellectual property rights and to avoid infringing on the intellectual property rights of others;
- the ability of Maserati, our engine customer, to sell its planned volume of cars;
- our continued compliance with customs regulations of various jurisdictions;
- product recalls, liability claims and product warranties;
- the adequacy of our insurance coverage to protect us against potential losses;
- our ability to ensure that our employees, agents and representatives comply with applicable law and regulations;
- our ability to maintain the functional and efficient operation of our information technology systems and to defend from the risk of cyberattacks, including on our in-vehicle technology;
- our ability to service and refinance our debt;
- our ability to provide or arrange for adequate access to financing for our dealers and clients, and associated risks;
- labor relations and collective bargaining agreements;
- exchange rate fluctuations, interest rate changes, credit risk and other market risks;
- changes in tax, tariff or fiscal policies and regulatory, political and labor conditions in the jurisdictions in which we operate, including possible future bans of combustion engine cars in cities and the potential advent of self-driving technology;
- potential conflicts of interest due to director and officer overlaps with our largest shareholders; and
- other factors discussed elsewhere in this document.

We expressly disclaim and do not assume any liability in connection with any inaccuracies in any of the forward-looking statements in this document or in connection with any use by any third party of such forward-looking statements. Actual results could differ materially from those anticipated in such forward-looking statements. We do not undertake an obligation to update or revise publicly any forward-looking statements.

Additional factors which could cause actual results and developments to differ from those expressed or implied by the forward-looking statements are included in the section "*Risk Factors*" of this Annual Report. These factors may not be exhaustive and should be read in conjunction with the other cautionary statements included in this Annual Report. You should evaluate all forward-looking statements made in this report in the context of these risks and uncertainties.

SELECTED FINANCIAL AND OTHER DATA

The following tables set forth selected historical consolidated financial and other data of Ferrari and have been derived from:

(i) the audited Consolidated Financial Statements, included elsewhere in this Annual Report;

(ii) the audited consolidated income statement of the Company for the years ended December 31, 2018 and 2017 and the audited consolidated statement of financial position at December 31, 2019, 2018 and 2017.

This financial information has been prepared in accordance with IFRS.

The following information should be read in conjunction with "*Certain Defined Terms and Note on Presentation—Note on Presentation*", "*Risk Factors*", "*Financial Overview*" and the Consolidated Financial Statements included elsewhere in this Annual Report. Historical results for any period are not necessarily indicative of results for any future period.

CONSOLIDATED INCOME STATEMENT DATA
(€ million, except per share data)

	For the years ended December 31,				
	2021	2020	2019	2018	2017
Net revenues	4,271	3,460	3,766	3,420	3,417
EBIT	1,075	716	917	826	775
Profit before taxes	1,042	667	875	803	746
Net profit	833	609	699	787	537
Net profit attributable to:					
Owners of the parent	*831*	*608*	*696*	*785*	*535*
Non-controlling interests	*2*	*1*	*3*	*2*	*2*
Basic earnings per common share (€) [1]	4.50	3.29	3.73	4.16	2.83
Diluted earnings per common share (€) [1] [2]	4.50	3.28	3.71	4.14	2.82
Dividend declared per common share (€) [3]	0.867	1.13	1.03	0.71	—
Dividend declared per common share ($) [3] [5]	1.0378	1.23	1.16	0.88	—
Distribution declared per common share (€) [4]	—	—	—	—	0.635
Distribution declared per common share ($) [4] [5]	—	—	—	—	0.682

(1) Basic and diluted earnings per common share in 2020 benefited from the one-off partial step-up of certain trademarks for tax purposes, which resulted in a net tax benefit of €75 million. The increase in the basic and diluted earnings per common share in 2018 compared to 2017 includes the effects of applying the Patent Box tax regime starting in the third quarter of 2018. See Adjusted Basic and Diluted Earnings per Common Share in the section "Non-GAAP Financial Measures" as well as Note 10 to the Consolidated Financial Statements, both included elsewhere in this document, for additional information.

(2) In order to calculate the diluted earnings per common share the weighted average number of shares outstanding has been increased to take into consideration the theoretical effect of (i) the potential common shares that would have been issued under the equity incentive plan for the years ended December 31, 2021, 2020, 2019, 2018 and 2017 (assuming 100 percent of the related awards vested), and (ii) the potential common shares that would have been issued for the Non-Executive Directors' compensation agreement for the year ended December 31, 2017. See Note 12 to the Consolidated Financial Statements for additional information.

(3) Following approval of the annual accounts by the shareholders at the Annual General Meeting of the Shareholders on April 15, 2021, a dividend distribution of €0.867 per outstanding common share was approved, corresponding to a total distribution of €160 million. Following approval of the annual accounts by the shareholders at the Annual General Meeting of the Shareholders on April 16, 2020, a dividend distribution of €1.13 per outstanding common share was approved, corresponding to a total distribution of €209 million. Following approval of the annual accounts by the shareholders at the Annual General Meeting of the Shareholders on April 12, 2019, a dividend distribution of €1.03 per outstanding common share was approved, corresponding to a total distribution of €193 million. Following approval of the annual accounts by the shareholders at the Annual General Meeting of the Shareholders on April 13, 2018, a dividend distribution of €0.71 per outstanding common share was approved, corresponding to a total distribution of €134 million. Such dividend distributions were made from the retained earnings reserve.

(4) Following approval of the annual accounts by the shareholders at the Annual General Meeting of the Shareholders on April 14, 2017, a cash distribution of €0.635 per outstanding common share was approved, corresponding to a total distribution of €120 million. Such distribution was made from the share premium reserve which is a distributable reserve under Dutch law.

(5) Translated into U.S. Dollars at the exchange rates in effect on the dates on which the distribution was declared in U.S. Dollars for common shares that are traded on the New York Stock Exchange. These translations are examples only, and should not be construed as a representation that the Euro amount represents, or has been or could be converted into, U.S. Dollars at that or any other rate.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(€ million, except per share data)

	At December 31,				
	2021	2020	2019	2018	2017
Cash and cash equivalents	1,344	1,362	898	794	648
Receivables from financing activities	1,144	940	966	878	733
Total assets	6,864	6,262	5,446	4,852	4,141
Debt	2,630	2,725	2,090	1,927	1,806
Total equity	2,211	1,789	1,487	1,354	784
Equity attributable to owners of the parent	*2,206*	*1,785*	*1,481*	*1,349*	*779*
Non-controlling interests	*5*	*4*	*6*	*5*	*5*
Share capital	3	3	3	3	3
Common shares issued and outstanding (in thousands of shares)	183,843	184,748	185,283	187,921	188,954

OTHER STATISTICAL INFORMATION

	For the years ended December 31,				
	2021	2020	2019	2018	2017
Shipments (number of cars)	11,155	9,119	10,131	9,251	8,398
Average number of employees for the period	4,571	4,428	4,164	3,651	3,336

CREATING VALUE FOR OUR SHAREHOLDERS

FERRARI IS AMONG THE WORLD'S LEADING LUXURY BRANDS WITH UNIQUE, WORLD-CLASS CAPABILITIES, AND A VISION BUILT ON OUR HISTORIC FOUNDATIONS AND STRENGTHS.

We are fiercely protective of our brand, which is among the most iconic and recognizable in the world and critical to our value proposition to all of our stakeholders.
We strive to maintain and enhance the power of our brand and the passion we inspire in clients and the broader community of automotive enthusiasts by continuing our rigorous production and distribution model, which promotes excellence in innovation, design and exclusivity.

We also support our brand value by promoting a strong connection to our company and our brand among the community of Ferrari enthusiasts.
We focus relentlessly on strengthening this connection by rewarding our most loyal clients through a range of initiatives, such as driving events and client activities in Maranello and, most importantly, by providing our most loyal and active clients with preferential access to our newest, most exclusive and highest value cars. As a result, in 2021 we sold approximately 59% of our new cars to already Ferrari customers and 32% to customers being current owners of more than one Ferrari, which reinforces the demand for our cars and the image of luxury and exclusivity inherent in our brand.

Our commitment to excellence and our pursuit of innovation, state-of-the-art performance and distinction in design and engineering in our luxury cars is inseparable from our commitment to integrity, transparency and responsibility in the conduct of our business.
By fully integrating environmental and social considerations with economic objectives we are able to identify potential risks and capitalize on additional opportunities, resulting in a process of continuous improvement.

Sustainability is a core element of our governance model and executive management plays a direct and active role in developing and achieving our sustainability objectives under the oversight of our Board of Directors.
The foundation of a responsible company rests on being fully attentive to the nature and extent of this interconnection and our understanding of both the potential effects of our activities and how those effects can be mitigated through responsible management.

To provide for tangible long-term value creation, we place particular emphasis on:

- a governance model based on transparency and integrity;
- a safe and eco-friendly working environment including excellent working conditions and respect for human rights;
- professional development of our employees;
- mutually beneficial relationships with business partners and the communities in which we operate;
- mitigation of environmental impacts from our production processes and the luxury cars we produce, addressing direct and indirect GHG emissions, focusing on energy and materials, in addition to our electrification journey.

The Non Financial Statement section of our 2021 Annual Report addresses those aspects of our sustainability efforts that we have identified as being of greatest importance to our internal and external stakeholders.

RISK FACTORS

WE FACE A VARIETY OF RISKS AND UNCERTAINTIES IN OUR BUSINESS. THOSE DESCRIBED BELOW ARE NOT THE ONLY RISKS AND UNCERTAINTIES THAT WE FACE. ADDITIONAL RISKS AND UNCERTAINTIES THAT WE ARE UNAWARE OF, OR THAT WE CURRENTLY BELIEVE TO BE IMMATERIAL, MAY ALSO BECOME IMPORTANT FACTORS THAT AFFECT US.

RISKS RELATED TO OUR BUSINESS, STRATEGY AND OPERATIONS

WE MAY NOT SUCCEED IN PRESERVING AND ENHANCING THE VALUE OF THE FERRARI BRAND, WHICH WE DEPEND UPON TO DRIVE DEMAND AND REVENUES.

Our financial performance is influenced by the perception and recognition of the Ferrari brand, which, in turn, depends on many factors such as the design, performance, quality and image of our cars, the appeal of our dealerships and stores, the success of our promotional activities including public relations and marketing, as well as our general profile, including our brand's image of exclusivity. The value of our brand and our ability to achieve premium pricing for Ferrari-branded products may decline if we are unable to maintain the value and image of the Ferrari brand, including, in particular, its aura of exclusivity. Maintaining the value of our brand will depend significantly on our ability to continue to produce luxury performance cars of the highest quality. The market for luxury goods generally and for luxury automobiles in particular is intensely competitive, and we may not be successful in maintaining and strengthening the appeal of our brand. Client preferences, particularly among luxury goods, can vary over time, sometimes rapidly. We are therefore exposed to changing perceptions of our brand image, particularly as we seek to attract new generations of clients and, to that end, we continuously renovate and expand the range of our models. For example, the gradual expansion of hybrid engine technology (already integrated in past models such as the LaFerrari and the LaFerrari Aperta, as well as in the more recent 296 GTB, SF90 Stradale and SF90 Spider) and electric engine technology will introduce a notable change in the overall driver experience compared to the combustion engine cars of our historical models. Any failure to preserve and enhance the value of our brand may materially and adversely affect our ability to sell our cars, to maintain premium pricing, and to extend the value of our brand into other activities profitably or at all.

We selectively license the Ferrari brand to third parties that produce and sell Ferrari-branded luxury goods and therefore we rely on our licensing partners to preserve and enhance the value of our brand. If our licensees or the manufacturers of these products do not maintain the standards of quality and exclusivity that we believe are consistent with the Ferrari brand, or if such licensees or manufacturers otherwise misuse the Ferrari brand, our reputation and the integrity and value of our brand may be damaged and our business, operating results and financial condition may be materially and adversely affected. In addition, in 2019 we announced a brand diversification strategy that will significantly increase the deployment of our brand in non-car products and experiences. If this strategy is not successful, our brand image may be diluted or tainted.

OUR BRAND IMAGE DEPENDS IN PART ON THE SUCCESS OF OUR FORMULA 1 RACING TEAM.

The prestige, identity, and appeal of the Ferrari brand depend in part on the continued success of the Scuderia Ferrari racing team in the Formula 1 World Championship. The racing team is a key component of our marketing strategy and may be perceived by our clients as a demonstration of the technological capabilities of our sports, GT, special series and Icona cars, which also supports the appeal of other Ferrari-branded luxury goods.

We are focused on improving our racing results and restoring our historical position as the premier racing team particularly in Formula 1 as our most recent Drivers' Championship and Constructors' Championship were in 2007 and 2008, respectively. If we are unable to attract and retain the necessary talent to succeed in international competitions or devote the capital necessary to fund successful racing activities, the value of the Ferrari brand and the appeal of our cars and other luxury goods may suffer. Even if we are able to attract such talent and adequately fund our racing activities, there is no assurance that this will lead to competitive success for our racing team.

The success of our racing team depends in particular on our ability to attract and retain top drivers, racing team management and engineering talent.
Our primary Formula 1 drivers, team managers and other key employees of Scuderia Ferrari are critical to the success of our racing team and if we were to lose their services, this could have a material adverse effect on the success of our racing team and correspondingly the Ferrari brand. If we are unable to find adequate replacements or to attract, retain and incentivize drivers and team managers, other key employees or new qualified personnel, the success of our racing team may suffer. As the success of our racing team forms a large part of our brand identity, a sustained period without racing success could detract from the Ferrari brand and, as a result, from potential clients' enthusiasm for the Ferrari brand and their perception of our cars, which could have an adverse effect on our business, results of operations and financial condition.

WE ARE SUBJECT TO RISKS RELATED TO THE COVID-19 PANDEMIC OR SIMILAR PUBLIC HEALTH CRISES THAT MAY MATERIALLY AND ADVERSELY AFFECT OUR BUSINESS.

Public health crises such as pandemics or similar outbreaks could adversely impact our business. Starting in early 2020 the global spread of COVID-19 led to governments around the world mandating increasingly restrictive measures to contain the pandemic, including social distancing, quarantine, "shelter in place" or similar orders, travel restrictions and suspension of non-essential business activities. The COVID-19 pandemic has caused significant disruption to the global economy, including changes in consumer spending and behavior, disruption to supply chains and financial markets, as well as restrictions on business and individual activities. In 2020, the pandemic led to a global economic slowdown and a severe recession in several of the markets in which we operate and while economies recovered partially in 2021, the pandemic continues to be unpredictable and additional containment measures may lead to further economic downturns.
From mid-March to early May 2020, we temporarily suspended production at our plants in Maranello and Modena, while implementing remote working arrangements for all non-manufacturing related activities. We were able to return to full production in May 2020. We generally realize minimal revenue while our facilities are shut down, but we continue to incur expenses. Moreover, the negative cash impact is exacerbated by the fact that, despite not selling cars, we have to continue to pay suppliers for components previously ordered. We continue to take measures to combat the spread of COVID-19 at our facilities, while continuing to guarantee the possibility of remote work for those employees whose job activity is compatible with such work arrangements.

In connection with the COVID-19 pandemic and related government measures, we experienced delays in shipments of cars from March 2020 to May 2020 due to restrictions on dealers' activities or the inability of customers to take deliveries of cars.

Although certain restrictions have remained in place or been reimplemented in some of the countries where Ferrari operates, since May 2020 substantially all Ferrari dealerships remained operational and order collections continued.
For further information on the impact of the COVID-19 pandemic on our results of operations and liquidity, see *"COVID-19 Pandemic Update"* and *"Financial Overview"*. While the overall COVID-19 situation improved in 2021 in countries that have rolled out vaccination campaigns, our business and operating results may be negatively impacted if the virus worsens or mutates, if vaccination efforts are

unsuccessful or if regions or countries implement further restrictions to contain the virus. The resurgence of the pandemic in several European countries and elsewhere in the last months of 2021, including due to the highly transmissible Delta and Omicron variants, have led governments to reintroduce containment measures and increasingly stringent restrictions may be imposed in the coming periods. We may yet experience a new shutdown or slowdown of all or part of our manufacturing facilities, including in the event that our employees are diagnosed with COVID-19 or our supply chains are disrupted, or if additional "waves" of the pandemic lead to further government actions. Management time and resources may need to be spent on COVID-19 related matters, distracting them from the implementation of our strategy. In addition, the prophylactic measures we have adopted or that we will be required to adopt at our facilities may be costly and may affect production levels. Our suppliers, customers, dealers, franchisees and other contractual counterparties may be restricted or prevented from conducting business activities for indefinite or intermittent periods of time, including as a result of safety concerns, shutdowns, slowdowns, illness of such parties' workforce and other actions and restrictions requested or mandated by governmental authorities. Furthermore, the COVID-19 pandemic may lead to financial distress for our suppliers or dealers, as a result of which they may have to permanently discontinue or substantially reduce their operations. In addition, the COVID-19 pandemic may lead to higher working capital needs, reduced liquidity and certain limitations in the supply of credit, which may ultimately lead to higher costs of capital for Ferrari. Any of the foregoing could limit customer demand or our capacity to meet customer demand and have a material adverse effect on our business, results of operations and financial condition.

Our brand activities across different jurisdictions have also been, and may continue to be, adversely impacted, due to the temporary closure of the Ferrari stores, museums and theme parks in the first quarter of 2020 to comply with government orders, with an adverse impact on our revenues originating from such activities. Although Ferrari stores gradually reopened starting in May 2020, to date in-store traffic has not yet recovered to pre-pandemic levels and Ferrari stores, museums and theme parks may continue to be subject to certain restrictions as a result of local regulations, although overall brand activities have increased in 2021 compared to 2020.

The Formula 1 2021 World Championship was also disrupted due to the COVID-19 pandemic, albeit to a lesser extent than the prior's year edition. Government measures or decisions of Formula 1 may disrupt the Formula 1 2022 World Championship, with potential material adverse effects on our revenues and profits.

The impact of the COVID-19 pandemic on Ferrari's results of operations and financial condition will depend largely on future events outside of our control, including ongoing developments in the pandemic, the success of containment measures, vaccination campaigns and other actions taken by governments around the world, as well as the overall condition and outlook of the global economy. While we are continuing to monitor and assess the evolution of the pandemic and its effects on both the macroeconomic scenario and our financial position and results of operations, significant uncertainty remains around the length and extent of the restrictions in the markets in which we operate. However, the effects on our business, results of operations, financial performance and cash flows may be material and adverse.

The COVID-19 pandemic may also exacerbate other risks disclosed in this section, including, but not limited to, our competitiveness, demand for our products, shifting consumer preferences, exchange rate fluctuations, customers' and dealers' access to affordable financing, and credit market conditions affecting the availability of capital and financial resources.

Please refer to *"COVID-19 Pandemic Update"* and *"Financial Overview"* for additional information relating to how the COVID-19 pandemic impacted our results of operations and financial condition.

IF WE ARE UNABLE TO KEEP UP WITH ADVANCES IN HIGH PERFORMANCE CAR TECHNOLOGY, OUR BRAND AND COMPETITIVE POSITION MAY SUFFER.

Performance cars are characterized by leading-edge technology that is constantly evolving. In particular, advances in racing technology often lead to improved technology in road cars. Although we invest heavily in research and development, we may be unable to maintain our leading position in high performance car technology and, as a result, our competitive position may suffer.

As technologies change, we plan to upgrade or adapt our cars and introduce new models in order to continue to provide cars with the latest technology. However, our cars may not compete effectively with our competitors' cars if we are not able to develop, source and integrate the latest technology into our cars. For example, in the next few years luxury performance cars will increasingly transition to hybrid and electric technology, albeit at a slower pace compared to mass market vehicles. See *"The introduction of hybrid and electric technology in our cars is costly and its long-term success is uncertain"*. We are also increasingly investing in connectivity, which requires significant investments in research and development; we expect that the future generation of cars will feature a high degree of connectivity for purposes of infotainment, safety and regulatory compliance.

Developing and applying new automotive technologies is costly, and may become even more costly in the future as available technology advances and competition in the industry increases. If our research and development efforts do not lead to improvements in car performance relative to the competition, or if we are required to spend more to achieve comparable results, the sales of our cars or our profitability may suffer.

IF OUR CAR DESIGNS DO NOT APPEAL TO CLIENTS, OUR BRAND AND COMPETITIVE POSITION MAY SUFFER.

Design and styling are an integral component of our models and our brand. Our cars have historically been characterized by distinctive designs combining the aerodynamics of a sports car with powerful, elegant lines. We believe our clients purchase our cars for their appearance as well as their performance. However, we will need to renew over time the style of our cars to differentiate the new models we produce from older models, and to reflect the broader evolution of aesthetics in our markets. We devote great efforts to the design of our cars and most of our current models are designed by the Ferrari Design Centre, our in-house design team. The design of our electric cars and, more generally, of our future models with increased connectivity features will depart from past designs in appearance and functionality, thereby requiring new skills and presenting new challenges. If the design of our future models fails to meet the evolving tastes and preferences of our clients and prospective clients, or the appreciation of the wider public, our brand may suffer and our sales may be adversely affected.

THE VALUE OF OUR BRAND DEPENDS IN PART ON THE AUTOMOBILE COLLECTOR AND ENTHUSIAST COMMUNITY.

An important factor in the connection of clients to the Ferrari brand is our strong relationship with the global community of automotive collectors and enthusiasts, particularly collectors and enthusiasts of Ferrari automobiles. This is influenced by our close ties to the automotive collectors' community and our support of related events (such as car shows and driving events) at our headquarters in Maranello and through our dealers, the Ferrari museums and affiliations with regional Ferrari clubs. The support of this community also depends upon the perception of our cars as collectibles, which we also support through our Ferrari Classiche services, and the active resale market for our automobiles which encourages interest over the long-term. The increase in the number of cars we produce relative to the number of automotive collectors and purchasers in the secondary market may adversely affect our cars' value as collectible items and in the secondary market more broadly.

If there is a change in collector appetite or damage to the Ferrari brand, our ties to, and the support we receive from, this community may be diminished. Such a loss of enthusiasm for our cars from the automotive collectors' community could harm the perception of the Ferrari brand and adversely impact our sales and profitability.

OUR BUSINESS IS SUBJECT TO CHANGES IN CLIENT PREFERENCES AND TRENDS IN THE AUTOMOTIVE AND LUXURY INDUSTRIES.

Our continued success depends in part on our ability to originate and define products and trends in the automotive and luxury industries, as well as to anticipate and respond promptly to changing consumer demands and automotive trends in the design, styling, technology, production, merchandising and pricing of our products. Our products must appeal to a client base whose preferences cannot be predicted with certainty and are subject to rapid change. Evaluating and responding to client preferences has become even more complex in recent years, due to our expansion in new geographical markets. The introduction of hybrid and electric technology and the associated changes in customer preferences that may follow are also a challenge we will face in future periods. See also "*If we are unable to keep up with advances in high performance car technology, our brand and competitive position may suffer*" and "*The introduction of hybrid and electric technology in our cars is costly and its long-term success is uncertain*". In addition, there can be no assurance that we will be able to produce, distribute and market new products efficiently or that any product category that we may expand or introduce will achieve sales levels sufficient to generate profits. We will encounter this risk, for example, as we introduce the Purosangue, a luxury high performance vehicle within the GT range that we are developing and is expected to commence production in 2022 with deliveries starting in 2023. Furthermore this risk is particularly pronounced as we expand in accordance with our strategy into adjacent segments of the luxury industry, where we do not have a level of experience and market presence comparable to the one we have in the automotive industry. Any of these risks could have a material adverse effect on our business, results of operations and financial condition.

DEMAND FOR LUXURY GOODS, INCLUDING LUXURY PERFORMANCE CARS, IS VOLATILE, WHICH MAY ADVERSELY AFFECT OUR OPERATING RESULTS.

Volatility of demand for luxury goods, in particular luxury performance cars, may adversely affect our business, operating results and financial condition. The market in which we sell our cars is subject to volatility in demand. Demand for luxury automobiles depends to a large extent on general, economic, political and social conditions in a given market as well as the introduction of new vehicles and technologies. As a luxury performance car manufacturer and low volume producer, we compete with larger automobile manufacturers many of which have greater financial resources in order to withstand changes in the market and disruptions in demand. Demand for our cars may also be affected by factors directly impacting the cost of purchasing and operating automobiles, such as the availability and cost of financing, prices of raw materials and parts and components, fuel costs and governmental regulations, including tariffs, import regulation and other taxes, including taxes on luxury goods, resulting in limitations to the use of high performance sports cars or luxury goods more generally. Volatility in demand may lead to lower car unit sales, which may result in downward price pressure and adversely affect our business, operating results and financial condition. The impact of a luxury market downturn may be particularly pronounced for the most expensive among our car models, which generate a more than proportionate amount of our profits, therefore exacerbating the impact on our results. In addition, these effects may have a more pronounced impact on us given our low volume strategy and relatively smaller scale as compared to large global mass-market automobile manufacturers.

WE FACE COMPETITION IN THE LUXURY PERFORMANCE CAR INDUSTRY.

We face competition in all product categories and markets in which we operate. We compete with other international luxury performance car manufacturers which own and operate well-known brands of high-quality cars, some of which form part of larger automotive groups and may have greater financial resources and bargaining power with suppliers than we do, particularly in light of our policy to maintain low volumes in order to preserve and enhance the exclusivity of our cars. In addition, several other manufacturers have recently entered or are attempting to enter the upper end of the luxury performance car market, including with advanced electric technology, thereby increasing competition.

We believe that we compete primarily on the basis of our brand image, the performance and design of our cars, our reputation for quality and the driving experience for our customers.

If we are unable to compete successfully, our business, results of operations and financial condition could be adversely affected.

OUR CONTROLLED GROWTH STRATEGY EXPOSES US TO RISKS.

Our growth strategy includes a controlled expansion of our sales and operations, including the launching of new car models and expanding sales, as well as dealer operations and workshops, in targeted growth regions internationally. In particular, our growth strategy requires us to expand operations in regions that we have identified as having relatively high growth potential. We may encounter difficulties in entering and establishing ourselves in these markets, including in establishing new successful dealership networks and facing more significant competition from competitors that are already present in those regions.

Our growth depends on the continued success of our existing cars, as well as the successful introduction of new cars. Our ability to create new cars and to sustain existing car models is affected by whether we can successfully anticipate and respond to consumer preferences and car trends. The failure to develop successful new cars or delays in their launch that could result in others bringing new products and leading-edge technologies to the market first, could compromise our competitive position and hinder the growth of our business. As part of our growth strategy, we plan to broaden the range of our models to capture additional customer demand for different types of vehicles and modes of utilization. At our Capital Markets Day in September 2018, we announced our plan to introduce 15 new models in the 2019-2022 period (which is unprecedented for Ferrari over a similar time period), including the Icona limited editions, a concept that takes inspiration from our iconic cars of the past and interprets them in a modern way with innovative technology and materials. In the GT range, we are developing a luxury high performance vehicle, the Purosangue, and we are developing a new line of cars powered by V6 engines, starting with the 296 GTB, which was unveiled in June 2021. In addition, we will gradually but rapidly expand the use of hybrid and electric technology in our road cars, consistent with customer preferences and broader industry trends. While we will seek to ensure that these changes remain fully consistent with the Ferrari car identity, we cannot be certain that they will prove profitable and commercially successful.

Our growth strategy may expose us to new business risks that we may not have the expertise, capability or the systems to manage. This strategy will also place significant demands on us by requiring us to continuously evolve and improve our operational, financial and internal controls. Continued expansion also increases the challenges involved in maintaining high levels of quality, management and client satisfaction, recruiting, training and retaining sufficiently skilled management, technical and marketing personnel. If we are unable to manage these risks or meet these demands, our growth prospects and our business, results of operations and financial condition could be adversely affected.

We continuously improve our international network footprint and skill set. We also plan to open additional retail stores in international markets. We do not yet have significant experience directly operating in many of these markets, and in many of them we face established competitors. Many of these countries have different operational characteristics, including but not limited to employment and labor, transportation, logistics, real estate, environmental regulations and local reporting or legal requirements.

Consumer demand and behavior, as well as tastes and purchasing trends may differ in these markets, and as a result, sales of our products may not be successful, or the margins on those sales may not be in line with those we currently anticipate. Furthermore, such markets will have upfront short-term investment costs that may not be accompanied by sufficient revenues to achieve typical or expected operational and financial performance and therefore may be dilutive to us in the short-term. In many of these countries, there is significant competition to attract and retain experienced and talented employees.

Consequently, if our international expansion plans are unsuccessful, our business, results of operations and financial condition could be materially adversely affected.

OUR LOW VOLUME STRATEGY MAY LIMIT POTENTIAL PROFITS, AND IF VOLUMES INCREASE OUR BRAND EXCLUSIVITY MAY BE ERODED.

A key to the appeal of the Ferrari brand and our marketing strategy is the aura of exclusivity and the sense of luxury which our brand conveys.

A central facet to this exclusivity is the limited number of models and cars we produce and our strategy of maintaining our car waiting lists to reach the optimal combination of exclusivity and client service.
Our low volume strategy is also an important factor in the prices that our clients are willing to pay for our cars. This focus on maintaining exclusivity limits our potential sales growth and profits compared to manufacturers less reliant on the exclusivity of their products.

On the other hand, our current growth strategy contemplates a measured but significant increase in car sales above current levels as we target a larger customer base and modes of use, we increase our focus on GT cars, and our product portfolio evolves with a broader product range.

We sold 11,155 cars in 2021 compared to 7,255 cars in 2014, and sales are expected to continue to increase gradually. In pursuit of our strategy, we may be unable to maintain the exclusivity of the Ferrari brand. If we are unable to balance brand exclusivity with increased production, we may erode the desirability and ultimately the consumer demand or relative pricing for our cars. As a result, if we are unable to increase car production meaningfully or introduce new car models without eroding the image of exclusivity in our brand we may be unable to significantly increase our revenues.

THE SMALL NUMBER OF CAR MODELS WE PRODUCE AND SELL MAY RESULT IN GREATER VOLATILITY IN OUR FINANCIAL RESULTS.

We depend on the sales of a small number of car models to generate our revenues. Our current product range consists of eight range models (six sports cars and two GT cars), two special series models and three strictly limited edition Icona models. While we anticipate expanding our car offerings as part of our growth strategy, through our previously announced plan to introduce 15 new products in the 2019-2022 period, a limited number of models will continue to account for a large portion of our revenues at any given time in the foreseeable future, compared to other automakers. Therefore, a single unsuccessful new model would harm us more than it would other automakers. There can be no assurance that our cars will continue to be successful in the market, or that we will be able to launch new models on a timely basis compared to our competitors. It generally takes several years from the beginning of the development phase to the start of production for a new model and the car development process is capital intensive. As a result, we would likely be unable to replace quickly the revenue lost from one of our main car models if it does not achieve market acceptance. Furthermore, our revenues and profits may also be affected by our special series and limited edition models (including the Icona limited editions) that we launch from time to time and which are typically priced higher than our range models. There can be no assurance that we will be successful in developing, producing and marketing additional new cars (including our special series and limited edition models) to sustain sales growth in the future.

GLOBAL ECONOMIC CONDITIONS, PANDEMICS AND MACRO EVENTS MAY ADVERSELY AFFECT US.

Our sales volumes and revenues may be affected by overall general economic conditions within the various countries in which we operate. Deteriorating general economic conditions may affect disposable incomes and reduce consumer wealth impacting client demand, particularly for luxury goods, which may negatively impact our profitability and put downward pressure on our prices and volumes. Furthermore, during recessionary periods, social acceptability of luxury purchases may decrease and higher taxes may be more likely to be imposed on certain luxury goods including our cars, which may affect our sales. Adverse economic conditions may also affect the financial health and performance of our dealers in a manner that will affect sales of our cars or their ability to meet their commitments to us.

The luxury performance car market is generally affected by global macroeconomic conditions and many factors affect the level of consumer spending in the luxury performance car industry, including the state of the economy as a whole, stock market performance, interest and exchange rates, inflation, political uncertainty, the availability of consumer credit, tax rates, unemployment levels and other matters that influence consumer confidence. In general, although our sales have historically been comparatively resilient in periods of economic turmoil, sales of luxury goods tend to decline during recessionary periods when the level of disposable income tends to be lower or when consumer confidence is low. Significant inflationary pressures appeared in 2021 in many of the markets in which we operate and this trend has continued in early 2022. If this trend continues going forward, we could experience an increase in the costs we incur for raw materials, utilities or services, which could adversely affect our business and results of operations if we are not able to pass on the increased costs to our customers or successfully implement other mitigating actions. Furthermore, following the recent rise in inflation, many central banks are signaling that interest rate increases may be expected in the coming months, which is in turn expected to increase our cost of borrowing and the market rates for new car financing as well. Such increases could impact our ability to obtain affordable financing or could make our cars less affordable to clients, which could cause consumers to delay the purchase of our cars or to purchase less expensive cars.

We are also susceptible to risks relating to epidemics and pandemics of diseases. See *"We are subject to risks related to the COVID-19 pandemic that may materially and adversely affect our business"*.

We distribute our products internationally and we may be affected by downturns in general economic conditions or uncertainties regarding future economic prospects that may impact the countries in which we sell a significant portion of our products. In particular, the majority of our current sales are in the EU and in the United States; if we are unable to expand in other growth markets, a downturn in mature economies such as the EU and the United States may negatively affect our financial performance. In addition, uncertainties regarding future trade arrangements and industrial policies in various countries or regions, such as in the United Kingdom following the exit from the European Union (see further "*We may be adversely affected by the UK's exit from the European Union (Brexit)*") create additional macroeconomic risk. In the United States, any policy to discourage import into the United States of vehicles produced elsewhere could adversely affect our operations. Any new policies may have an adverse effect on our business, financial condition and results of operations. Although Mainland China, Hong Kong and Taiwan only represented approximately 8 percent of our net revenues in 2021 and is expected to represent a limited proportion of our growth in the short term, slowing economic conditions in Mainland China, Hong Kong and Taiwan may adversely affect our revenues in that region. A significant decline in the EU, the global economy or in the specific economies of our markets, or in consumers' confidence, could have a material adverse effect on our business. See also *"Developments in China and other growth markets may adversely affect our business"*.

Additionally, sanctions and export controls which could be introduced as a result of geopolitical tensions and conflicts could adversely affect, directly or indirectly, our supply chain and customers, as well as the global financial markets and financial services industry. See also *"We depend on our suppliers, many of which are single source suppliers; and if these suppliers fail to deliver necessary raw materials, systems, components and parts of appropriate quality in a timely manner, our operations may be disrupted"*.

DEVELOPMENTS IN CHINA AND OTHER GROWTH MARKETS MAY ADVERSELY AFFECT OUR BUSINESS.

We operate in a number of growth markets, both directly and through our dealers.
We believe we have potential for further success in new geographies, in particular in China, but also more generally in Asia, recognizing the increasing personal wealth in these markets. While demand in these markets has increased in recent years due to sustained economic growth and growth in personal income and wealth, we are unable to foresee the extent to which economic growth will be sustained. For example, rising geopolitical tensions and potential slowdowns in the rate of growth there and in other emerging markets could limit the opportunity for us to increase unit sales and revenues in those regions in the near term.

Our exposure to growth countries is likely to increase, as we pursue expanded sales in such countries. Economic and political developments in growth markets, including economic crises or political instability, have had and could have in the future material adverse effects on our results of operations and financial condition. Further, in certain markets in which we or our dealers operate, required government approvals may limit our ability to act quickly in making decisions on our operations in those markets. Other government actions may also impact the market for luxury goods in these markets, such as tax changes or the active discouragement of luxury purchases. Consumer spending habits in these markets may also change due to other factors that are outside of our control. For instance, since August 2021 the President of the People's Republic of China has repeatedly signaled the government's intention to regulate the spending patterns of individuals and families with ultra-high incomes and encourage high-income groups and enterprises to return more to society. While no regulatory action has been taken to date, similar statements by governmental authorities may affect the social acceptability of spending on luxury goods.

Maintaining and strengthening our position in these growth markets is a relevant component of our global growth strategy. However, initiatives from several global luxury automotive manufacturers have increased competitive pressures for luxury cars in several growth markets. As these markets continue to grow, we anticipate that additional competitors, both international and domestic, will seek to enter these markets and that existing market participants will try to aggressively protect or increase their market share. Increased competition may result in pricing pressures, reduced margins and our inability to gain or hold market share, which could have a material adverse effect on our results of operations and financial condition. See also *"Global economic conditions, pandemics and macro events may adversely affect us"*.

WE MAY BE ADVERSELY AFFECTED BY THE UK'S EXIT FROM THE EUROPEAN UNION (BREXIT).

In a June 23, 2016 referendum, the United Kingdom voted to terminate the UK's membership in the European Union ("Brexit"). The UK ceased to be a member of the European Union on January 31, 2020. On December 24, 2020, the European Union and the UK announced that they had reached a new bilateral trade and cooperation agreement governing their future relationship (the "EU-UK Trade and Cooperation Agreement") which was formally approved by the European Council on December 29, 2020 and by the UK parliament on December 30, 2020. The EU-UK Trade and Cooperation Agreement was subsequently ratified by the European Parliament and entered into force on May 1, 2021.

Under the terms of the EU-UK Trade and Cooperation Agreement, exports of cars between the European Union and the United Kingdom are exempt from tariffs, to the extent the goods contain a certain quantity of EU or UK inputs, as applicable. The application of such rules may result in increased costs for us or for our suppliers (which, in turn, they could seek to transfer to us), and difficulties in the procurement of parts. In addition, the new customs procedures set forth in the EU-UK Trade and Cooperation Agreement may result in increased operational complexity, with full import controls for goods being imported from the European Union to the United Kingdom expected to be gradually introduced by the United Kingdom throughout 2022. While the EU-UK Trade and Cooperation Agreement provides clarity with respect to the intended relationship between the European Union and the United Kingdom going forward, uncertainty remains around the details of such relationship, which remain in progress and could evolve over time, and the full extent of the consequences of Brexit. Brexit could also negatively impact economic conditions in Europe more generally, which in turn could adversely impact global economic conditions. In addition, Brexit may contribute to significant volatility in exchange rates. In 2021, approximately 11 percent of our net revenues were generated in the UK; therefore, any material adverse effect of Brexit on global or regional economic or market conditions could adversely affect our business, results of operations and financial condition as customers may reduce or delay spending decisions on our products.

OUR SUCCESS DEPENDS LARGELY ON THE ABILITY OF OUR CURRENT MANAGEMENT TEAM TO OPERATE AND MANAGE EFFECTIVELY.

Our success depends on the ability of our senior executives and other members of management to effectively manage our business as a whole and individual areas of the business. Most of our senior executives and employees, including many highly skilled engineers, technicians and artisans, are required to work from our offices and production facilities in and around Maranello, Italy. If we were to lose the services of any of these senior executives or key employees, this could have a material adverse effect on our business, operating results and financial condition. We have developed incentive plans aimed at retaining and incentivizing our senior executives and employees, as well as management succession plans that we believe are appropriate in the circumstances, although it is difficult to predict with any certainty that we will replace these individuals with persons of equivalent experience and capabilities. If we are unable to find adequate replacements or to attract, retain and incentivize senior executives, other key employees or new qualified personnel, our business, results of operations and financial condition may suffer.

WE RELY ON OUR DEALER NETWORK TO PROVIDE SALES AND SERVICES.

We do not own our Ferrari dealers and virtually all of our sales are made through our network of dealerships located throughout the world. If our dealers are unable to provide sales or service quality that our clients expect or do not otherwise adequately project the Ferrari image and its aura of luxury and exclusivity, the Ferrari brand may be negatively affected. We depend on the quality of our dealership network and our business, operating results and financial condition could be adversely affected if our dealers suffer financial difficulties or otherwise are unable to perform to our expectations. Furthermore, we may experience disagreements or disputes in the course of our relationship with our dealers or upon termination which may lead to financial costs, disruptions and reputational harm.
Our growth strategy also depends on our ability to attract a sufficient number of quality new dealers to sell our products in new areas. We may face competition from other luxury performance car manufacturers in attracting quality new dealers, based on, among other things, dealer margin, incentives and the performance of other dealers in the region. If we are unable to attract a sufficient number of new Ferrari dealers in targeted growth areas, our prospects could be materially adversely affected.

WE DEPEND ON OUR SUPPLIERS, MANY OF WHICH ARE SINGLE SOURCE SUPPLIERS; AND IF THESE SUPPLIERS FAIL TO DELIVER NECESSARY RAW MATERIALS, SYSTEMS, COMPONENTS AND PARTS OF APPROPRIATE QUALITY IN A TIMELY MANNER, OUR OPERATIONS MAY BE DISRUPTED.

Our business depends on a significant number of suppliers, which provide the raw materials, components, parts and systems we require to manufacture cars and parts and to operate our business. We use a variety of raw materials in our business, including aluminum, and precious metals such as palladium and rhodium. We source materials from a limited number of suppliers. We cannot guarantee that we will be able to maintain access to these raw materials, and in some cases this access may be affected by factors outside of our control and the control of our suppliers. In addition, prices for these raw materials fluctuate and while we seek to manage this exposure, we may not be successful in mitigating these risks.
As with raw materials, we are also at risk of supply disruption and shortages in parts and components we purchase for use in our cars. We source a variety of key components from third parties, including transmissions, brakes, driving-safety systems, navigation systems, mechanical, electrical and electronic parts, plastic components as well as castings and tires, which makes us dependent upon the suppliers of such components. In coming years, we will also require a greater number of components for hybrid and electric engines as we introduce hybrid and electric technology in our cars, and we expect producers of these components will be called upon to increase the levels of supply as the shift to hybrid or electric technology gathers pace in the industry. While we obtain components from multiple sources whenever possible, similar to other small volume car manufacturers, most of the key components we use in our cars are purchased by us from single source suppliers. We generally do not qualify alternative sources for most of the single-sourced components we use in our cars and we do not maintain long-term agreements with a number of our suppliers. Furthermore, we have limited ability to monitor the financial stability of our suppliers.

While we believe that we may be able to establish alternate supply relationships and can obtain or engineer replacement components for our single-sourced components, we may be unable to do so in the short term, or at all, at prices or costs that we believe are reasonable. Qualifying alternate suppliers or developing our own replacements for certain highly customized components of our cars may be time consuming, costly and may force us to make costly modifications to the designs of our cars. For example, defective airbags manufactured by Takata Corporation ("Takata"), our former principal supplier of airbags, have led to widespread recalls by several automotive manufacturers starting in 2015, including us (see further *"Car* *recalls may be costly and may harm our reputation"*; see also *"Overview of Our Business—Regulatory Matters—Vehicle safety"*). Following the acquisition of Takata by Key Safety Systems ("KSS") in April 2018, Joyson Safety Systems, which is the combined company of Takata and KSS following the acquisition, is our principal supplier of the airbags installed in our cars. Failure by Joyson Safety Systems to continue the supply of airbags may cause significant disruption to our operations.

In the past, we have replaced certain suppliers because they failed to provide components that met our quality control standards. The loss of any single or limited source supplier or the disruption in the supply of components from these suppliers could lead to delays in car deliveries to our clients, which could adversely affect our relationships with our clients and also materially and adversely affect our operating results and financial condition. The supply of raw materials, parts and components may also be disrupted or interrupted by natural disasters, or by unexpected fluctuations in market demand and supply, such as the ongoing global shortage of semiconductors that started in 2021, which is impacting the automotive industry in particular. If any major disasters occur, such as earthquakes, fires, floods, hurricanes, wars, terrorist attacks, pandemics or other events, our supply chain may be disrupted, which may stop or delay production and shipment of our cars. As a result of the current geopolitical tensions and conflict between Russia and Ukraine, and the recent recognition by Russia of the independence of the self-proclaimed republics of Donetsk and Luhansk, in the Donbas region of Ukraine, the governments of the United States, the European Union, Japan and other jurisdictions have recently announced the imposition of sanctions on certain industry sectors and parties in Russia and the regions of Donetsk and Luhansk, as well as enhanced export controls on certain products and industries. These and any additional sanctions and export controls, as well as any counterresponses by the governments of Russia or other jurisdictions, could adversely affect, directly or indirectly, our supply chain, with negative implications on the availability and prices of raw materials, and our customers, as well as the global financial markets and financial services industry. See also *"We are subject to risks related to the COVID-19 pandemic that may materially and adversely affect our business"* for a discussion of the COVID-19 pandemic, which may affect our supply chain directly or indirectly.

Changes in our supply chain have in the past resulted and may in the future result in increased costs and delays in car production. We have also experienced cost increases from certain suppliers in order to meet our quality targets and development timelines and because of design changes that we have made, and we may experience similar cost increases in the future. We are negotiating with existing suppliers for cost reductions, seeking new and less expensive suppliers for certain parts, and attempting to redesign certain parts to make them less expensive to produce. If we are unsuccessful in our efforts to control and reduce supplier costs while maintaining a stable source of high quality supplies, our operating results will suffer. Additionally, cost reduction efforts may disrupt our normal production processes, thereby harming the quality or volume of our production.

Furthermore, if our suppliers fail to provide components in a timely manner or at the level of quality necessary to manufacture our cars, our clients may face longer waiting periods which could result in negative publicity, harm our reputation and relationship with clients and have a material adverse effect on our business, operating results and financial condition.

WE DEPEND ON OUR MANUFACTURING FACILITIES IN MARANELLO AND MODENA.

We assemble all of the cars that we sell and manufacture, and all of the engines we use in our cars and sell to Maserati, at our production facility in Maranello, Italy, where we also have our corporate headquarters. We manufacture all of our car chassis in a nearby facility in Modena, Italy. Our Maranello or Modena plants could become unavailable either permanently or temporarily for a number of reasons, including contamination, power shortage or labor unrest. Alternatively, changes in law and regulation, including export, tax and employment laws and regulations, or economic conditions, including wage inflation, could make it uneconomic for us to continue manufacturing our cars in Italy. In the event that we were unable to continue production at either of these facilities or it became uneconomic for us to continue to do so, we would need to seek alternative manufacturing arrangements which would take time and reduce our ability to produce sufficient cars to meet demand. Moving manufacturing to other locations may also affect the perception of our brand and car quality among our clients. Such a transfer would materially reduce our revenues and could require significant investment, which as a result could have a material adverse effect on our business, results of operations and financial condition.

Maranello and Modena are located in the Emilia-Romagna region of Italy which has the potential for seismic activity. For instance, in 2012 a major earthquake struck the region, causing production at our facilities to be temporarily suspended for one day. If major disasters such as earthquakes, fires, floods, hurricanes, wars, terrorist attacks, pandemics or other events occur, our headquarters and production facilities may be seriously damaged, or we may stop or delay production and shipment of our cars. See also *"We are subject to risks related to the COVID-19 pandemic that may materially and adversely affect our business"* for a discussion of the COVID-19 pandemic. Such damage from disasters or unpredictable events could have a material adverse impact on our business, results from operations and financial condition.

WE RELY ON OUR LICENSING AND FRANCHISING PARTNERS TO PRESERVE THE VALUE OF OUR LICENSES AND THE FAILURE TO MAINTAIN SUCH PARTNERS COULD HARM OUR BUSINESS.

We currently have multi-year agreements with licensing partners for various Ferrari-branded products in the sports, lifestyle and luxury retail segments. We also have multi-year agreements with franchising partners for our Ferrari stores and theme park. In the future, we may enter into additional licensing or franchising arrangements. Many of the risks associated with our own products, including risks relating to the image of the Ferrari brand and its aura of exclusivity, as well as to the demand for luxury goods, also apply to our licensed products and franchised stores. In addition, there are problems that our licensing or franchising partners may experience, including risks associated with each licensing partner's ability to obtain capital, manage its labor relations, maintain relationships with its suppliers, manage its credit and bankruptcy risks, and maintain client relationships. While we maintain significant control over the products produced for us by our licensing partners and the franchisees running our Ferrari stores and theme parks, any of the foregoing risks, or the inability of any of our licensing or franchising partners to execute on the expected design and quality of the licensed products, Ferrari stores and theme park, or otherwise exercise operational and financial control over its business, may result in loss of revenue and competitive harm to our operations in the product categories where we have entered into such licensing or franchising arrangements. While we select our licensing and franchising partners with care, any negative publicity surrounding such partners could have a negative effect on licensed products, the Ferrari stores and theme parks or the Ferrari brand. Further, while we believe that we could replace our existing licensing or franchising partners if required, our inability to do so for any period of time could materially adversely affect our revenues and harm our business.

In connection with our new brand diversification strategy announced in November 2019, we continue to streamline our existing arrangements with licensing partners and decrease the volume of our licensing business. This may adversely affect our results from brand activities, particularly in the short to medium term while our broader brand diversification strategy is carried out.

WE DEPEND ON THE STRENGTH OF OUR TRADEMARKS AND OTHER INTELLECTUAL PROPERTY RIGHTS.

Given the importance of our brand's recognition on our financial performance and strategy, we believe that our trademarks and other intellectual property rights are fundamental to our success and market position. Therefore, our business depends on our ability to protect and promote our trademarks and other intellectual property rights. Accordingly, we devote substantial efforts to the establishment and protection of our trademarks and other intellectual property rights such as registered designs and patents on a worldwide basis. We believe that our trademarks and other intellectual property rights are adequately supported by applications for registrations, existing registrations and other legal protections in our principal markets. However, we cannot exclude the possibility that our intellectual property rights may be challenged by others, or that we may be unable to register our trademarks or otherwise adequately protect them in some jurisdictions, especially in those foreign countries that do not respect and protect intellectual property rights to the same extent as do the United

States, Japan and European countries. If a third party were to register our trademarks, or similar trademarks, in a country where we have not successfully registered such trademarks, it could create a barrier to our commencing trade under those marks in that country.

WE MAY FAIL TO ADEQUATELY PROTECT OUR INTELLECTUAL AND INDUSTRIAL PROPERTY RIGHTS AGAINST INFRINGEMENT OR MISAPPROPRIATION BY THIRD PARTIES.

Our success and competitive positioning depend on, among other factors, our registered intellectual property rights, as well as other industrial or intellectual property rights, including confidential know-how, trade secrets, database rights and copyrights.

To protect our intellectual property, we rely on intellectual property laws, agreements for the protection of trade secrets, confidentiality and non-disclosure agreements, and other contractual means.
Such measures, however, may be inadequate and our intellectual property rights may be infringed or challenged by third parties, and our confidential know-how or trade secrets could be misappropriated or disclosed to the public without our consent. Consultants, vendors and current and former employees, for example, could violate their confidentiality obligations and restrictions on the use of Ferrari's intellectual property. Ferrari may not be able to prevent such infringements, misappropriations or disclosures, with potential adverse effects on our brand, reputation and business. In particular, our components may be subject to product piracy, where our components are counterfeited, which may result in reputational risk for Ferrari. The risks described above arise particularly in our Brand activities (see *"Overview of Our Business—Brand Diversification Strategy"*).

If we fail to adequately protect our intellectual property rights, this may adversely affect our results of operations and financial condition, as other manufacturers may be able to manufacture similar products at lower cost, with adverse effects on our competitive position. In addition, counterfeited products, or products illegally branded as "Ferrari", may damage our brand. In addition, we may incur high costs in reacting to infringements or misappropriations of our intellectual property rights.

THIRD PARTIES MAY CLAIM THAT WE INFRINGE THEIR INTELLECTUAL PROPERTY RIGHTS.

We believe that we hold all the rights required for our business operations (including intellectual property rights and third-party licenses). However, we are exposed to potential claims from third parties alleging that we infringe their intellectual property rights, since many competitors and suppliers also submit patent applications for their inventions and secure patent protection or other intellectual property rights. If we are unsuccessful in defending against any such claim, we may be required to pay damages or comply with injunctions which may disrupt our operations. We may also as a result be forced to enter into royalty or licensing agreements on unfavorable terms or to redesign products to comply with third parties' intellectual property rights.

OUR REVENUES FROM FORMULA 1 ACTIVITIES MAY DECLINE AND OUR RELATED EXPENSES MAY GROW.

Revenues from our Formula 1 activities depend principally on the income from our sponsorship agreements and on our share of Formula 1 revenues from broadcasting and other sources. See *"Overview of Our Business—Formula 1 Activities."* If we are unable to renew our existing sponsorship agreements or if we enter into new or renewed sponsorship agreements with less favorable terms, our revenues would decline. In addition, our share of profits related to Formula 1 activities may decline if either our team's performance worsens compared to other competing teams, or if the overall Formula 1 business suffers, including potentially as a result of increasing popularity of the FIA Formula E championship or other racing events.
Furthermore, in order to compete effectively on track we have been investing significant resources in research and development and to competitively compensate the best available drivers and other racing team members. These expenses also vary based on changes in Formula 1 regulations that require modification to our racing engines and cars. These expenses are expected to continue, and may grow further, including as a result of any changes in Formula 1 regulations, which would negatively affect our results of operations.
On October 31, 2019, the World Council (Formula 1's legislative body) approved new technical, sporting and financial rules, following the extensive talks held in the past two years among the owners of the Formula 1 business and all teams with regards to the arrangements relating to the participation of

Ferrari and the other teams competing in the championship in the period following the 2020 expiration of the previous arrangements between racing teams and the operator of Formula 1. The new rules provide for, among other things, a new car design, a cap of $142 million in 2022 and $137 million in 2023 (assuming 23 grand prix races in both years), to be further reduced in subsequent years, for all costs and expenses covering on-track performance (excluding, among others, the activities to enable the supply of power units, marketing costs, drivers' salaries and the top three personnel at each team), limits on car upgrades over race weekends, restrictions on the number of times that certain components can be replaced during a race and the standardization of certain parts. While it was originally planned that the new sporting and technical regulations would come into effect in 2021, in March 2020, Formula 1, FIA and the racing teams agreed to postpone effectiveness of such regulations to 2022 due to the disruption to the 2020 Formula 1 season caused by COVID-19. The financial regulations (including the budget cap) came into force on January 1, 2021. Compliance with the final set of rules approved by the World Council requires significant changes to our racing cars, processes and operations, and the rules may be subject to further changes in the future. If we are unable to effectively adapt our cars to comply with changes in Formula 1 regulations, our performance at the races may suffer. These changes may result in adverse effects on our revenues and results of operations. In particular, the new cap on expenses affects the amount of resources that we are allowed to allocate to Formula 1 activities, with potential adverse effects on our team's performance if we are not able to optimize such resources.

ENGINE PRODUCTION REVENUES ARE DEPENDENT ON MASERATI'S ABILITY TO SELL ITS CARS.

We produce V8 and V6 engines for Maserati. We have a multi-year arrangement with Maserati to provide V6 engines through 2023. While Maserati is required to compensate us for certain production costs, in the event that the sales of Maserati cars decline compared to the contractual requirements of our engine production agreements with Maserati, our revenues from the sale of engines may be adversely affected.

WE FACE RISKS ASSOCIATED WITH OUR INTERNATIONAL OPERATIONS, INCLUDING UNFAVORABLE REGULATORY, POLITICAL, TAX AND LABOR CONDITIONS AND ESTABLISHING OURSELVES IN NEW MARKETS, ALL OF WHICH COULD HARM OUR BUSINESS.

We currently have international operations and subsidiaries in various countries and jurisdictions in Europe, North America and Asia that are subject to the legal, political, regulatory, tax and social requirements and economic conditions in these jurisdictions. Additionally, as part of our growth strategy, we will continue to expand our sales, maintenance, and repair services internationally. However, such expansion requires us to make significant expenditures, including the establishment of local operating entities, hiring of local employees and establishing facilities in advance of generating any revenue. We are subject to a number of risks associated with international business activities that may increase our costs, impact our ability to sell our cars and require significant management attention. These risks include:

- conforming our cars to various international regulatory and safety requirements where our cars are sold, or homologated;
- difficulty in establishing, staffing and managing foreign operations;
- difficulties attracting clients in new jurisdictions;
- foreign government taxes, regulations and permit requirements, including foreign taxes that we may not be able to offset against taxes imposed upon us in Italy;
- fluctuations in foreign currency exchange rates and interest rates, including risks related to any interest rate swap or other hedging activities we undertake;
- our ability to enforce our contractual and intellectual property rights, especially in those foreign countries that do not respect and protect intellectual property rights to the same extent as do the United States, Japan and European countries, which increases the risk of unauthorized, and uncompensated, use of our technology;
- European Union and foreign government trade restrictions, customs regulations, tariffs and price or exchange controls;
- foreign labor laws, regulations and restrictions;

- preferences of foreign nations for domestically produced cars;
- changes in diplomatic and trade relationships;
- political instability, natural disasters, war or events of terrorism; and
- the strength of international economies.

If we fail to successfully address these risks, many of which we cannot control, our business, operating results and financial condition could be materially harmed.

NEW LAWS, REGULATIONS, OR POLICIES OF GOVERNMENTAL ORGANIZATIONS REGARDING INCREASED FUEL ECONOMY REQUIREMENTS, REDUCED GREENHOUSE GAS OR POLLUTANT EMISSIONS, OR VEHICLE SAFETY, OR CHANGES IN EXISTING LAWS, MAY HAVE A SIGNIFICANT EFFECT ON OUR COSTS OF OPERATION AND/OR HOW WE DO BUSINESS.

We are subject throughout the world to comprehensive and constantly evolving laws, regulations and policies. We expect the extent of the legal and regulatory requirements affecting our business and our costs of compliance to continue to increase significantly in the future. In Europe and the United States, for example, significant governmental regulation is driven by environmental, fuel economy, vehicle safety and noise emission concerns. Evolving regulatory requirements could significantly affect our product development plans and may limit the number and types of cars we sell and where we sell them, which may affect our revenue. Governmental regulations may increase the costs we incur to design, develop and produce our cars and may affect our product portfolio. Regulation may also result in a change in the character or performance characteristics of our cars which may render them less appealing to our clients. We anticipate that the number and extent of these regulations, and their effect on our cost structure and product line-up, will increase significantly in the future.

Current European legislation limits fleet average greenhouse gas emissions for new passenger cars. Due to our small volume manufacturer ("SVM") status we benefit from a derogation from the existing emissions requirement and we are instead required to meet, by 2021, alternative targets for our fleet of EU-registered vehicles. Despite global shipments exceeding 10,000 vehicles in 2019, Ferrari still qualifies as an SVM under EU regulations, since its total number of registered vehicles in the EU per year is less than 10,000 vehicles. On July, 14, 2021, the European Commission published a proposal to amend the EU 2019/631, which, among other things, would repeal from 2030 the derogation granted to SMVs. If the proposed amendment is confirmed in the final rule, this may have a significant effect on our costs.

Switzerland has historically adopted the targets approved by the European Commission. On November 24, 2021, the Swiss Federal Council amended the CO_2 emission regulations for cars and vans and starting from January 1, 2022 the vehicles of niche and small volume manufacturers will have to meet the same CO_2 emission targets as those of large volume manufacturers. This change in legislation is expected to result in additional costs for Ferrari, either through penalties or the purchase of emissions credits from other manufacturers.

In the United States, the U.S. Environmental Protection Agency ("EPA") and the National Highway Traffic Safety Administration ("NHTSA") have set the federal standards for passenger cars and light trucks to meet certain combined average greenhouse gas ("GHG") and fuel economy ("CAFE") levels and more stringent standards have been prescribed for model years 2017 through 2025. Since Ferrari is considered to be an SVM under EPA GHG regulations (as it produces less than 5,000 vehicles per model year for the US market), we expect to benefit from a derogation from currently applicable standards. We also petitioned the EPA for alternative standards for the model years 2017-2021 and 2022-2025, which are aligned to our technical and economic capabilities. On June 25, 2020, the EPA Administrator signed the final determination for alternative GHG standards for SVMs for model years 2017 through 2021 and issued final alternative GHG standards for us and other SVMs. In September 2016 we petitioned the NHTSA for recognition as an independent manufacturer of less than 10,000 vehicles produced globally and we proposed alternative CAFE standards for model years 2017, 2018 and 2019. Then, in December, 2017, we amended the petition by proposing alternative CAFE standards for model years 2016, 2017 and 2018 instead, covering also the 2016 model year. In 2019, our global production exceeded 10,000 vehicles, and therefore we are

no longer considered an SVM by the NHTSA for the model year 2019. We previously purchased the CAFE credits needed to fulfill this deficit. On July 15, 2020, we submitted to the NHTSA a petition for an exemption from the CAFE standards for the model year 2020. We proceeded with this submission because, although Ferrari originally intended to produce more than 10,000 vehicles in 2020, actual production was lower than 10,000 vehicles as a result of the COVID-19 pandemic and the related shutdown of our production facilities. Therefore, since we met the NHTSA definition of SVM, we have requested an alternative fleet average GHG standard for model year 2020. The NHTSA has confirmed that it will not send a shortfall letter to Ferrari requiring payment of CAFE civil penalties or the application of CAFE credits with regard to model year 2020 until the NHTSA has ruled on Ferrari's petitions for an alternative standard. If our petitions are rejected, we will not be able to benefit from the more favorable CAFE standard levels which we have petitioned for and this may require us to purchase additional CAFE credits in order to comply with applicable CAFE standards.
In 2021, our global production exceeded 10,000 vehicles again, and therefore we are no longer considered SVM by the NHTSA for the model year 2021. We already purchased the CAFE credits needed to fulfill our 2021 deficit. We expect to adopt the same approach in the coming years.
In the United States, considerable uncertainty is associated with emissions regulations in light of changing policies under the past and newly appointed administration. New regulations are in the process of being developed, and many existing and potential regulatory initiatives are subject to review by federal or state agencies or the courts. On March, 31, 2020, the NHTSA and the EPA issued the final Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule (the "SAFE Vehicles Rule") setting CAFE and carbon dioxide emissions standards for model years 2021-2026 passenger cars and light trucks. Under the SAFE Vehicles Rule, the overall stringency of the federal standards is significantly reduced from the levels previously set: the final rule will increase stringency of CAFE and CO_2 emissions standards by 1.5 percent each year through model year 2026, as compared with the previous standards issued in 2012, which would have required annual increases of approximately 5 percent. In May 2021, the NHTSA issued a notice of proposed rulemaking proposing to fully repeal the regulatory text and appendices promulgated in the SAFE Vehicles Rule. In August 2021, the EPA published a notice of proposed rulemaking proposing to strengthen federal GHG emissions standards for passenger cars and light trucks by setting stringent requirements for reductions from model years 2023-2026. Consistent with the EPA approach, in September 2021, NHTSA published a notice of proposed rulemaking proposing revised fuel economy standards for passenger cars and light trucks for model years 2024-2026. The EPA and the NHTSA did not propose any changes to the regulations regarding SVM status or alternative standards.
In the state of California (which has been granted special authority under the Clean Air Act to set its own vehicle emission standards), the California Air Resources Board ("CARB") has enacted regulations under which manufacturers of vehicles for model years 2012-2025 which are in compliance with the EPA greenhouse gas emissions regulations are also deemed to be in compliance with California's greenhouse gas emission regulations (the so-called "deemed to comply" option). On December 12, 2018 the CARB amended its existing regulations to clarify that the "deemed-to-comply" provision would not be available for model years 2021-2025 if the EPA standards for those years were altered via an amendment of federal regulations. On September 19, 2019, the NHTSA and the EPA established the "One National Program" for fuel economy regulation, announcing the EPA's decision to withdraw California's waiver of preemption under the Clean Air Act, and by affirming the NHTSA's authority to set nationally applicable regulatory standards under the preemption provisions of the Energy Policy and Conservation Act (EPCA). California and other states, along with the cities of Los Angeles and New York, initiated litigation to challenge this final rule. Several environmental groups have also challenged such final rule. Ferrari currently avails itself of the "deemed-to-comply" provision to comply with CARB greenhouse gas emissions regulations. Therefore, depending on future developments, it may be necessary to also petition the CARB for SVM alternative standards and to increase the number of tests to be performed in order to follow the CARB specific procedures.
In addition, we are subject to legislation relating to the emission of other air pollutants such as, among others, the EU "Euro 6" standards and Real Driving Emissions (RDE) standards, the "Tier 3" Motor Vehicle Emission and Fuel Standards issued by

the EPA, and the Zero Emission Vehicle regulation in California, which are subject to similar derogations for SVMs. In March 2020, the European Commission launched a public consultation on its roadmap outlining the policy options that it could pursue in revising the emission standards for light and heavy duty vehicles (Euro 7). This initiative is part of the European Green Deal, advocating the European automotive industry's role as a leader in the global transition to zero-emission vehicles. More stringent air pollutant emissions standards for combustion engine vehicles are expected to be set by early 2022.

Depending on the future regulatory developments, the technological solutions required to ensure Euro 7 compliance may affect customers' expectations on performance, sound and driving experience. The European Commission is also expected to assess and evaluate the current noise emissions limits, with the risk of more stringent thresholds.

In relation to the safety legislation framework, in 2016, the NHTSA published guidelines for driver distraction, for which rulemaking activities have not progressed since early 2017. The costs of compliance associated with these and similar rulemaking may be substantial.

Other governments around the world, such as those in Canada, South Korea, China and certain Middle Eastern countries are also creating new policies to address these issues which could be even more stringent than the U.S. or European requirements. As in the United States and Europe, these government policies if applied to us could significantly affect our product development plans. In China, for example, Stage IV fuel consumption regulation targeted a national average fuel consumption of 5.0L/100km by 2020, and the Stage V regulation, issued on December 31, 2019, targets a national average fuel consumption of 4.0 l/100km by 2025. In addition to the fuel consumption target on the entire fleet, the Chinese regulation GB 19578-2021 sets specific fuel consumption limits on model types. Currently, this standard is only applicable to domestic cars, as it is not adopted by the China Certification and Accreditation Administration (CNCA). If this regulation were also applied to importers, considering the current Ferrari portfolio, only the plug-in hybrid models would be compliant.

In response to severe air quality issues in Beijing and other major Chinese cities, in 2016 the Chinese government published a more stringent emissions program (National 6), providing two different levels of stringency effective starting from 2020. Moreover, several autonomous Chinese regions and municipalities have implemented the requirements of the National 6 program even ahead of the mandated deadlines. During 2020, the Chinese Vehicle Emission Control Center (VECC) launched the "Pre-study on Next Stage Emission Standards for Light Duty Vehicles", an ongoing research project expected to be finalized in a more stringent emission program in the coming years. Depending on the future regulatory developments, the technological solutions required to ensure the compliance may affect customers' expectations on performance, sound and driving experience.

We have lost our status as an SVM for NHSTA in 2019, because our global production exceeded 10,000 vehicles, but we have not lost our SVM status for EU CO_2 regulations or for EPA GHG regulations in the United States. We could lose our status as an SVM in the EU, the United States and other countries if we do not continue to meet all of the necessary eligibility criteria under applicable regulations as they evolve, not only in relation to volumes but also in relation to the conditions of operational independence. In order to meet these criteria we may need to modify our growth plans or other operations. Furthermore, even if we continue to benefit from derogations as an SVM, we will be subject to alternative standards that the regulators deem appropriate for our technical and economic capabilities and such alternative standards may be significantly more stringent than those currently applicable to us.

Under these existing regulations, as well as new or stricter rules or policies, we could be subject to sizable civil penalties or have to restrict or modify product offerings drastically to remain in compliance. We may have to incur substantial capital expenditures and research and development expenditures to upgrade products and manufacturing facilities, which would have an impact on our cost of production and results of operation. For a description of the regulation referred to in the paragraphs above please see "*Overview of Our Business—Regulatory Matters*".
In the future, the advent of self-driving technology may result in regulatory changes that we cannot predict but may include limitations or bans on human driving in specific areas. In 2020 the European Commission issued its new digital strategy

policies, which represent a priority in the European Commission's regulatory agenda. Although no regulations have been issued in this regard, the European Commission has showed a determination to strengthen Europe's digital sovereignty and role as a standard setter, with a clear focus on data, technology, and infrastructure.

Similarly, driving bans on combustion engine vehicles could be imposed, particularly in metropolitan areas, as a result of progress in electric and hybrid technology. On September 23, 2020, the Governor of California issued an executive order requiring that all in-state sales of new passenger vehicles be zero-emission by 2035. The CARB is developing regulations to implement such executive order. During 2021, the state of Washington also moved ahead with legislation that could phase out sales of non-zero-emission vehicles by 2030. In November 2020, the UK Prime Minister, the Transport Secretary and the Business Secretary announced, in the context of the 10-Point Plan for a Green Industrial Revolution, the end of the sale of new petrol and diesel cars in the United Kingdom by 2030. This will put the United Kingdom on course to be the first G7 country to decarbonize cars and vans. Any further similar developments in the future may adversely affect the demand for our cars and our business.

In September 2017, the Chinese government issued the Administrative Measures on CAFC (Corporate Average Fuel Consumption) and NEV (New Energy Vehicle) Credits. This regulation establishes mandatory CAFC requirements, while providing additional flexibilities for SVMs (defined as manufacturers with less than 2,000 units imported in China per year) that achieve a certain minimum CAFC yearly improvement rate. Following the adoption of the Stage V fuel consumption regulation, an update to the Administrative Measures on CAFC and NEV credits was published in June 2020. The Administrative Measures have been extended to 2023. Because our CAFC is expected to exceed the regulatory ceiling, we will be required to purchase NEV credits. There is no assurance that an adequate market for NEV credits will develop in China and if we are not able to secure sufficient NEV credits this may adversely affect our business in China.

Several others regulations are also emerging to take into account the non-exhaust emissions such as brake particulate emissions and the environmental impact of the electric and hybrid vehicles components, with a particular focus on batteries and waste batteries.

To comply with current and future environmental rules in all markets in which we sell our cars, we may have to incur substantial capital expenditure and research and development expenditure to upgrade products and manufacturing facilities, which would have an impact on our cost of production and results of operations.

THE INTRODUCTION OF HYBRID AND ELECTRIC TECHNOLOGY IN OUR CARS IS COSTLY AND ITS LONG-TERM SUCCESS IS UNCERTAIN.

We are gradually but rapidly introducing hybrid and electric technology in our cars. In accordance with our strategy, we believe hybrid and electric technology will be key to providing continuing performance upgrades to our sports car customers, and will also help us capture the preferences of the urban, affluent GT cars purchasers whom we are increasingly targeting, while helping us meet increasingly stricter emissions requirements.

In 2021 we launched the 296 GTB, our third production model with Plug-in Hybrid Electric Vehicle (PHEV) technology, while in 2020 we made the first shipments of the SF90 Stradale, the first series production Ferrari to feature PHEV architecture, which integrates the internal combustion engine with three electric motors, and the launch of the SF90 Spider, the spider version of the SF90 Stradale and Ferrari's first plug-in hybrid spider. Additionally, some of our past models, such as LaFerrari and LaFerrari Aperta, also included hybrid technology. The integration of hybrid and electric technology more broadly into our car portfolio over time may present challenges and costs. We expect to increase R&D spending in the medium term particularly on hybrid and electric technology-related projects. Although we expect to price our hybrid and electric cars appropriately to recoup the investments and expenditures we are making, we cannot be certain that these expenditures will be fully recovered. In addition, this transformation of our car technology creates risks and uncertainties such as the impact on driver experience, and the impact on the cars' residual value over time, both of which may be met with an unfavorable market reaction. Other manufacturers of luxury sports cars may be more successful in implementing hybrid and electric technology. In the long-term, although we believe that combustion engines will continue to be fundamental to the Ferrari driver experience, hybrid and pure electric cars may become the prevalent technology for performance sports cars thereby displacing combustion engine models. See also *"If we are unable to keep up with advances in high performance car technology, our brand and competitive position may suffer."*

Because hybrid and electric technology is a core component of our strategy, and we expect that a significant portion of our shipments in the medium term will consist of vehicles that feature hybrid and electric technology, if the introduction of hybrid and electric cars proves too costly or is unsuccessful in the market, our business and results of operations could be materially adversely affected.

IF OUR CARS DO NOT PERFORM AS EXPECTED OUR ABILITY TO DEVELOP, MARKET AND SELL OUR CARS COULD BE HARMED.

Our cars may contain defects in design and manufacture that may cause them not to perform as expected or that may require repair. There can be no assurance that we will be able to detect and fix any defects in the cars prior to their sale to consumers. Our cars may not perform in line with our clients' evolving expectations or in a manner that equals or exceeds the performance characteristics of other cars currently available. For example, our newer cars may not have the durability or longevity of current cars, and may not be as easy to repair as other cars currently on the market. Any product defects or any other failure of our performance cars to perform as expected could harm our reputation and result in adverse publicity, lost revenue, delivery delays, product recalls, product liability claims, harm to our brand and reputation, and significant warranty and other expenses, and could have a material adverse impact on our business, operating results and financial condition.

CAR RECALLS MAY BE COSTLY AND MAY HARM OUR REPUTATION.

We have in the past and we may from time to time in the future be required to recall our products to address performance, compliance or safety-related issues. We may incur costs for these recalls, including replacement parts and labor to remove and replace the defective parts. For example, in the course of 2015 and 2016, we issued a series of recalls relating to defective air bags manufactured by Takata and installed on certain of our models. Also in light of uncertainties in our ability to recover the recall costs from Takata (which filed for bankruptcy in June 2017 and was later acquired by Key Safety Systems in April 2018), we recorded a provision regarding this matter in the second quarter of 2016 for an amount of €37 million. This provision has been used over time and amounted to approximately €3 million as of December 31, 2021. For additional information related to the Takata airbag inflator recalls see *"Overview of Our Business—Regulatory Matters—Vehicle safety"*. In addition, regulatory oversight of recalls, particularly in the vehicle safety, has increased recently. Any product recalls can harm our reputation with clients, particularly if consumers call into question the safety, reliability or performance of our cars. Any such recalls could harm our reputation and result in adverse publicity, lost revenue, delivery delays, product liability claims and other expenses, and could have a material adverse impact on our business, operating results and financial condition.

WE MAY BECOME SUBJECT TO PRODUCT LIABILITY CLAIMS, WHICH COULD HARM OUR FINANCIAL CONDITION AND LIQUIDITY IF WE ARE NOT ABLE TO SUCCESSFULLY DEFEND OR INSURE AGAINST SUCH CLAIMS.

We may become subject to product liability claims, which could harm our business, operating results and financial condition. The automobile industry experiences significant product liability claims and we have inherent risk of exposure to claims in the event our cars do not perform as expected or malfunction resulting in personal injury or death. A successful product liability claim against us could require us to pay a substantial monetary award. Moreover, a product liability claim could generate substantial negative publicity about our cars and business, adversely affecting our reputation and inhibiting or preventing commercialization of future cars, which could have a material adverse effect on our brand, business, operating results and financial condition. While we seek to insure against product liability risks, insurance may be insufficient to protect against any monetary claims we may face and will not mitigate any reputational harm. Any lawsuit seeking significant monetary damages may have a material adverse effect on our reputation, business and financial condition. We may not be able to secure additional product liability insurance coverage on commercially acceptable terms or at reasonable costs when needed, particularly if we face liability for our products and are forced to make a claim under such a policy.

WE ARE EXPOSED TO RISKS IN CONNECTION WITH PRODUCT WARRANTIES AS WELL AS THE PROVISION OF SERVICES.

A number of our contractual and legal requirements oblige us to provide extensive warranties to our clients, dealers and national distributors. There is a risk that, relative to the guarantees and warranties granted, the calculated product prices and the provisions for our guarantee and warranty risks have been set or will in the future be set too low. There is also a risk that we will be required to extend the guarantee or warranty originally granted in certain markets for legal reasons, or provide services as a courtesy or for reasons of reputation where we are not legally obliged to do so, and for which we will generally not be able to recover from suppliers or insurers.

OUR INSURANCE COVERAGE MAY NOT BE ADEQUATE TO PROTECT US AGAINST ALL POTENTIAL LOSSES TO WHICH WE MAY BE SUBJECT, WHICH COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS.

We maintain insurance coverage that we believe is adequate to cover normal risks associated with the operation of our business. However, there can be no assurance that any claim under our insurance policies will be honored fully or timely, our insurance coverage will be sufficient in any respect or our insurance premiums will not increase substantially. Accordingly, to the extent that we suffer loss or damage that is not covered by insurance or which exceeds our insurance coverage, or have to pay higher insurance premiums, our financial condition may be affected.

IMPROPER CONDUCT OF EMPLOYEES, AGENTS, OR OTHER REPRESENTATIVES COULD ADVERSELY AFFECT OUR REPUTATION AND OUR BUSINESS, OPERATING RESULTS, AND FINANCIAL CONDITION.

Our compliance controls, policies, and procedures may not in every instance protect us from acts committed by our employees, agents, contractors, or collaborators that would violate the laws or regulations of the jurisdictions in which we operate, including employment, foreign corrupt practices, environmental, competition, and other laws and regulations. Such improper actions could subject us to civil or criminal investigations, and monetary and injunctive penalties. In particular, our business activities may be subject to anticorruption laws, regulations or rules of other countries in which we operate. If we fail to comply with any of these regulations, it could adversely impact our operating results and our financial condition. In addition, actual or alleged violations could damage our reputation and our ability to conduct business. Furthermore, detecting, investigating, and resolving any actual or alleged violation is expensive and can consume significant time and attention of our executive management.

A DISRUPTION IN OUR INFORMATION TECHNOLOGY, INCLUDING AS A RESULT OF CYBERCRIMES, COULD COMPROMISE CONFIDENTIAL AND SENSITIVE INFORMATION.

We depend on our information technology and data processing systems to operate our business, and a significant malfunction or disruption in the operation of our systems, human error, interruption to power supply, or a security breach that compromises the confidential and sensitive information stored in those systems, could disrupt our business and adversely impact our ability to compete. Our ability to keep our business operating effectively depends on the functional and efficient operation by us and our third party service providers of our information, data processing and telecommunications systems, including our car design, manufacturing, inventory tracking and billing and payment systems. We rely on these systems to enable a number of business processes and help us make a variety of day-to-day business decisions as well as to track transactions, billings, payments and inventory. Such systems are susceptible to malfunctions and interruptions due to equipment damage, power outages, and a range of other hardware, software and network problems. Those systems are also susceptible to cybercrime, or threats of intentional disruption, which are increasing in terms of sophistication and frequency, with the consequence that such cyber incidents may remain undetected for long periods of time. For any of these reasons, we may experience system malfunctions or interruptions. Although our systems are diversified, including multiple server locations and a range of software applications for different regions and functions, and we periodically assess and implement actions to ameliorate risks to our systems, a significant or large scale malfunction or interruption of our systems could adversely affect our ability to manage and keep our operations running efficiently, and damage our reputation if we are unable to track transactions and deliver products to our dealers and clients. A malfunction that results in a wider or sustained disruption to our business could have a material adverse effect on our business, results of operations and financial condition. In addition to supporting our operations, we use our systems to collect and store confidential and sensitive data, including information about our business, our clients and our employees.

As our technology continues to evolve, we anticipate that we will collect and store even more data in the future, and that our systems will increasingly use remote communication features that are sensitive to both willful and unintentional security breaches. Much of our value is derived from our confidential business information, including car design, proprietary technology and trade secrets, and to the extent the confidentiality of such information is compromised, we may lose our competitive advantage and our car sales may suffer. We also collect, retain and use certain personal information, including data we gather from clients for product development and marketing purposes, and data we obtain from employees. Therefore we are subject to a variety of ever-changing data protection and privacy laws on a global basis, including the EU General Data Protection Regulation, which came into force on May 25, 2018. To an increasing extent, the functionality and controls of our cars depend on in-vehicle information technology. The increased demand for a "connected car" has led to increased digitization of car systems, the wide application of software, and the creation of new, fully digital mobility services. Such technology is capable of transmitting and storing an increasing amount of personal information belonging to our customers. Any unauthorized access to in-vehicle IT systems may compromise the car security or the privacy of our customers' information and expose us to claims as well as reputational damage. Ultimately, any significant compromise in the integrity of our data security could have a material adverse effect on our business.

OUR INDEBTEDNESS COULD ADVERSELY AFFECT OUR OPERATIONS AND WE MAY FACE DIFFICULTIES IN SERVICING OR REFINANCING OUR DEBT.

As of December 31, 2021, our gross consolidated debt was approximately €2,630 million (which includes our financial services). See *"Financial Overview—Liquidity and Capital Resources—Non-GAAP Financial Measures—Net Debt and Net Industrial Debt"* for additional information. Our current and long-term debt requires us to dedicate a portion of our cash flow to service interest and principal payments and, if interest rates rise, this amount may increase. In addition, our existing debt may limit our ability to raise further capital or incur additional indebtedness to execute our growth strategy or otherwise may place us at a competitive disadvantage relative to competitors that have less debt. To the extent we become more leveraged, the risks described above would increase. We may also have difficulty refinancing our existing debt or incurring new debt on terms that we would consider to be commercially reasonable, if at all.

CAR SALES DEPEND IN PART ON THE AVAILABILITY OF AFFORDABLE FINANCING.

In certain regions, financing for new car sales has been available at relatively low interest rates for several years due to, among other things, expansive government monetary policies. To the extent that interest rates may rise generally based on governmental monetary policies or actions of central banks, market rates for new car financing are expected to rise as well, which may make our cars less affordable to clients or cause consumers to purchase less expensive cars, adversely affecting our results of operations and financial condition. Following widespread indications of returning inflation in several major economies, central banks are signaling that interest rate increases may be expected in coming periods. Additionally, if consumer interest rates increase substantially or if financial service providers tighten lending standards or restrict their lending to certain classes of credit, our clients may choose not to, or may not be able to, obtain financing to purchase our cars.

WE MAY NOT BE ABLE TO PROVIDE ADEQUATE ACCESS TO FINANCING FOR OUR DEALERS AND CLIENTS, AND OUR FINANCIAL SERVICES OPERATIONS MAY BE DISRUPTED.

Our dealers enter into wholesale financing arrangements to purchase cars from us to hold in inventory or to use in showrooms and facilitate retail sales, and retail clients use a variety of finance and lease programs to acquire cars.

In most markets, we rely either on controlled or associated finance companies or on commercial relationships with third parties, including third party financial institutions, to provide financing to our dealers and retail clients. Finance companies are subject to various risks that could negatively affect their ability to provide financing services at competitive rates, including:

- the performance of loans and leases in their portfolio, which could be materially affected by delinquencies or defaults;
- higher than expected car return rates and the residual value performance of cars they lease; and
- fluctuations in interest rates and currency exchange rates.

Furthermore, to help fund our retail and wholesale financing business, our financial services companies in the United States also access forms of funding available from the banking system in each market, including sales or securitization of receivables either in negotiated sales or through asset-backed financing programs. At December 31, 2021, an amount of $1,020 million was outstanding under revolving securitizations carried out by Ferrari Financial Services Inc. See *"Financial Overview—Liquidity and Capital Resources—Non-GAAP Financial Measures—Net Debt and Net Industrial Debt"* for additional information. Should we lose the ability to access the securitization market at advantageous terms or at all, the funding of our controlled or associated finance companies would become more difficult and expensive and our financial condition may therefore be adversely affected.

Any financial services provider, including our controlled finance companies, will face other demands on its capital, as well as liquidity issues relating to other investments or to developments in the credit markets. Furthermore, they may be subject to regulatory changes that may increase their costs, which may impair their ability to provide competitive financing products to our dealers and retail clients. To the extent that a financial services provider is unable or unwilling to provide sufficient financing at competitive rates to our dealers and retail clients, such dealers and retail clients may not have sufficient access to financing to purchase or lease our cars. As a result, our car sales and market share may suffer, which would adversely affect our results of operations and financial condition.

Our dealer and retail customer financing in Europe are mainly provided through our partnership with FCA Bank S.p.A. ("FCA Bank"), a joint venture between FCA Italy S.p.A. and Crédit Agricole Consumer Finance S.A. ("CACF"). If we fail to maintain our partnership with FCA Bank or in the event of a termination of the joint venture or change of control of one of our joint venture partners, we may not be able to find a suitable alternative partner with similar resources and experience and continue to offer financing services to support the sales of Ferrari cars in key European markets, which could adversely affect our results of operations and financial condition. In December 2021, Stellantis N.V. (hereinafter also "Stellantis" and together with its subsidiaries, the "Stellantis Group") communicated its intention to create a leading operational leasing group and enhanced captive finance arm. As part of the proposed transaction, CACF is expected to acquire the 50 percent stake in FCA Bank currently owned by Stellantis. We will continue to monitor future developments in this area and evaluate any potential impacts on our partnership with FCA Bank.

LABOR LAWS AND COLLECTIVE BARGAINING AGREEMENTS WITH OUR LABOR UNIONS COULD IMPACT OUR ABILITY TO OPERATE EFFICIENTLY.

All of our production employees are represented by trade unions, are covered by collective bargaining agreements and/or are protected by applicable labor relations regulations that may restrict our ability to modify operations and reduce costs quickly in response to changes in market conditions. These regulations and the provisions in our collective bargaining agreements may impede our ability to restructure our business successfully to compete more efficiently and effectively, especially with those automakers whose employees are not represented by trade unions or are subject to less stringent regulations, which could have a material adverse effect on our results of operations and financial condition.

WE ARE SUBJECT TO RISKS ASSOCIATED WITH EXCHANGE RATE FLUCTUATIONS, INTEREST RATE CHANGES, CREDIT RISK AND OTHER MARKET RISKS.

We operate in numerous markets worldwide and are exposed to market risks stemming from fluctuations in currency and interest rates. In particular, changes in exchange rates between the Euro and the main foreign currencies in which we operate affect our revenues and results of operations. For other risks related to a rise in interest rates, see also *"Our indebtedness could adversely affect our operations and we may face difficulties in servicing or refinancing our debt"* and *"Car sales depend in part on the availability of affordable financing"*. The exposure to currency risk is mainly linked to the differences in geographic distribution of our sourcing and manufacturing activities from those in our commercial activities, as a result of which our cash flows from sales are denominated in currencies different from those connected to purchases or production activities. For example, we incur a large portion of our capital and operating expenses in Euro while we receive the majority of our revenues in currencies other than Euro. In addition, foreign exchange movements might also negatively affect the relative purchasing power of our clients which could also have an adverse effect on our results of operations. For example, the U.S. Dollar remained relatively stable during the first half of 2021 and appreciated against the Euro during the second half of 2021, while the pound sterling appreciated against the Euro throughout the year 2021. No significant adverse movements in foreign exchange rates have occurred in early 2022. If the U.S. Dollar or some other currencies were to depreciate against the Euro, we expect that it would adversely impact our revenues and results of operations. The extent of adverse impacts from exchange rate fluctuations could increase if the portion of our business in countries outside of Eurozone increases. See *"Financial Overview—Trends, Uncertainties and Opportunities"*.

We seek to manage risks associated with fluctuations in currency through financial hedging instruments. Although we seek to manage our foreign currency risk in order to minimize any negative effects caused by rate fluctuations, including through hedging activities, there can be no assurance that we will be able to do so successfully, and our business, results of operations and financial condition could nevertheless be adversely affected by fluctuations in market rates, particularly if these conditions persist.

Our financial services activities are also subject to the risk of insolvency of dealers and retail clients, as well as unfavorable economic conditions in markets where these activities are carried out. Despite our efforts to mitigate such risks through the credit approval policies applied to dealers and retail clients, there can be no assurances that we will be able to successfully mitigate such risks, particularly with respect to a general change in economic conditions.

CHANGES IN TAX, TARIFF OR FISCAL POLICIES COULD ADVERSELY AFFECT DEMAND FOR OUR PRODUCTS.

Imposition of any additional taxes and levies designed to limit the use of automobiles could adversely affect the demand for our vehicles and our results of operations. Changes in corporate and other taxation policies as well as changes in export and other incentives given by various governments, or import or tariff policies, could also adversely affect our results of operations. The impact of any such tariffs on our operations and results is uncertain and could be significant, and we can provide no assurance that any strategies we implement to mitigate the impact of such tariffs or other trade actions will be successful. While we are managing our product development and production operations on a global basis to reduce costs and lead times, unique national or regional standards can result in additional costs for product development, testing and manufacturing. Governments often require the implementation of new requirements during the middle of a product cycle, which can be substantially more expensive than accommodating these requirements during the design phase of a new product. The imposition of any additional taxes and levies or change in government policy designed to limit the use of high performance sports cars or automobiles more generally, or any decisions by policymakers to implement taxes on luxury automobiles, could also adversely affect the demand for our cars. The occurrence of the above may have a material adverse effect on our business, results of operations and financial condition.

IF WE WERE TO LOSE OUR AUTHORIZED ECONOMIC OPERATOR CERTIFICATE, WE MAY BE REQUIRED TO MODIFY OUR CURRENT BUSINESS PRACTICES AND TO INCUR INCREASED COSTS, AS WELL AS EXPERIENCE SHIPMENT DELAYS.

Because we ship and sell our cars in numerous countries, the customs regulations of various jurisdictions are important to our business and operations. To expedite customs procedure, we obtained the European Union's Authorized Economic Operator (AEO) certificate. The AEO certificate is granted to operators that meet certain requirements regarding supply chain security and the safety and compliance with law of the operator's customs controls and procedures. Operators are audited periodically for continued compliance with the requirements. The AEO certificate allows us to benefit from special expedited customs treatment, which significantly facilitates the shipment of our cars in the various markets where we operate. If we were to lose the AEO status, including for failure to meet one of the certification's requirements, we would be required to change our business practices and to adopt standard customs procedures for the shipment of our cars. This could result in increased costs and shipment delays, which, in turn, could negatively affect our results of operations.

RISKS RELATED TO OUR COMMON SHARES

THE MARKET PRICE AND TRADING VOLUME OF OUR COMMON SHARES MAY BE VOLATILE, WHICH COULD RESULT IN RAPID AND SUBSTANTIAL LOSSES FOR OUR SHAREHOLDERS.

The market price of our common shares may be highly volatile and could be subject to wide fluctuations. In addition, the trading volume of our common shares may fluctuate and cause significant price variations to occur. If the market price of our common shares declines significantly, a shareholder may be unable to sell their common shares at or above their purchase price, if at all. The market price of our common shares may fluctuate or decline significantly in the future. Some of the factors that could negatively affect the price of our common shares, or result in fluctuations in the price or trading volume of our common shares, include:

- variations in our operating results, or failure to meet the market's earnings expectations;
- publication of research reports about us, the automotive industry or the luxury industry, or the failure of securities analysts to cover our common shares;
- departures of any members of our management team or additions or departures of other key personnel;
- adverse market reaction to any indebtedness we may incur or securities we may issue in the future;
- actions by shareholders;
- changes in market valuations of similar companies;
- changes or proposed changes in laws or regulations, or differing interpretations thereof, affecting our business, or enforcement of these laws and regulations, or announcements relating to these matters;
- adverse publicity about the automotive industry or the luxury industry generally, or particularly scandals relating to those industries, specifically;
- litigation and governmental investigations; and
- general market and economic conditions.

THE LOYALTY VOTING PROGRAM MAY AFFECT THE LIQUIDITY OF OUR COMMON SHARES AND REDUCE OUR COMMON SHARE PRICE.

The implementation of our loyalty voting program could reduce the trading liquidity and adversely affect the trading prices of our common shares. The loyalty voting program is intended to reward our shareholders for maintaining long-term share ownership by granting initial shareholders and persons holding our common shares continuously for at least three years the option to elect to receive special voting shares. Special voting shares cannot be traded and, if common shares participating in the loyalty voting program are sold they must be deregistered from the loyalty register and any corresponding special voting shares transferred to us for no consideration (om niet). This loyalty voting program is designed to encourage a stable shareholder base and, conversely, it may deter trading by shareholders that may be interested in participating in our loyalty voting program. Therefore, the loyalty voting program may reduce liquidity in our common shares and adversely affect their trading price.

THE INTERESTS OF OUR LARGEST SHAREHOLDERS MAY DIFFER FROM THE INTERESTS OF OTHER SHAREHOLDERS.

Exor N.V. ("Exor") is our largest shareholder, holding approximately 24.21 percent of our outstanding common shares and approximately 36.00 percent of our voting power (as of February 14, 2022). Therefore, Exor has a significant influence over these matters submitted to a vote of our shareholders, including matters such as adoption of the annual financial statements, declarations of annual dividends, the election and removal of the members of our board of directors (the "Board of Directors"), capital increases and amendments to our articles of association. In addition, as of February 14, 2022, Piero Ferrari, the Vice Chairman of Ferrari, holds approximately 10.30 percent of our outstanding common shares and approximately 15.31 percent of voting interest in us (as of February 14, 2022). The percentages of ownership and voting power above are calculated based on the number of outstanding shares net of treasury shares. As a result, Piero Ferrari also has influence in matters submitted to a vote of our shareholders. Exor and Piero Ferrari informed us that they have entered into a shareholder agreement pursuant to which they have undertaken to consult for the purpose of forming, where possible, a common view on the items on the agenda of shareholders meetings. See *"Major Shareholders—Shareholders' Agreement"*. The interests of Exor and Piero Ferrari may in certain cases differ from those of other shareholders. In addition, the sale of substantial amounts of our common shares in the public market by Piero Ferrari or the perception that such a sale could occur could adversely affect the prevailing market price of the common shares.

WE MAY HAVE POTENTIAL CONFLICTS OF INTEREST WITH STELLANTIS AND EXOR AND ITS RELATED COMPANIES.

Questions relating to conflicts of interest may arise between us and Fiat Chrysler Automobiles N.V., our former largest shareholder, renamed Stellantis N.V., in a number of areas relating to common shareholdings and management, as well as our past and ongoing relationships. There are certain overlaps among the directors and officers of us and Stellantis. For example, Mr. John Elkann, our Executive Chairman, is the Chairman and an executive director of Stellantis and Chairman and Chief Executive Officer of Exor. Certain of our other directors and officers may also be directors or officers of Stellantis or Exor, our and Stellantis's largest shareholder. These individuals owe duties both to us and to the other companies that they serve as officers and/or directors, which may create conflicts as, for example, these individuals review opportunities that may be appropriate or suitable for both us and such other companies, or we pursue business transactions in which both we and such other companies have an interest, such as our arrangement to supply engines for Maserati cars. Exor holds approximately 24.21 percent of our outstanding common shares and approximately 36.00 percent of the voting power in us (as of February 14, 2022), while it holds approximately 14.4 percent of the outstanding common shares in Stellantis (based on SEC filings). The percentages of ownership and voting power above are calculated based on the number of outstanding shares net of treasury shares. Exor also owns a controlling interest in CNH Industrial N.V., which was part of the former Fiat Group before its spin-off several years ago. These ownership interests could create actual, perceived or potential conflicts of interest when these parties or our common directors and officers are faced with decisions that could have different implications for us and Stellantis or Exor, as applicable.

OUR LOYALTY VOTING PROGRAM MAY MAKE IT MORE DIFFICULT FOR SHAREHOLDERS TO ACQUIRE A CONTROLLING INTEREST IN FERRARI, CHANGE OUR MANAGEMENT OR STRATEGY OR OTHERWISE EXERCISE INFLUENCE OVER US, WHICH MAY AFFECT THE MARKET PRICE OF OUR COMMON SHARES.

The provisions of our articles of association which establish the loyalty voting program may make it more difficult for a third party to acquire, or attempt to acquire, control of our company, even if a change of control were considered favorably by shareholders holding a majority of our common shares. As a result of the loyalty voting program, a relatively large proportion of the voting power of Ferrari could be concentrated in a relatively small number of shareholders who would have significant influence over us. As of February 14, 2022, Exor had approximately 24.21 percent of our outstanding common shares and a voting interest in Ferrari of approximately 36.00 percent. As of February 14, 2022, Piero Ferrari held approximately 10.30 percent of our outstanding common shares and, as a result of the loyalty voting mechanism, had approximately 15.31 percent of the voting power in our shares. The percentages of ownership and voting power above are calculated based on the number of outstanding shares net of treasury shares. In addition, Exor and Piero Ferrari informed us that they have entered into a shareholder agreement, summarized under *"Major Shareholders—Shareholders' Agreement"*. As a result, Exor and Piero Ferrari may exercise significant influence on matters involving our shareholders. Exor and Piero Ferrari and other shareholders participating in the loyalty voting program may have the power effectively to prevent or delay change of control or other transactions that may otherwise benefit our shareholders. The loyalty voting program may also prevent or discourage shareholder initiatives aimed at changing Ferrari's management or strategy or otherwise exerting influence over Ferrari. See *"Corporate Governance—Loyalty Voting Structure"*.

WE ARE A DUTCH PUBLIC COMPANY WITH LIMITED LIABILITY, AND OUR SHAREHOLDERS MAY HAVE RIGHTS DIFFERENT TO THOSE OF SHAREHOLDERS OF COMPANIES ORGANIZED IN THE UNITED STATES.

The rights of our shareholders may be different from the rights of shareholders governed by the laws of U.S. jurisdictions. We are a Dutch public company with limited liability *(naamloze vennootschap)*. Our corporate affairs are governed by our articles of association and by the laws governing companies incorporated in the Netherlands. The rights of our shareholders and the responsibilities of members of our Board of Directors may be different from the rights of shareholders and the responsibilities of members of board of directors in companies governed by the laws of other jurisdictions including the United States. In the performance of its duties, our Board of Directors is required by Dutch law to consider our interests and the interests of our shareholders, our employees and other stakeholders, in all cases with due observation of the principles of reasonableness and fairness. It is possible that some of these parties will have interests that are different from, or in addition to, your interests as a shareholder.

WE EXPECT TO MAINTAIN OUR STATUS AS A "FOREIGN PRIVATE ISSUER" UNDER THE RULES AND REGULATIONS OF THE SEC AND, THUS, ARE EXEMPT FROM A NUMBER OF RULES UNDER THE EXCHANGE ACT OF 1934 AND ARE PERMITTED TO FILE LESS INFORMATION WITH THE SEC THAN A COMPANY INCORPORATED IN THE UNITED STATES.

As a "foreign private issuer," we are exempt from rules under the Securities Exchange Act of 1934, as amended (the "Exchange Act") that impose certain disclosure and procedural requirements for proxy solicitations under Section 14 of the Exchange Act. In addition, our officers, directors and principal shareholders are exempt from the reporting and "short-swing" profit recovery provisions of Section 16 of the Exchange Act and the rules under the Exchange Act with respect to their purchases and sales of our common shares. Moreover, we are not required to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act, nor are we required to comply with Regulation FD, which restricts the selective disclosure of material information. Accordingly, there may be less publicly available information concerning us than there is for U.S. public companies.

OUR ABILITY TO PAY DIVIDENDS ON OUR COMMON SHARES MAY BE LIMITED AND THE LEVEL OF FUTURE DIVIDENDS IS SUBJECT TO CHANGE.

Our payment of dividends on our common shares in the future will be subject to business conditions, financial conditions, earnings, cash balances, commitments, strategic plans and other factors that our Board of Directors may deem relevant at the time it recommends approval of the dividend. Our dividend policy is subject to change in the future based on changes in statutory requirements, market trends, strategic developments, capital requirements and a number of other factors. In addition, under our articles of association and Dutch law, dividends may be declared on our common shares only if the amount of equity exceeds the paid up and called up capital plus the reserves that have to be maintained pursuant to Dutch law or the articles of association. Further, even if we are permitted under our articles of association and Dutch law to pay cash dividends on our common shares, we may not have sufficient cash to pay dividends in cash on our common shares. We are a holding company and our operations are conducted through our subsidiaries. As a result, our ability to pay dividends primarily depends on the ability of our subsidiaries, particularly Ferrari S.p.A., to generate earnings and to provide us with the necessary financial resources.

OUR MAINTENANCE OF TWO EXCHANGE LISTINGS MAY ADVERSELY AFFECT LIQUIDITY IN THE MARKET FOR OUR COMMON SHARES AND COULD RESULT IN PRICING DIFFERENTIALS OF OUR COMMON SHARES BETWEEN THE TWO EXCHANGES.

Our shares are listed on both the New York Stock Exchange ("NYSE") and the Euronext Milan. The dual listing of our common shares may split trading between the NYSE and the Euronext Milan, adversely affect the liquidity of the shares and the development of an active trading market for our common shares in one or both markets and may result in price differentials between the exchanges. Differences in the trading schedules, as well as volatility in the exchange rate of the two trading currencies, among other factors, may result in different trading prices for our common shares on the two exchanges.

IT MAY BE DIFFICULT TO ENFORCE U.S. JUDGMENTS AGAINST US.

We are organized under the laws of the Netherlands, and a substantial portion of our assets are outside of the United States. Most of our directors and senior management and our independent auditors are resident outside the United States, and all or a substantial portion of their respective assets may be located outside the United States. As a result, it may be difficult for U.S. investors to effect service of process within the United States upon these persons. It may also be difficult for U.S. investors to enforce within the United States judgments against us predicated upon the civil liability provisions of the securities laws of the United States or any state thereof. In addition, there is uncertainty as to whether the courts outside the United States would recognize or enforce judgments of U.S. courts obtained against us or our directors and officers predicated upon the civil liability provisions of the securities laws of the United States or any state thereof. Therefore, it may be difficult to enforce U.S. judgments against us, our directors and officers and our independent auditors.

STELLANTIS CREDITORS MAY SEEK TO HOLD US LIABLE FOR CERTAIN STELLANTIS OBLIGATIONS.

One step of our Separation (see *"Overview—History of the Company"*) from FCA (references to "FCA" or "FCA Group" refer to Fiat Chrysler Automobiles N.V., together with its subsidiaries, prior to the merger between FCA and Peugeot S.A. completed on January 16, 2021, which resulted in the creation of Stellantis N.V.) included a demerger from FCA of our common shares previously held by it. In connection with a demerger under Dutch law, the demerged company may continue to be liable for certain obligations of the demerging company that exist at the time of the demerger, but only to the extent that the demerging company fails to satisfy such liabilities. Based on other actions taken as part of the Separation, we do not believe we retain any liability for obligations of FCA, now Stellantis, existing at the time of the Separation. Nevertheless, in the event that Stellantis fails to satisfy obligations to its creditors existing at the time of the demerger, it is possible that those creditors may seek to recover from us, claiming that we remain liable to satisfy such obligations. While we believe we would prevail against any such claim, litigation is inherently costly and uncertain and could have an adverse effect. See *"Overview—History of the Company"*.

RISKS RELATED TO TAXATION

CHANGES TO TAXATION OR THE INTERPRETATION OR APPLICATION OF TAX LAWS COULD HAVE AN ADVERSE IMPACT ON OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

Our business is subject to various taxes in different jurisdictions (mainly Italy), which include, among others, the Italian corporate income tax ("IRES"), regional trade tax ("IRAP"), value added tax ("VAT"), excise duty, registration tax and other indirect taxes. We are exposed to the risk that our overall tax burden may increase in the future.

Changes in tax laws or regulations or in the position of the relevant Italian and non-Italian authorities regarding the application, administration or interpretation of these laws or regulations, particularly if applied retrospectively, could have negative effects on our current business model and have a material adverse effect on our business, operating results and financial condition.

In order to reduce future potential disputes with tax authorities, we seek advance agreements with tax authorities on significant matters. In particular we filed a ruling application for advance pricing agreement (APA) on transfer pricing.

In addition, tax laws are complex and subject to subjective valuations and interpretive decisions, and we will periodically be subject to tax audits aimed at assessing our compliance with direct and indirect taxes. The tax authorities may not agree with our interpretations of, or the positions we have taken or intend to take on, tax laws applicable to our ordinary activities and extraordinary transactions. In case of challenges by the tax authorities to our interpretations, we could face long tax proceedings that could result in the payment of penalties and have a material adverse effect on our operating results, business and financial condition.

On October 8, 2021, an agreement was reached between 136 countries for a two-pillar approach to international tax reform (the "OECD Agreement"). Amongst other things, Pillar One proposes a reallocation of a proportion of tax to market jurisdictions, while Pillar Two seeks to apply a global minimum effective tax rate of 15 percent starting from 2023. The OECD Agreement is likely to determine changes in corporate tax rates in a number of countries in the coming years. The impact of changes in corporate tax rates on the measurement of tax assets and liabilities depends on the nature and timing of the legislative changes in each country, which are subject to uncertainty. Additionally, there are expected changes on the horizon with respect to US tax reforms. At this time, it is expected that these changes will be substantively enacted in 2022. There was no impact on current or deferred taxes in 2021 in relation to these potential tax changes and management will continue to monitor developments in the related tax legislation going forward.

AS A RESULT OF THE DEMERGERS AND THE MERGER IN CONNECTION WITH THE SEPARATION, WE MIGHT BE JOINTLY AND SEVERALLY LIABLE WITH FCA FOR CERTAIN TAX LIABILITIES ARISEN IN THE HANDS OF FCA.

Although the Italian tax authorities confirmed in a positive advance tax ruling issued on October 9, 2015 that the demergers and the Merger that was carried out in connection with the Separation would be respected as tax-free, neutral transactions from an Italian income tax perspective, under Italian tax law we may still be held jointly and severally liable, as a result of the combined application of the rules governing the allocation of tax liabilities in case of demergers and mergers, with FCA for taxes, penalties, interest and any other tax liability arising in the actions of FCA because of violations of its tax obligations related to tax years prior to the two Demergers described in the section *"Overview—History of the Company"*.

THERE MAY BE POTENTIAL "PASSIVE FOREIGN INVESTMENT COMPANY" TAX CONSIDERATIONS FOR U.S. HOLDERS.

Shares of our stock would be stock of a "passive foreign investment company," or a PFIC, for U.S. federal income tax purposes with respect to a U.S. holder if for any taxable year in which such U.S. holder held shares of our stock, after the application of applicable "look-through rules" (i) 75 percent or more of our gross income for the taxable year consists of "passive income" (including dividends, interest, gains from the sale or exchange of investment property and rents and royalties other than rents and royalties which are received from unrelated parties in connection with the active conduct of a trade or business, as defined in applicable Treasury Regulations), or (ii) at least 50 percent of our assets for the taxable year (averaged over the year and determined based upon value) produce or are held for the production of "passive income". U.S. persons who own shares of a PFIC are subject to a disadvantageous U.S. federal income tax regime with respect to the income derived by the PFIC, the dividends they receive from the PFIC, and the gain, if any, they derive from the sale or other disposition of their shares in the PFIC.

While we believe that shares of our stock are not stock of a PFIC for U.S. federal income tax purposes, this conclusion is based on a factual determination made annually and thus is subject to change. Moreover, our common shares may become stock of a PFIC in future taxable years if there were to be changes in our assets, income or operations.

THE CONSEQUENCES OF THE LOYALTY VOTING PROGRAM ARE UNCERTAIN.

No statutory, judicial or administrative authority directly discusses how the receipt, ownership, or disposition of special voting shares should be treated for Italian or U.S. tax purposes and as a result, the tax consequences in those jurisdictions are uncertain.

The fair market value of the special voting shares, which may be relevant to the tax consequences, is a factual determination and is not governed by any guidance that directly addresses such a situation. Because, among other things, our special voting shares are not transferable (other than, in very limited circumstances, together with the associated common shares) and a shareholder will receive amounts in respect of the special voting shares only if we are liquidated, we believe and intend to take the position that the fair market value of each special voting share is minimal. However, the relevant tax authorities could assert that the value of the special voting shares as determined by us is incorrect.

The tax treatment of the loyalty voting program is unclear and shareholders are urged to consult their tax advisors in respect of the consequences of acquiring, owning and disposing of special voting shares.

WE CURRENTLY BENEFIT OR SEEK TO BENEFIT FROM CERTAIN SPECIAL TAX REGIMES, WHICH MAY NOT BE AVAILABLE IN THE FUTURE.

Italian Law no. 190/2014, as subsequently amended and supplemented, introduced an optional Patent Box regime in the Italian tax system. The Patent Box regime is a tax exemption related to, *inter alia*, the use of intellectual property assets. Business income derived from the use of each qualified intangible asset is partially exempted from taxation for both IRES and IRAP purposes. We are currently applying the Patent Box tax regime for the period from 2020 to 2024, in line with applicable tax regulations in Italy. Law Decree No. 146 as amended by the 2022 Italian budget law, replaced the former Patent Box regime (which allowed taxpayers to exempt from corporate income tax (IRES) and regional income tax (IRAP) up to 50% of their income derived from the direct or indirect exploitation of intangibles) with a 110% "super tax deduction" for R&D expenses related to eligible intangible assets. The decree provides for a specific transitional procedure between the two regimes. The amount of the related tax benefits (if any) that the Group may receive from the Patent Box or other tax regimes remains subject to uncertainty.

Furthermore, we currently calculate taxes due in Italy based, among other things, on certain tax breaks recognized by Italian tax regulations for R&D expenses and for the investments on manufacturing equipment, which result in a tax saving.

In addition, we benefit from the measures introduced in Italy by art. 110 of Law Decree no. 104/2020, converted into Law no.126/2020, which re-opened the voluntary step up of tangible and intangible assets, with the application of a three-percent substitutive tax rate. The 2022 budget law introduced some retroactive changes to the step-up regime. In particular, the 2022 budget law provides for an extension from 18 years to 50 years of the amortization period for tax purposes for any trademarks and goodwill that benefited from the step-up regime. The modification even if reduces our annual financial benefit does not affect the overall positive impact of the incentive.

These measures continue to mitigate the tax burden in Italy. Significant changes in regulations or interpretation might adversely affect the availability of such exemptions and result in higher tax charges. See also *"Changes to taxation or the interpretation or application of tax laws could have an adverse impact on our results of operations and financial condition."*


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OVERVIEW

FERRARI IS AMONG THE WORLD'S LEADING LUXURY BRANDS, FOCUSED ON THE DESIGN, ENGINEERING, PRODUCTION AND SALE OF THE WORLD'S MOST RECOGNIZABLE LUXURY PERFORMANCE SPORTS CARS. OUR BRAND SYMBOLIZES EXCLUSIVITY, INNOVATION, STATE-OF-THE-ART SPORTING PERFORMANCE AND ITALIAN DESIGN AND ENGINEERING HERITAGE.

Our name and history and the image enjoyed by our cars are closely associated with our Formula 1 racing team, Scuderia Ferrari, the most successful racing team in the history of Formula 1. From the inaugural year of Formula 1 in 1950 through the present, Scuderia Ferrari has won 238 Grand Prix races, 16 Constructors' World titles and 15 Drivers' World titles. We are the only team which has taken part in all the editions of the Championship, racing in more than 1,000 Formula 1 Grand Prix races.

We believe our history of excellence, technological innovation and defining style transcends the automotive industry, and is the foundation of the Ferrari brand and image. We design, engineer and produce our cars in Maranello, Italy, and sell them in over 60 markets worldwide through a network of 172 authorized dealers operating 191 points of sale as of the end of 2021.

We believe our cars are the epitome of performance, luxury and styling.
Our product offering comprises four main pillars: the sports range, the GT range, special series and Icona, a line of modern cars inspired by our iconic cars of the past. Our current product range (including cars presented in 2021, for which shipments will commence in future years) is comprised of six sports cars (the 812 GTS, the Ferrari F8 Tributo, the Ferrari F8 Spider, the 296 GTB, the SF90 Stradale and the SF90 Spider), two GT cars (the Ferrari Roma and the Ferrari Portofino M), two special series cars (the 812 Competizione and the 812 Competizione A), two versions of our first Icona model, the Ferrari Monza SP1 and the Ferrari Monza SP2, as well as the recently presented new model in the Icona range, the Ferrari Daytona SP3.

In 2021 we completed the shipments of the 812 Superfast, while the shipments of the Ferrari Monza SP1 and SP2 will be completed in the first quarter of 2022. We also produce limited edition hypercars and one-off cars. Our most recent hypercar, the LaFerrari Aperta, was launched in 2016 to celebrate our 70th Anniversary and finished its limited series run in 2018. In 2021, we launched 4 new models, including the 296 GTB, a new PHEV featuring a new V6 engine, the limited series V12 812 Competizione and 812 Competizione A, and the new Icona series model, the Ferrari Daytona SP3, and we have launched 13 models in accordance with our plan to launch 15 new models by 2022 as announced at our 2018 Capital Markets Day.

In 2021, we shipped 11,155 cars and recorded net revenues of €4,271 million, EBIT of €1,075 million, net profit of €833 million and earnings before interest, taxes, depreciation, and amortization (EBITDA) of €1,531 million. For additional information regarding EBITDA, including a reconciliation of EBITDA to net profit, as well as other non-GAAP financial measures we present, see *"Financial Overview—Liquidity and Capital Resources—Non-GAAP Financial Measures"*.

Whilst broadening our product portfolio to target a larger customer base, we continue to pursue a low volume production strategy in order to maintain a reputation for exclusivity and scarcity among purchasers of our cars and we carefully manage our production volumes and delivery waiting lists to promote this reputation. We divide our regional markets into (i) EMEA, (ii) Americas, (iii) Mainland China, Hong Kong and Taiwan, and (iv) Rest of APAC, which represented respectively 49.2 percent, 25.4 percent, 8.1 percent and 17.3 percent of units shipped in 2021. The geographical distribution of shipments reflects deliberate allocations driven by the phase-in pace of individual models.

HISTORY OF THE COMPANY

Ferrari was incorporated as a public limited liability company (*naamloze vennootschap*) under the laws of the Netherlands on September 4, 2015 with an indefinite duration. Our official seat (*statutaire zetel*) is in Amsterdam, the Netherlands, and our corporate address and principal place of business are located at Via Abetone Inferiore n. 4, I-41053 Maranello (MO), Italy. Ferrari is registered with the Dutch Trade Register of the Chamber of Commerce under number 64060977. Its telephone number is +39-0536-949111. The name and address of the Company's agent in the United States is: Ferrari North America, Inc., 250 Sylvan Avenue, Englewood Cliffs, NJ 07632. Its telephone number is +1 (201) 816 2600.

Our company is named after our founder Enzo Ferrari. An Alfa Romeo driver since 1924, Enzo Ferrari founded his own racing team, Scuderia Ferrari, in Modena in 1929 initially to race Alfa Romeo cars. In 1939 he set up his own company, initially called Auto Avio Costruzioni. In late 1943, Enzo Ferrari moved his headquarters from Modena to Maranello, which remains our headquarters to this day.

In 1947, we produced our first racing car, the 125 S. The 125 S's powerful 12 cylinder engine would go on to become synonymous with the Ferrari brand. In 1948, the first road car, the Ferrari 166 Inter, was produced. Styling quickly became an integral part of the Ferrari brand.

In 1950, we began our participation in the Formula 1 World Championship, racing in the world's second Grand Prix in Monaco, which makes Scuderia Ferrari the longest running Formula 1 team.
We won our first Constructor World Title in 1952. Our success on the world's tracks and roads extends beyond Formula 1, including victories in some of the most important car races such as the 24 Hours of Le Mans, the world's oldest endurance automobile race, and the 24 Hours of Daytona.

The Fiat group acquired a 50 percent stake in Ferrari S.p.A. in 1969 and increased its stake to 90 percent in 1988 following the death of Enzo Ferrari, with the remaining 10 percent held by Enzo Ferrari's son, Piero Ferrari. Ferrari became an independent, publicly traded company following its separation from FCA (renamed Stellantis in January 2021, following the merger of Peugeot S.A. with and into FCA), which was completed on January 3, 2016 (the "Separation") and occurred through a series of transactions including (i) an intragroup restructuring which resulted in the Company's acquisition of the assets and business of Ferrari North Europe Limited and the transfer by FCA of its 90 percent shareholding in Ferrari S.p.A. to the Company, (ii) the transfer of Piero Ferrari's 10 percent shareholding in Ferrari S.p.A. to the Company, (iii) the initial public offering of common shares of the Company on the New York Stock Exchange in October 2015 under the ticker symbol RACE, and (iv) the distribution, following the initial public offering, of FCA's remaining interest in the Company to FCA's shareholders. On January 4, 2016 the Company also completed the listing of its common shares on the Mercato Telematico Azionario ("MTA", subsequently renamed Euronext Milan), under the ticker symbol RACE.

INDUSTRY OVERVIEW

Within the luxury goods market, we define our target market for luxury performance cars as two-door cars powered by engines producing more than 500 hp and selling at a retail price in excess of Euro 150,000 (including VAT). The luxury performance car market historically has followed relatively closely growth patterns in the broader luxury market. The luxury performance car market is generally affected by global macroeconomic conditions and, although we and certain other manufacturers have proven relatively resilient, general downturns can have a disproportionate impact on sales of luxury goods in light of the discretionary nature of consumer spending in this market. Furthermore, because of the emotional nature of the purchasing decision, economic confidence and factors such as expectations regarding future income streams as well as the social acceptability of luxury goods may impact sales.

Following the sharp recession of 2008-2009, the luxury performance car market has been resilient to further economic downturns and stagnation in the broader economy, also a result of the increase of new product launches. A sustained period of wealth creation in several Asian countries and, to a lesser extent, in the Americas, has led to an expanding population of potential consumers of luxury goods. Developing consumer preferences in the Asian markets, where the newly affluent are increasingly embracing western brands of luxury products, have also led to higher demand for cars in our segment, which are all produced by established European manufacturers. In turn, the changing demographic of customers and potential customers is driving an evolution towards luxury performance cars more suited to an urban, daily use.

Additionally, the growing appetite of younger affluent purchasers for luxury performance cars has led to new entrants, which in turn has resulted in higher sales overall in the market.

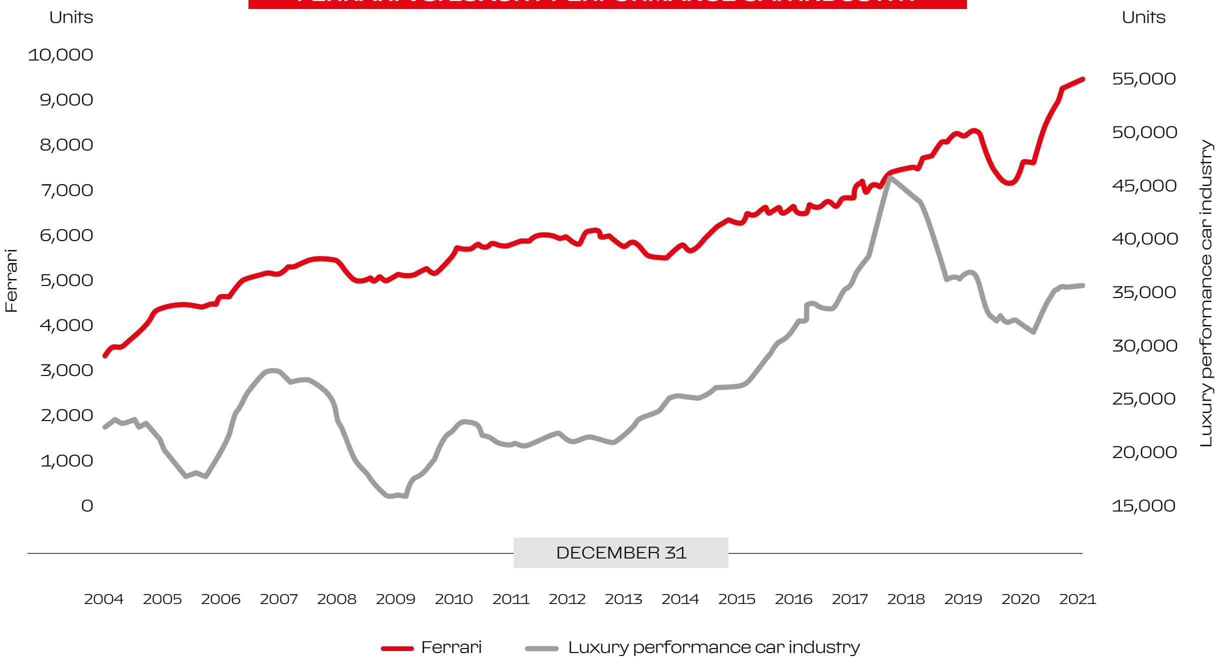
In 2021, the luxury performance car market experienced a V-shaped recovery, with Ferrari shipments returning to and surpassing the 2019 pre-pandemic levels while shipments of the overall luxury performance car market partially recovered but remained below the 2019 pre-pandemic levels, after the economic shock experienced in 2020 as a result of the COVID-19 pandemic. The actions taken worldwide for the containment of the pandemic, including widespread vaccination campaigns, enabled Ferrari and some of its main competitors to fully recover and maintain their production capacity. Furthermore, the renewed product offering by several competitors was another key element driving the positive performance of the market.

Unlike in other segments of the broader luxury market, in the luxury performance car market, a significant portion of demand is driven by new product launches. The market share of individual producers fluctuates over time reflecting the timing of product launches. New launches tend to drive sales volumes even in difficult market environments because the novelty, exclusivity and excitement of a new product is capable of creating and capturing its own demand from clients.

Growing environmental concerns are leading to the implementation of increasingly stringent emissions regulations and an increase in demand for both hybrid and electric vehicles. Cost and limited charging infrastructure are currently limiting factors in the demand for electric vehicles, but advancements in battery technology in coming years are expected to boost sales of hybrid and electric high performance luxury vehicles, although at a slower pace compared to mass market vehicles. The ability to combine driving experience with hybrid and electric technology will be key for the commercial success of high performance luxury vehicles.

As shown in the chart on the following page, our volumes in recent years have proven less volatile than our competitors'. We believe this is due to our strategy of maintaining low volumes compared to demand, as well as to the higher number of models in our range and our more frequent product launches compared to our competitors.

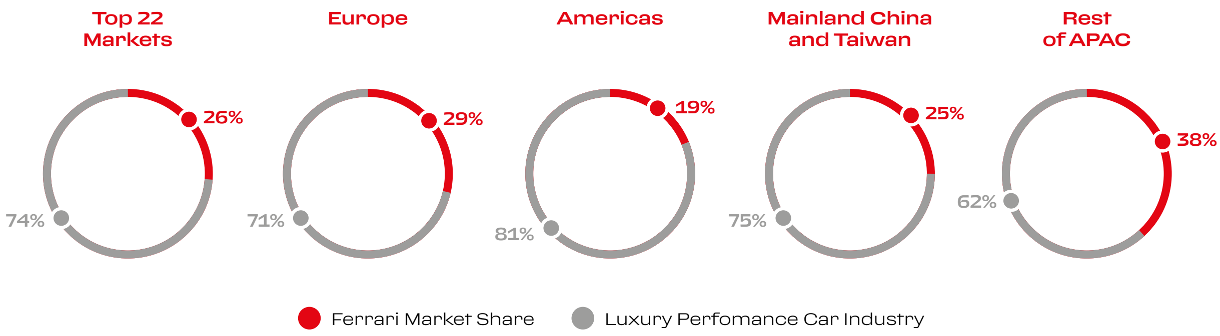
FERRARI VS. LUXURY PERFORMANCE CAR INDUSTRY



- Ferrari and Luxury Performance Car Industry data are updated to December 31, 2021.
- The commercial criteria we used for evaluation of the Luxury Performance Car Industry include all two door GT and sports cars with power above 500 hp, and retail price above Euro 150,000 (including VAT) sold by Aston Martin, Audi, Bentley, BMW, Ferrari, Ford, Honda/Acura, Lamborghini, Maserati, McLaren, Mercedes Benz, Polestar, Porsche and Rolls-Royce.
- Ferrari data based on internal information for the 22 top countries (excluding Middle East countries) for Ferrari annual registrations and sales (which accounted for approximately 86% of the total Ferrari shipments in 2021).
- Data for the Luxury Performance Car Industry based on units registered (in Brazil, Japan, Taiwan, United Kingdom, Germany, France, Switzerland, Italy, Poland, Spain, Sweden, Netherlands, Belgium and Austria) or sold (in USA, South Korea, Mainland China, Russia, Australia, New Zealand, Singapore and Indonesia). Source: USA: US Maker Data Club, Brazil-JATO; Austria-OSZ; Belgium-FEBIAC; France-SIV; Germany-KBA; UK-SMMT; Italy-UNRAE; Netherlands-VWE; Poland-CEPiK; Spain-TRAFICO; Sweden-BranschData; Switzerland-ASTRA; Mainland China-China Automobile Industry Association-DataClub; Russia-AEBRUS; Taiwan-Ministry of Transportation and Communications; Australia-VFACTS-S; Japan-JAIA; Indonesia-GAIKINDO; New Zealand-VFACTS; Singapore-LTA, MTA (Land Transport Authority, Motor Trader Associations); South Korea-KAIDA.

In 2021, Ferrari volumes in the largest 22 markets increased compared to 2020, primarily driven by contribution from our renewed and enlarged product range. In 2021, we had a market share of 26% in the luxury performance car market; with 30% of market share in the sports car segment and 20% of market share in the GT segment.

The chart below sets forth our market shares in 2021 based on volumes in our largest 22 markets by geographical area.



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- Data for the Luxury Performance Car Industry based on units registered (Brazil, Japan, Taiwan, United Kingdom, Germany, France, Switzerland, Italy, Poland, Spain, Sweden, Netherlands, Belgium and Austria) or sold (in USA, South Korea, Mainland China, Russia, Australia, New Zealand, Singapore and Indonesia). Source: USA: US Maker Data Club, Brazil-JATO; Austria-OSZ; Belgium-FEBIAC; France-SIV; Germany-KBA; UK-SMMT; Italy-UNRAE; Netherlands-VWE; Poland-CEPiK; Spain-TRAFICO; Sweden-BranschData; Switzerland-ASTRA; Mainland China-China Automobile Industry Association-DataClub; Russia-AEBRUS; Taiwan-Ministry of Transportation and Communications; Australia-VFACTS-S; Japan-JAIA; Indonesia-GAIKINDO; New Zealand-VFACTS; Singapore-LTA, MTA (Land Transport Authority, Motor Trader Associations); South Korea-KAIDA.
- Ferrari is market leader in several countries, including France, Italy, Switzerland, UK, USA, Australia, Japan and South Korea, among others.

While we monitor our market share as an indicator of our brand appeal, we do not regard market share in the luxury performance market as particularly relevant as compared to other segments of the automotive industry. We are not focused on market share as a performance metric. Instead, we deliberately manage our supply relative to demand, to defend and promote our brand exclusivity and premium pricing.

COMPETITION

Competition in the luxury performance car market is concentrated in a fairly small number of producers, including both large automotive companies that own luxury brands as well as small producers exclusively focused on luxury cars, like us. The luxury performance car market includes sports cars and GT cars.

Our current sports car models are the 812 GTS, the Ferrari F8 Tributo, the Ferrari F8 Spider, the 296 GTB and the SF90 Stradale and the SF90 Spider, our first series production Plug-in Hybrid Electric Vehicle (PHEV) models. Our principal competitors are Lamborghini, McLaren, Porsche, Mercedes, Aston Martin and Audi. Our current GT range models include the Ferrari Roma and the Ferrari Portofino M, while our main competitors are Rolls-Royce, Bentley, Aston Martin and Mercedes.

Competition in the luxury performance car market is driven by the strength of the brand and the appeal of the products in terms of performance, styling, novelty and innovation as well as on the manufacturers' ability to renew its product offerings regularly in order to continue to stimulate customer demand.

Competition among similarly positioned luxury performance cars is also driven by price and total cost of ownership. Resilience of the car value after a period of ownership is an important competitive dimension among similarly positioned luxury cars, as a higher resilience decreases the total cost of ownership and promotes repeat purchases: we believe this is a strong competitive advantage of Ferrari cars.


Roma

OVERVIEW OF OUR BUSINESS

FERRARI IS AMONG THE WORLD'S LEADING LUXURY BRANDS, FOCUSED ON THE DESIGN, ENGINEERING, PRODUCTION AND SALE OF THE WORLD'S MOST RECOGNIZABLE LUXURY PERFORMANCE SPORTS CARS.

Our brand symbolizes exclusivity, innovation, state-of-the-art sporting performance and Italian design and engineering heritage. Our name and history and the image enjoyed by our cars are closely associated with our Formula 1 racing team, Scuderia Ferrari, the most successful racing team in the history of Formula 1. From the inaugural year of Formula 1 in 1950 through the present, Scuderia Ferrari has won 238 Grand Prix races, 16 Constructors' World titles and 15 Drivers' World titles. We are the only team which has taken part in all the editions of the Championship, racing in more than 1,000 Formula 1 Grand Prix races. We believe our history of excellence, technological innovation and defining style transcends the automotive industry, and is the foundation of the Ferrari brand and image. We design, engineer and produce our cars in Maranello, Italy, and sell them in over 60 markets worldwide through a network of 172 authorized dealers operating 191 points of sale as of the end of 2021.

We believe our cars are the epitome of performance, luxury and styling.
Our product offering comprises four main pillars: the sports range, the GT range, special series and Icona, a line of modern cars inspired by our iconic cars of the past. Our current product range (including cars presented in 2021, for which shipments will commence in future years) is comprised of six sports cars (the 812 GTS, the Ferrari F8 Tributo, the Ferrari F8 Spider, the 296 GTB, the SF90 Stradale and the SF90 Spider), two GT cars (the Ferrari Roma and the Ferrari Portofino M), two special series cars (the 812 Competizione and the 812 Competizione A), two versions of our first Icona model, the Ferrari Monza SP1 and the Ferrari Monza SP2, as well as the recently presented new model in the Icona range, the Ferrari Daytona SP3.

In 2021 we completed the shipments of the 812 Superfast, while the shipments of the Ferrari Monza SP1 and SP2 will be completed in the first quarter of 2022. We also produce limited edition hypercars and one-off cars. Our most recent hypercar, the LaFerrari Aperta, was launched in 2016 to celebrate our 70th Anniversary and finished its limited series run in 2018. In 2021, we launched 4 new models, including the 296 GTB, a new PHEV featuring a new V6 engine, the limited series V12 812 Competizione and 812 Competizione A, and the new Icona series model, the Ferrari Daytona SP3, and we have launched 13 models in accordance with our plan to launch 15 new models by 2022 as announced at our 2018 Capital Markets Day.

In 2021, we shipped 11,155 cars and recorded net revenues of €4,271 million, EBIT of €1,075 million, net profit of €833 million and earnings before interest, taxes, depreciation, and amortization (EBITDA) of €1,531 million. For additional information regarding EBITDA, including a reconciliation of EBITDA to net profit, as well as other non-GAAP financial measures we present, see *"Financial Overview—Liquidity and Capital Resources—Non-GAAP Financial Measures"*.

Whilst broadening our product portfolio to target a larger customer base, we continue to pursue a low volume production strategy in order to maintain a reputation for exclusivity and scarcity among purchasers of our cars and we carefully manage our production volumes and delivery waiting lists to promote this reputation.
We divide our regional markets into (i) EMEA, (ii) Americas, (iii) Mainland China, Hong Kong and Taiwan, and (iv) Rest of APAC, which represented respectively 49.2 percent, 25.4 percent,

8.1 percent and 17.3 percent of units shipped in 2021. The geographical distribution of shipments reflects deliberate allocations driven by the phase-in pace of individual models.

We focus our marketing and promotion efforts in the investments we make in our racing activities and in particular, Scuderia Ferrari's participation in the FIA Formula 1 World Championship which is the pinnacle of motorsport and is one of the most watched annual sports series in the world, with approximately 445 million unique viewers in 2021 and an average total audience for a Grand Prix weekend of 70.3 million. (*Source: Formula 1 Press Office*). Although our most recent Formula 1 world title was in 2008, we continuously enhance our focus on Formula 1 activities with the goal of improving racing results and restoring our historical position as the premier racing team in Formula 1. We believe that these activities support the strength and awareness of our brand among motor enthusiasts, clients and the general public.
As one of the world's most recognized premium luxury brands, we operate in carefully selected luxury and lifestyle categories consistent with our image. We launched our first fashion collection on June 13, 2021 in Maranello, drawing inspiration from our marque's style, innovation and performance. We also license the Ferrari brand to a limited number of producers and retailers of luxury and lifestyle sectors, including theme parks that, we believe, enhance the brand experience of our loyal clients and Ferrari enthusiasts. The world of Ferrari can also be experienced in our Ferrari Museum in Maranello and in the Enzo Ferrari Museum in Modena.

Our international network of Ferrari Stores consists of 16 Ferrari owned store and 14 franchised stores (including 12 Ferrari Store Junior) where visitors can find our fashion collection as well as on our website. In 2021 we began giving a fresh new look to the stores, starting with our stores in Maranello, Milan, Rome and Los Angeles.

On June 15, 2021 we reopened and revitalized our Ristorante Cavallino, which is situated opposite to the entrance of our Maranello factory, while retaining the heritage of this historic location.

We continue in our unwavering pursuit of reaching carbon neutrality by 2030, addressing – in addition to our electrification journey – both direct and indirect emissions with a focus on energy and materials. As a further step forward in this process, in 2021 we calculated our carbon footprint considering the emissions related to all of our activities over our entire value chain. Our calculation, based on greenhouse gas protocol methodology, has been certified according to ISO 14064-1:2018 requirements by a third-party and allowed us to determine priority areas for action.

We will continue focusing our efforts on protecting and enhancing the value of our brand to preserve our strong financial profile and participate in the growth of the premium luxury market. We intend to pursue controlled and profitable growth in existing and emerging markets while expanding the Ferrari brand to carefully selected lifestyle categories.

SPORTS AND GT RANGE, SPECIAL SERIES AND ICONA: FERRARI LINE-UP STRATEGIC PILLARS

GRAN TURISMO RANGE

SPORT RANGE

SPECIAL SERIES

ICONA

Our product offering comprises four main pillars: the sports range, the GT range, special series and Icona. Our current product range as of the date of this report includes six sports cars (the 812 GTS, the Ferrari F8 Tributo, the Ferrari F8 Spider, the 296 GTB, the SF90 Stradale and the SF90 Spider), two GT cars (the Ferrari Roma and the Ferrari Portofino M), two special series cars (the 812 Competizione and the 812 Competizione A), and three strictly limited edition Icona models (the new Ferrari Daytona SP3, which was presented in November 2021, as well as the Ferrari Monza SP1 and SP2). In 2021 we completed shipments of the 812 Superfast. We target end clients seeking high performance cars with distinctive design and state-of-the-art technology. Our broad model range is designed to fulfill the strategy of "Different Ferrari for different Ferraristi, different Ferrari for different moments", which means being able to offer a highly differentiated product line-up that can meet the varying needs of new customer segments (in terms of sportiness, comfort, on-board space, design, amongst others) and that can allow our existing clients to use a Ferrari in various moments of their lives. Our diversified product offering includes different architectures (such as front-engine and mid-rear engine), engine sizes (V6, V8 and V12), technologies (atmospheric, turbo-charged, hybrid, electric), body styles (such as coupes, spiders and targa), and seats (2 seaters and 2+ seaters).

We are also actively engaged in after sales activities driven, among other things, by the objective of preserving and extending the market value of the cars we sell. We believe our cars' performance in terms of value preservation after a period of ownership significantly exceeds that of any other brand in the luxury car segment. High residual value is important to the primary market because clients, when purchasing our cars, take into account the expected resale value of the car in assessing the overall cost of ownership. Furthermore, a higher residual value potentially lowers the cost for the owner to switch to a new model thereby supporting client loyalty and promoting repeat purchase.

ROAD CARS

SPORTS

V8 Hybrid
SF90 Stradale


V8 Hybrid
SF90 Spider


V6 Hybrid
296 GTB


V8
F8 Tributo


V8
F8 Spider


V12
812 Superfast


V12
812 GTS


GRAN TURISMO

V8
Portofino M


V8
Roma


SPECIAL SERIES

V12
812 Competizione


V12
812 Competizione A


ICONA

V12
Monza SP1/SP2


V12
Daytona SP3


ONE-OFF

ONE-OFF

V12
BR20
Produced in 2021


TRACK CARS

FERRARI CHALLENGE

V8
488 Challenge EVO

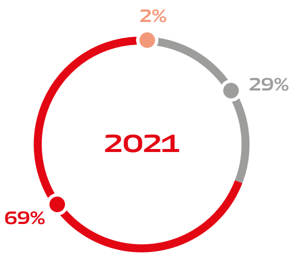

THE XX PROGRAMME

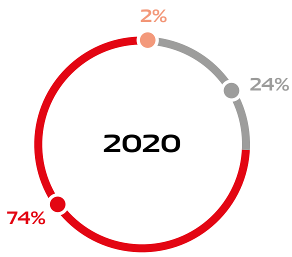
V12
FXX-K EVO

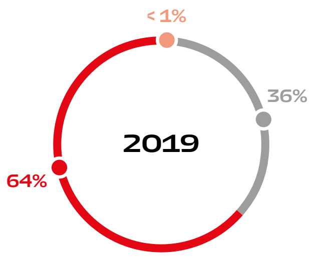

RACING CARS

V8
488 GT Modificata


The charts below set forth the percentage of our unit shipments (excluding the XX Programme, racing cars, one-off and pre-owned cars) for the years ended December 31, 2021, 2020 and 2019 by pillar:







Sports and Special Series GT Icona*

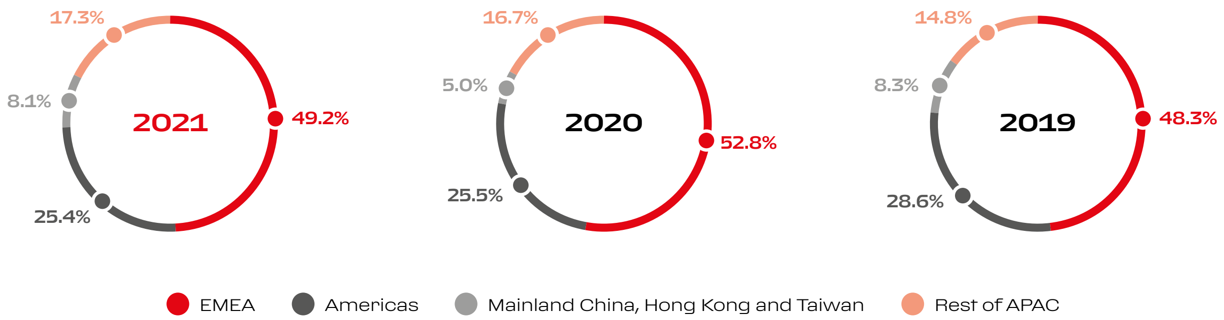
(*) Shipments of Icona models commenced in 2019 and contributed to less than 1 percent of our shipments for that year.

The table and charts below set forth our unit shipments[1] for the years ended December 31, 2021, 2020 and 2019, by geographic market:

(Number of cars and % of total cars)

	For the years ended December 31,					
	2021	%	2020	%	2019	%
EMEA						
Germany	1,252	11.2	995	10.9	967	9.5
UK	996	8.9	971	10.6	1,120	11.1
Italy	668	6.0	574	6.3	559	5.5
Switzerland	481	4.3	456	5.0	454	4.5
France	473	4.2	463	5.1	452	4.5
Middle East [2]	334	3.0	304	3.3	309	3.1
Other EMEA[3]	1,288	11.6	1,055	11.6	1,034	10.1
Total EMEA	**5,492**	**49.2**	**4,818**	**52.8**	**4,895**	**48.3**
Americas [4]	2,831	25.4	2,325	25.5	2,900	28.6
Mainland China, Hong Kong and Taiwan	899	8.1	456	5.0	836	8.3
Rest of APAC [5]	1,933	17.3	1,520	16.7	1,500	14.8
Total	**11,155**	**100.0**	**9,119**	**100.0**	**10,131**	**100.0**

(1) Excluding the XX Programme, racing cars, one-off and pre-owned cars.
(2) Middle East mainly includes the United Arab Emirates, Saudi Arabia, Bahrain, Lebanon, Qatar, Oman and Kuwait.
(3) Other EMEA includes Africa and the other European markets not separately identified.
(4) Americas includes the United States of America, Canada, Mexico, the Caribbean and Central and South America.
(5) Rest of APAC mainly includes Japan, Australia, Singapore, Indonesia, South Korea, Thailand, India and Malaysia.



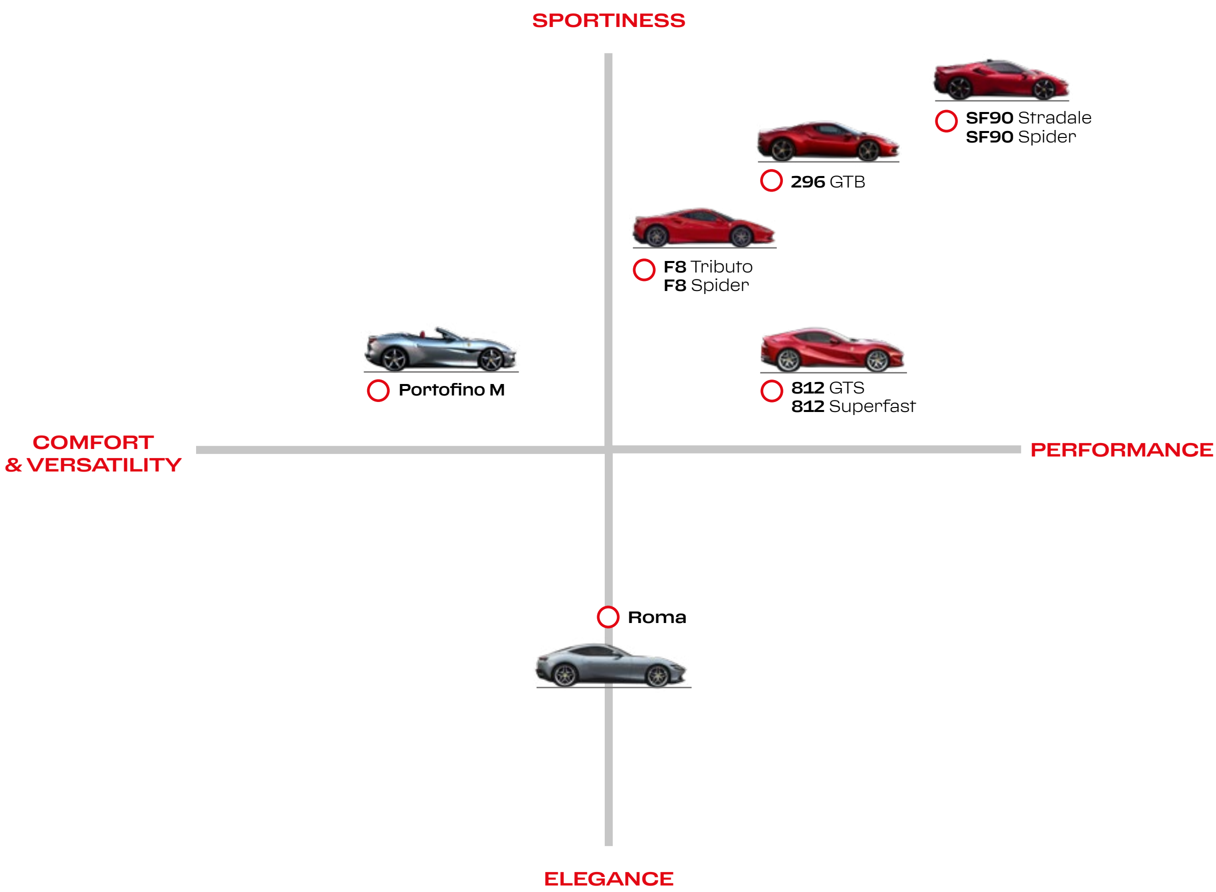
SPORTS RANGE

Our sports cars are characterized by compact bodies, a design guided by performance and aerodynamics, and often benefit from technologies initially developed for our Formula 1 single-seaters or Ferrari GT racing activities. They favor performance over comfort, seeking to provide a driver with an immediate response and superior handling, leveraging state-of-the-art vehicle dynamics components and controls. In our sports car class, we offer six models: the SF90 Stradale and SF90 Spider, our first series production cars which feature PHEV technology that combines a V8 engine (780 hp) with three electric motors allowing the car to reach 1,000 hp; the Ferrari F8 Tributo and the Ferrari F8 Spider, equipped with a mid-rear V8 engine (720 hp), 4 time winner of the engine of the year award; the 812 GTS, equipped with a front V12 engine (800 hp) and the 296 GTB, which is the first 6-cylinder engine installed on a Ferrari road car and produces 830 hp total power output delivered by a new 120° V6 engine (663 hp) coupled with an electric motor capable of delivering a further 122 kW (167 hp) – unprecedented performance for a V6 car.

GT RANGE

Our GT cars, while maintaining the performance expected of a Ferrari, are characterized by more refined interiors with a higher focus on comfort and on-board life quality. In our GT range, we offer two models equipped with our V8 engine, the Ferrari Roma (620 hp) and the Ferrari Portofino M (620 hp).

The following chart depicts the four dimensions of our customer value proposition for our sports and GT range models:



SPECIAL SERIES

From time to time, we also design, engineer and produce special series cars which can be limited in time or volume and are usually based on our range sports models but introduce novel product concepts. These cars are characterized by significant modifications designed to enhance performance and driving emotions. Our special series cars are particularly targeted to collectors and, from a commercial and product development standpoint, they facilitate the transition from existing to new range models. Following the completion of shipments for the Ferrari 488 Pista and Ferrari 488 Pista Spider in 2020, in 2021 Ferrari launched the 812 Competizione and the 812 Competizione A (830 hp). Respectively a coupe and a targa, the 812 Competizione and the 812 Competizione A represent the pinnacle of our technical expertise and performance with an extraordinary weight to power ratio of 1.79 kg/hp, which puts them at the top of our V12 car category, reaching 0-100 km/h in 2.85 seconds and 0-200 km/h in 7.7 seconds.

ICONA

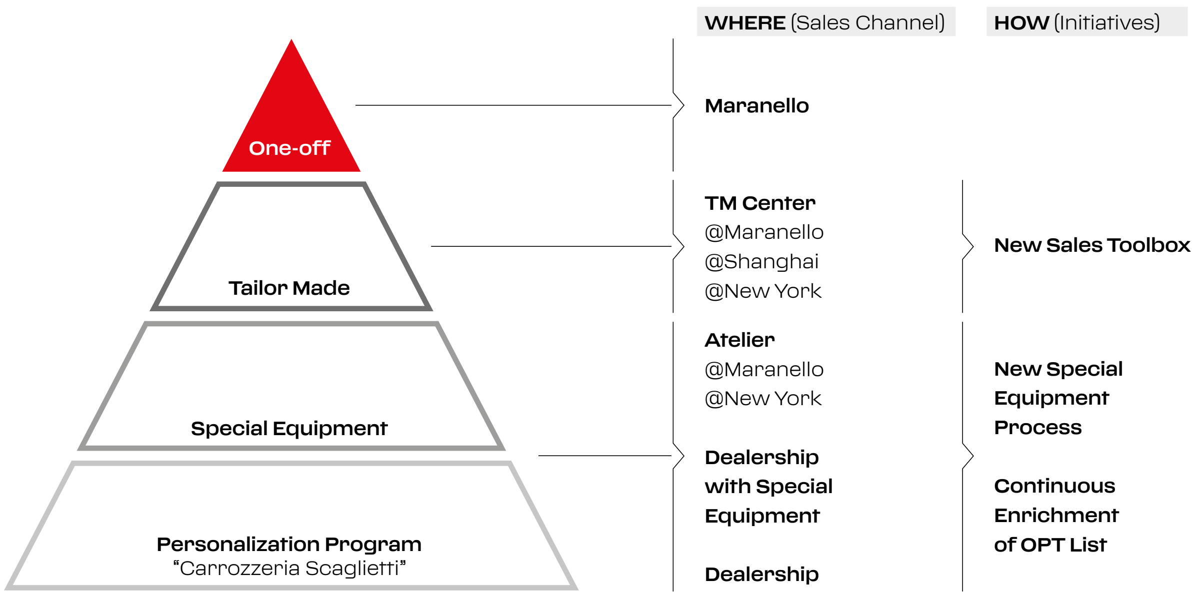
In September 2018, we introduced a new pillar of our product portfolio: the Icona, a unique concept that takes inspiration from the iconic cars of our history and reinterprets them in a modern fashion, pairing timeless design with state-of-the-art materials and technology. The first examples of this strictly limited-edition product line-up are the Ferrari Monza SP1 and SP2, which are inspired by the classic collectible barchetta cars, the 750 Monza and 860 Monza. In 2021 the Ferrari Daytona SP3 was unveiled. This limited-edition targa takes inspiration from legendary Ferrari sports prototypes of the 1960s and sports a naturally aspirated V12 engine, mid-rear-mounted in typical racing car style. Undisputedly the most iconic of all of Ferrari's engines, this power unit delivers 840 hp – along with 697 Nm of torque and maximum revs of 9500 rpm – making it the most powerful naturally aspirated road engine ever built by Ferrari.

LIMITED EDITION HYPERCARS AND ONE-OFFS

In line with our tradition of hypercars starting with the GTO (288 GTO) in 1984 up to the Enzo in 2002 and the LaFerrari Aperta, our latest hypercar launched in 2016, we also produce limited edition hypercars. These are the highest expression of Ferrari road car performance at the time and are often the forerunners of technological innovations for future range models, with innovative features and futuristic design.

In order to meet the varying needs of our most loyal and discerning clients, we also produce a very limited number of one-off models. While based on the chassis and equipped with engines of one of the current range models for homologation and registration purposes, these cars reflect the exact exterior and interior design specifications requested by the clients, and are produced as a single, unique car. Some of the most iconic models emerged from our One-Off program include the SP12 EC (inspired by the 512 BB and created in 2011), the F12 TRS (a radical two-seat roadster created on the platform of the F12berlinetta in 2014), the Ferrari SP38 (a superlative mid-rear V8 turbo taking inspiration from the legendary Ferrari F40), the 458MM Speciale (the last mid rear model with a V8 naturally aspirated engine in 2016), the Ferrari P80/C, a real track car taking inspiration from past Ferrari Sport Prototipo models, and the Ferrari Omologata, based on the 812 Superfast V12 platform. The most recent model, produced in 2021, is the BR20, a very elegant V12 based on the GTC4 Lusso.

PERSONALIZATION OFFER



All of our models feature highly customizable interior and exterior options, which are included in our personalization catalog. Some of these options include performance contents like carbon fibre parts, carbon fibre wheels, titanium exhaust systems, alternative brake caliper colors, parking cameras, MagnaRide dual mode suspension, various door panel configurations, steering wheel inserts and state-of-the-art custom high fidelity sound systems. Starting with the SF90 Stradale and the SF90 Spider, we have also introduced the "Assetto Fiorano" configuration, which provides numerous exclusive features for those who seek radical performance and design. This more extreme configuration is also available for the 296 GTB.

With our "Special Equipment" program, we offer clients additional customization choices for their cars. Our specialists are able to guide clients in creating a very customized car through a wide catalog of special items such as different types of rare leathers, custom stitching, special paints, special carbon fiber, and personalized luggage sets designed to match the car's interior.

The "Tailor Made" program provides an additional level of personalization in accordance with the expectations of our clients. A dedicated Ferrari designer assists clients in selecting and applying virtually any specific design element chosen by the client. Our clients benefit from a large selection of finishes and accessories in an array of different materials (ranging from cashmere to denim), treatments and hues. To assist our clients' choice we also offer three collections inspired by Ferrari's own tradition: *Scuderia* (taking its lead from our sporting history), *Classica* (bringing a modern twist to the styling cues of our signature GT models) and *Inedita* (showcasing more experimental and innovation-led personalization).

The "One-off" program is the maximum level of personalization and exclusivity.
See *"—Limited Edition Hypercars and One-Offs"* above for more details.

DESIGN

Design is a fundamental and distinctive aspect of our products and our brand. Our designers, modelers and engineers work together to create car bodies that incorporate the most innovative aerodynamic solutions in the sleek and powerful lines typical of our cars. The interiors of our cars seek to balance functionality, aesthetics and comfort. Cockpits are designed to maximize the driving experience, tending towards more sporty or more comfortable depending on the model. The interiors of our vehicles boast elegant and sophisticated trims and details that enhance the ergonomic layout of all main controls, many of which are clustered on the steering wheel. A guiding principle of our design is that each new model represents a clear departure from prior models and introduces new and distinctive aesthetic elements, delivering constant innovation within the furrow of tradition.

For the design of our cars we have relied historically on Italian coachbuilders such as Carrozzeria Touring, Vignale, Scaglietti and Pininfarina. These partnerships helped Ferrari in defining its design language at the forefront of design advance. Throughout the years this area of excellence has been recognized repeatedly by a long series of awards being bestowed upon Ferrari cars.

In 2010 we established the Ferrari Design Centre, our in-house design department, with the objective of improving control over the entire design process and ensuring long-term continuity of the Ferrari style. The mission of the Ferrari Design Centre is to define and evolve the stylistic direction of the marque, imprinting all new products with a modern stamp, according to a futuristic, uncompromised vision. The name and logo "Ferrari Design" denotes all concepts and works of the Ferrari Design Centre (see "*—Intellectual Property*"). Ferrari Design handles all aspects of automotive styling for the Ferrari road cars product range, encompassing the styling of all bodywork, external components and interior trim, applied to series production models for the GT and sports car range special editions, limited edition hypercars, Iconas, one-off models, concept cars and some track-only models. Ferrari Design also includes a Color & Trim unit which manages the choice of materials and finishes for both exterior and interior trim and, in addition, is responsible for the Tailor Made program in conjunction with the Product Marketing department. Ferrari Design is also involved in the styling and conceptual definition of Ferrari branded products produced by our licensees (see "*—Brand Activities*"). In 2019, we created the Advanced Design team, a laboratory that aims at defining the brand's design vision, developing new concepts and formal languages through so far unexplored methods and tools, and trying to achieve simplification and formal purity while staying true to the Ferrari DNA which has characterized its history.

Ferrari Design is organized as an integrated automotive design studio, employing a total workforce of approximately 120 people (full-time workers as well as external contractors) including designers, 3D surfacing operators, physical modelers and graphic artists. It operates a modeling studio fully equipped with 5-axis milling machines with the capacity to develop various full-scale models (interior and exterior) in parallel.

In September 2018 we opened a new building for the Ferrari Design Centre, which is our first facility fully dedicated to the Ferrari Design. The new building hosts two Ateliers and the Tailor Made department to engage clients with Ferrari's rich personalization services. The Ferrari Design Centre has designed our most recent cars, including our entire current line up.

During its 12 year history, the Ferrari Design Centre has received many prestigious design awards for the cars it has designed, including the following in the last 2 years:

- Ferrari SF90 Spider: iF Design Award; Red Dot Design Award (2021);
- Ferrari Omologata: Red Dot Design Award (2021);
- Ferrari Roma: iF Design Award (2021);
- Ferrari Portofino M: AUTONIS - Best New Design 2021 - Auto Motor und Sport - (2021);
- Ferrari Roma: The Most Beautiful Supercar of the Year - Festival Automobile International, Paris (2020); Red Dot Design Award (2020); Car Design Award (2020);
- Ferrari SF90 Stradale: iF Gold Design Award (2020); Red Dot Best of The Best (2020);
- Ferrari F8 Tributo: iF Design Award (2020); Red Dot Design Award (2020);
- Ferrari One Off P80/C: iF Design Award (2020);
- Ferrari Monza SP1: XXVI PREMIO COMPASSO D'ORO (2020).

On September 27, 2021 we announced a long-term, multi-year collaboration with the creative collective LoveFrom. The first expression of this new partnership will bring together Ferrari's legendary performance and excellence with LoveFrom's unrivalled experience and creativity that has defined extraordinary world changing products.

PRODUCT DEVELOPMENT

PRODUCT DEVELOPMENT AND TECHNOLOGICAL INNOVATION

Our development efforts take into account the three defining dimensions of Ferrari cars; performance; versatility and comfort; and driving emotions.

PERFORMANCE

VERSATILITY & COMFORT

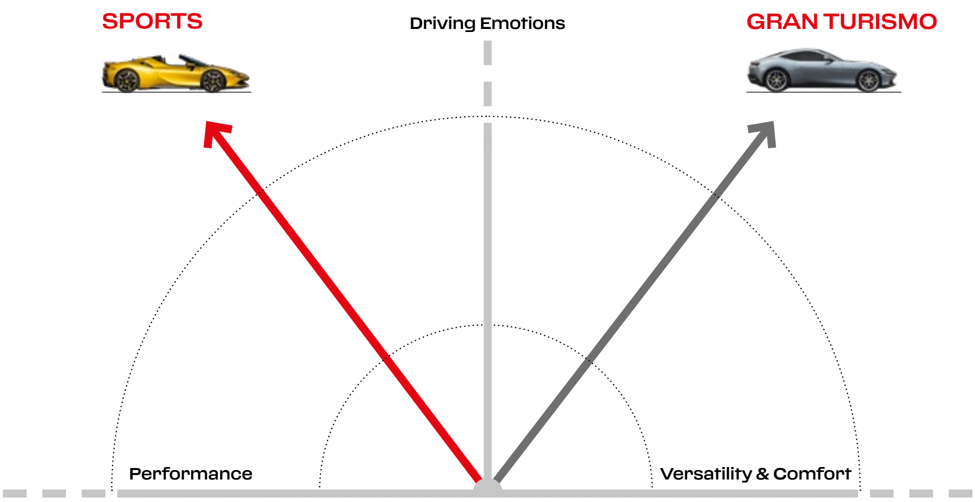
DRIVING EMOTIONS

Performance reflects features such as weight, horsepower, torque, grip, aerodynamic efficiency, acceleration, and maximum speed, which all contribute to determine the lap time on track. We strive to ensure that every Ferrari is the best performing car in its segment.

Versatility derives from spaciousness, accessibility and mode of traction, including rear-wheel-drive or all-wheel-drive and, in future, electric-powered driving. **Comfort** results from the ease of the riding experience and onboard interface. Regulation will affect development in this area; for example, a prescribed electric range may be required in future to access city centers.

Driving emotions is a key differentiator of Ferrari cars. There are three elements to driving emotions: sound, perceived acceleration and responsiveness of the car. Sound is an important part of the experience and very involving for the driver. Perceived acceleration is the driver's subjective impression of the instantaneous car acceleration beyond the actual 0-100 or 0-200 km/h performance measured in the car technical specifications. Responsiveness requires that every driver command (steering, gear shifting and braking) leads to an immediate, linear and controllable reaction of the car.

These three dimensions variably interact in our sports and GT cars. As we work on the future product range, we strive to improve on each of those dimensions, focusing for sports cars on performance and driving emotions, and for GT cars on versatility and comfort on board and driving emotions.



INNOVATION PRINCIPLES

We believe there are five key guidelines to innovation at Ferrari: focus on the three key defining dimensions described on the previous page; leveraging on Formula 1 know-how; first mover positioning in core areas such as powertrain and aerodynamics; customization of technologies available on the market (such as the turbo technology); and pursuit of synergies (arising from common architectures within our range). In addition to these internally driven factors, regulation is key in determining the direction of innovation.

COMBUSTION AND HYBRID ENGINES

We believe internal combustion engines will remain important in Ferrari's powertrain mix and therefore we continue to invest in new combustion engine technologies and the development or use of bio-fuels.

Going forward, Ferrari will have three engine families:

- V12 - We will maintain and develop the V12 naturally aspirated engine family, long the pinnacle of Ferrari engines;
- V8 - We have implemented further technological enhancements for the V8 family; and
- V6 - We developed and launched this year a completely new V6 family based on a specific and innovative architecture.

The industry effort to combine greater power outputs with lower emissions and consumption often leads to a higher turbo lag. Through a technological breakthrough, Ferrari has engineered a turbo engine with turbo engine performance but with the response of a naturally aspirated engine. For example, compared to Ferrari's previous line of V8 turbo engines, the specific power output of the Ferrari F8 Tributo and the Ferrari 488 Pista was increased to 184 horsepower per litre without meaningful turbo lag.

We have undertaken an important program to develop hybrid and electric technology. One of the more relevant topics of this generation, we expect the concept of the car in an era of climate change to be an opportunity for us. We intend to use hybrid and electric technology, as well as Formula 1 technology, to increase specific power output without turbo lag.

Innovation runs within Ferrari, so the challenge of building a Ferrari for a low-emissions future is one that we are already embracing. With the SF90 Stradale we developed the first series production model in our range with PHEV technology, which is also featured in the SF90 Spider. In 2021 we launched our third production model with PHEV technology, the 296 GTB, a pure rear wheel drive sports car that reaches the pinnacle of driving emotions thanks to its V6 engine and significantly reduced weight, giving it a class-leading overall weight-to-power ratio. The increased offering of hybrid powertrains will allow us to meet both specific regulatory requirements and also satisfy customers' desires for significantly improved emissions, while enhancing the performance and driving experience that render Ferrari cars unique.

ARCHITECTURE

In addition to engines, the other principal technical area we are focusing on is the architecture. Our architecture covers all principal technical specifications of future Ferrari models. We expect that innovation requirements will arise principally from: the evolution of engine families; the level of hybridization and electrification; modes of traction; the number of seats up to a real four-seater; and the body style, which will vary much more significantly than in the past in light of the introduction of the Purosangue.

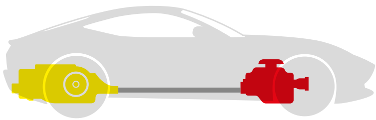
We expect that our core architectures will be the rear-mid-engine architecture and the front-mid-engine architecture, each comprising several variants.

REAR-MID-ENGINE ARCHITECTURE

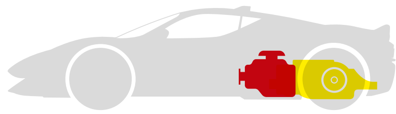
The rear-mid-engine architecture is optimal for sports cars thanks to its compact dimensions, low gravity center and favorable mass repartitions. It is designed to integrate multiple power units with a higher specific power output than the Ferrari 488 Pista. In this architecture, combustion engines can be combined with an electric motor to realize hybridization, including a battery to enable electric range. This architecture also allows to install an E-Axle on the front to increase overall power and to have an all-wheel drive powertrain. The first application of this architecture is the SF90 Stradale. In combination, we have developed a new and highly innovative 8-shift double-clutch transmission gearbox.
Hybridization will impact the weight of engines and therefore we will deploy new lightweight technologies to compensate this impact. Package efficiency will also be key to achieve a compact car that reduces weight and inertia. In order to apply

ARCHITECTURE

Front-mid-engine



Rear-mid-engine



● Power unit ● Gearbox

NEW FERRARI PRODUCT RANGE

Engine	Hybridization	Traction	Seating	Body style	Clearance
V12 vs. V8 vs. V6	Yes vs. No	2WD vs. 4WD	2 vs. 2+ vs. 2+2 vs. 4	Coupè vs. Spider vs. "Purosangue"	Low vs. High

PRODUCT SPECIFICATION

the architecture to different powertrains, the wheelbase may vary. The second example of this new architecture is the 296 GTB, where the V6 engine allowed for a reduction in the wheel base of 500 mm with a positive impact on driving emotions and without any trade off of comfort on board.

FRONT-MID-ENGINE ARCHITECTURE
The front-mid-engine architecture, also a transaxle powertrain concept, is optimal for our GT cars in terms of dimensions. This architecture is able to accommodate an all-wheel-drive powertrain, will allow for hybridization, and will have a flexible wheelbase suited to a variety of engines as well as seat configurations including two-seaters and four-seaters. It will be accessible, spacious and comfortable. Key to this architecture will be the new active suspension systems we are developing, with a high range between comfort and sportiness.

NEW-GENERATION HUMAN-MACHINE INTERFACE

Particularly driven by growth in the GT segment, Ferrari has developed the next generation of human-machine interface (HMI) technologies. Using state-of-the-art technologies we will be guided by the Formula 1 derived concept of "eyes on the street, hands on the steering wheel", for a focused, safe and enjoyable drive. The new HMI includes several new technologies, including a new head-up display, a new innovative cluster, a new steering wheel that features new commands and a new infotainment system, as well as tools aimed at positively enhancing the passengers' experience.
The first cars using all or part of these technologies are the SF90 Stradale and the Ferrari Roma.

AUTONOMOUS DRIVING AND CONNECTIVITY

While we do not intend to develop self-driving cars, we will adopt certain features of autonomous driving technology in response to regulatory developments and customer preferences, especially in the GT segment. For example, in 2018 we launched initial functionalities for Advanced Driving Assistant Systems (ADAS) such as predictive braking and automatic cruise control on current models, and further innovations will be introduced in future models.
Ferrari is carefully monitoring the evolution of autonomous driving technologies, including sensors, new chips, artificial intelligence and connectivity, and we will select and customize those innovations compatible with the Ferrari experience and the highest security standards. These technologies combined with the hybridization and the incoming cybersecurity requirements will also have an important impact on the electronic architecture of our cars and we are presently developing our future electrical and electronic architecture to take into account these requirements.

PRODUCTION AND PROCUREMENT

PRODUCTION PROCESS

Our production facilities are located in Maranello and in Modena, Italy (see *"—Properties"*). Our production processes include supply chain management, production and distribution logistics of cars in our range models and special series, as well as assembly of prototypes and avanseries.

Notwithstanding the low volumes of cars produced, our production process requires a great variety of inputs - over 40,000 product identifier codes sourced from approximately 800 total suppliers - entailing complex supply chain management to ensure continuity of production. Our stock of supplies is warehoused in Ubersetto, near Maranello, and its management is outsourced to a third party logistics company.

Most of the manufacturing process takes place in Maranello, including aluminum alloy casting in our foundry, engine construction, mechanical machining, painting, car assembly, and bench testing; at our second plant in Modena (Carrozzeria Scaglietti) we manufacture the aluminum bodyworks of our cars. All parts and components not produced in house at Ferrari are sourced from our panel of suppliers (see *"—Procurement"*).

Between 2002 and 2012 the plants housing our production processes were entirely renovated or rebuilt and in recent years we have continued to make significant investments in our manufacturing facilities. Equipment may require substantial investment with the introduction of new models or to maintain state-of-the-art technology, particularly in the case of shell tools for the foundry, tools for machining, feature tools for body welding and special mounting equipment for the assembly. Starting from 2021, we have been acquiring additional resources and production equipment, mainly in relation to Battery Electric Vehicles ("BEVs"), to successfully manage the new technological advancements and related challenges resulting from the transition to electrification.

As at December 31, 2021, our production processes employed 1,723 engineers, technicians and other personnel (191 white collar employees and 1,532 workers, of which 449 were temporary production employees). We have a flexible production organization, which allows us to adjust production capacity to accommodate our expected production requirements. This is primarily due to the low volume of cars we produce per year and to our highly skilled and flexible employee base that can be deployed across various production areas. In addition, we can adjust our make-or-buy strategies to address fluctuations in the level of demand on our internal production resources. Our facilities can accommodate a meaningful increase in production compared to current output with the increase of weekend shifts to address special peaks in demand. In 2021 we increased production with the introduction of a second shift on car assembly lines in addition to the single shift operated on the V8 assembly line. We constantly work to increase the utilization rate and reduce the internal scrap rate and we closely monitor an index of our production efficiency. We are also committed to continually improving the reliability of our cars, reducing defects, and optimize finishing.

Unlike most low volume car producers, we operate our own foundry and machining department producing several of the main components of our engines, such as engine blocks, cylinder heads and crankshafts. We believe this accelerates product development and results in components that meet our specifications more closely.

ENGINE PRODUCTION

Our engines are produced according to a vertical structure, from the casting of aluminum in our foundry up to the final assembly and testing of the engine. Several of the main components of our engines, such as blocks and cylinder heads are produced at our foundry in Maranello. For this purpose, we use a special aluminum alloy that includes seven percent silicon and a trace of iron, which improves mechanical integrity, as well as our own shell and sand casting molds. Once all components are ready, engines are assembled on different lines for our V12 engines, our V8 and V6 engines, and the V6 engines we manufacture for Maserati. The assembly process is a combination of automatic and manual operations. At the start of the assembly process, each engine is identified with a barcode and operations are recorded electronically. Every engine goes to the test benches to ensure it delivers the expected performance; 10-20 percent of engines are also hot tested and measured for power and torque. In 2021 we produced an average of approximately 114 engines per day, including approximately 8 V12 engines and 49 V8 engines (including 5 V8 turbo for Maserati), as well as 57 V6 engines for Maserati (see *"—Manufacturing of Engines for Maserati"*).

BODY ASSEMBLY

In parallel with the assembly of our engines, we prepare our body-shells at our body shop Carrozzeria Scaglietti in Modena. The main components of body-shells are not manufactured internally but are sourced from manufacturers for chassis, bodies and carbon fiber parts. At Carrozzeria Scaglietti we have two different production lines dedicated to the assembly of our V8 and V12 aluminum bodies. We carefully check the alignment of the various parts – most importantly the engine cover and the wings – with electronic templates and gauges. Our highly trained specialists also perform surface controls on the aluminum panels and eliminate any imperfections by either filing or panel beating. In our Scaglietti plant we also have a dedicated line for the assembly of a special carbon fiber body for the Ferrari Monza SP1 and SP2, and for the latest Icona model launched in November 2021, the Ferrari Daytona SP3.

PAINTING

When transferred to our paint shop, the bodies are mounted on a loading bay, immersed in the cataphoresis tanks and subsequently transferred to a fixing gas fired oven at 140°C. Primers are then applied and fixed at 190°C until the completely grey body-shell is ready for painting. All body-shells are cleaned with automatic pressure blowers (to avoid the electrostatic effect) and carefully brushed with emu feathers (because of their natural electrostatic properties) to clean off any dirt particles or impurities before painting. The painting process is automated for larger surfaces, while it is done by hand for some other localized areas. In 2019, we replaced the robot which performs the application of the base coat. The whole car is painted at the same time to ensure color harmony. The bodies are finally polished with lacquer to fix the paint and give the bodies their final finish. In 2018 we substituted our clear coat with a new generation 2K (bi-component) transparent coat that allows us to decrease the temperature of the oven from 140°C to 90°C; this is a very innovative process that allows us to simultaneously paint aluminum and carbon fiber parts.

ASSEMBLY LINE AND FINAL CHECKS

The final assembly of our cars takes place in Maranello. We have three different lines placed at ground level and the first floor of the building. For each model, the initial assembly operations take place simultaneously on different lines and sections to maximize efficiency so while the body is assembled on the main line, the powertrain, as well as the cockpit and the doors, are prepared on a separate sub-line. In 2018, the line on the first floor moved from one shift to two shifts. On the first floor there is also the assembly line for the Ferrari Monza SP1 and SP2; starting from April 2021, the line on the ground floor also moved from one to two shifts.

PERSONALIZATION AND ROAD TESTS

During the assembly process of our cars we manage the fitting of all bespoke interiors, components and special equipment options that our clients choose as part of our personalization program (see "*—Sports and GT, Special Series and Icona: Ferrari Line up Strategic Pillars—Personalization Offer*"). After the assembly phase, every car completes a 40-kilometer road test-drive.

FINISHING AND CLEANING

After the road test all cars go to the finishing department. There, we thoroughly clean interior and exterior, perform a comprehensive review of the whole car, and polish and finish the bodies to give them their final appearance.

MANUFACTURING OF ENGINES FOR MASERATI

We have been producing engines for Maserati since 2003. The V8 engines that we historically produced and continue to produce for Maserati are variants of Ferrari families of engines and are mounted on Maserati's highest performing models, such as the Quattroporte and Levante (turbo engines), and the GranTurismo and the GranCabrio (aspirated engines). All of the V8 engines that we sell to Maserati are manufactured and assembled according to the same production processes we adopt for the V8s equipped on our cars (see "*—Production Process*").

In 2011 we began producing a family of engines exclusively for Maserati, in much larger production volumes to be installed on the Quattroporte and Ghibli (mainly the F160 3.0-liter V6 Turbo engines), and in 2016 we started the production of F161 engines to be installed on the Levante, Maserati's SUV. The term of our supply agreement with Maserati for the production of V6 and V8 engines is until 2023. Under the framework agreement, Maserati is required to compensate us for certain costs we may incur from our suppliers if there is a shortfall in the annual volume of engines actually purchased by Maserati in that year. In 2021, we sold approximately 1,250 V8 turbo engines to Maserati and approximately 13,650 V6 engines in six different versions, ranging from 330 hp to 450 hp.

In order to meet the V6 volume and specifications requirements, in 2012 we built a dedicated assembly facility in Maranello with a much higher level of industrialization compared to production of our V12 engines. Due to the larger volumes and product specifications, our make-or-buy strategy for the production of F160 V6 and F161 V6 engines also differs from the strategy applicable to the production of Ferrari engines. The vast majority of the engine components are sourced externally from our panel of suppliers (see "—*Procurement*") and in 2020 we started sourcing all casting and machining of the cylinder heads externally, while the V6 assembly line and testing continued to be managed by us in Maranello.

PROCUREMENT

We source a variety of components, raw materials, supplies, utilities, logistics and other services from numerous suppliers. We recognize the contribution of our suppliers to our success in pursuing excellence in terms of luxury and performance, therefore we carefully select suppliers that are able to meet our high standards.

For the sourcing of certain key components with highly technological specifications, we have developed strongly synergic relationships with some of our suppliers, which we consider "key strategic innovation partners". We currently rely on selected key strategic innovation partners, including for the supply of transmissions and brakes. We have also developed strong relationships with other industrial partners for bodyworks and chassis manufacturing and for powertrain and transmissions, among other things. Pursuant to our make-or-buy strategy, 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. Therefore, we continue to invest in the skills and processes required for low-volume production of components that we believe improve product quality.

For the year ended December 31, 2021, the purchases from our ten largest suppliers by value accounted for approximately 20 percent of total procurement costs, and no supplier accounted for more than 10 percent of our total procurement costs.

SALES AND AFTER-SALES

Our commercial team, which includes approximately 360 employees at December 31, 2021, is organized in four geographic areas covering our principal regional end markets: (i) EMEA, (ii) Americas, (iii) Mainland China, Hong Kong and Taiwan, and (iv) Rest of APAC.

DEALER NETWORK

We sell our cars exclusively through a network of authorized dealers (with the exception of one-offs and track cars which we sell directly to end clients). In our larger markets we act as importer either through wholly owned subsidiaries or, in China, through a subsidiary partly owned by a local partner, and we sell the cars to dealers for resale to end clients. In smaller markets we generally sell the cars to a single importer/dealer. We regularly assess the composition of our dealer network in order to maintain the highest level of quality. At December 31, 2021, our network comprised 172 dealers operating 191 points of sale.

We do not presently own dealerships and, while our strategy does not contemplate owning dealerships, we retain flexibility to adapt to evolving market requirements over time.

We believe that our careful and strict selection of the dealers that sell our cars is a key factor for promoting the integrity and success of our brand.
Our selection criteria are based on the candidates' reputation, financial stability and proven track records. We are also intent on selecting dealers who are able to provide a purchase and after-sales experience aimed at exceeding our clients' high expectations. Furthermore, our dealers are committed to promoting and marketing our cars in a manner intended to preserve the Ferrari brand integrity and to ensure the highest level of client satisfaction.

While dealers may hold multiple franchises, we enjoy a high degree of prominence and level of representation at each point of sale, where most of the client interface and retail experience is exclusive to Ferrari. Our network and business development team works with all dealers to ensure our operating standards are met. Our rigorous design, layout and corporate identity guidelines guarantee uniformity of the Ferrari image and client interface.

In 2021 and through the date of this report, our dealer network has successfully adapted to the new and unforeseen challenges resulting from the COVID-19 pandemic. We have supported our dealers network since the start of the pandemic, including through our "Back on Track" program, which has allowed our dealers to welcome our clients in their showrooms safely. In addition, the majority of our dealer network's worldwide facilities have been upgraded with the latest Ferrari Corporate Identity, to provide clients with a superior experience while delivering a unique luxury environment and digital touchpoints to complement the physical environment.

Through our in-house Ferrari Academy we provide training to dealers for sales, after-sales and technical activities. This ensures that our dealer network delivers a consistent level of market leading standards across diverse cultural environments. During 2020 and 2021 our training strategy was quickly adapted by introducing and boosting virtual-training solutions to cope with travel restrictions, while continuing to foster expertise in the network at the highest level.

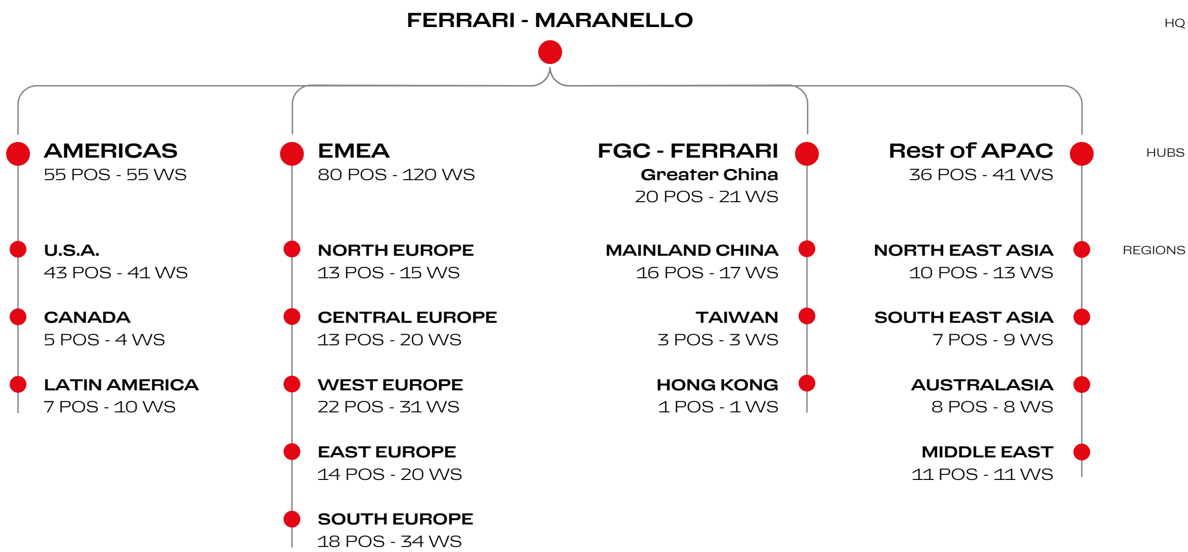
We collect and observe data relating to dealer profitability and financial health in order to prevent or mitigate any adverse experience for clients arising from a dealer ceasing to do business or experiencing financial difficulties. Our regional representatives visit dealerships regularly to monitor and measure performance and compliance with our operating standards. We have the right to terminate dealer relationships in a variety of circumstances, including failure to meet performance or financial standards, or failure to comply with our guidelines. Dealer turnover is relatively low, reflecting the strength of the franchise and our selection processes, but is sufficient to guarantee an orderly renewal over time and to stimulate the network's health and performance.

We provide a suggested retail price or a maximum retail price for all of our cars, but each dealer is free to negotiate different prices with clients and to provide financing. Although many of our clients in certain markets purchase our cars from dealers without financing, we offer direct or indirect finance and leasing services to retail clients and to dealers (See "—*Financial Services*").

The total number of our dealers as well as their geographical distribution tends to closely reflect the development or expected development of sales volumes to end clients in our various markets over time.

The chart below sets forth the geographic distribution of our 191 points of sale at December 31, 2021:

60 MARKETS . **172** DEALERS . **191** POINTS OF SALE . **237** SERVICE POINTS



Our sales are diversified across our dealer network, with the largest dealer representing approximately 2.6 percent of our shipments, and our 15 largest dealers representing approximately 24 percent of our shipments in 2021.

As part of our supply and demand management, we determine allocations based on various metrics including expected developments in the relevant market, the number of cars sold historically by the various dealers, current order book of dealers and the average waiting time of the end client in the relevant market. Our order reporting system allows us to collect and monitor information regarding end client orders and is able to assist us in production planning, allocation and dealer management.

PARTS

We supply parts for current and older models of Ferrari to our authorized dealer network.
In addition to substitution of spare parts during the life of the car, sales are driven by clients' demand for parts to customize their cars and maximize performance, particularly after a change in ownership, as well as parts required to compete in the Ferrari Challenge and other client races. We also supply parts to Ferrari models currently out of production, with stocks dating back to 1995. The stock of parts for even older models is currently owned and managed by a third party which in some cases also manufactures out-of-stock parts based on our designs. The sale of parts is a profitable component of our product mix and is expected to benefit from the increase in the number of Ferrari cars in circulation.

AFTER-SALES

Dealers provide after-sales services to clients, either at facilities adjacent to showrooms, or in stand-alone service points across 237 facilities worldwide at December 31, 2021. After-sales activities are very important for our business to ensure the client's continued enjoyment of the car and the experience. Therefore, we enforce a strict quality control on our dealers' services activities and we provide continued training and support to the dealers' service personnel. This includes our team of "flying doctors," Ferrari engineers who regularly travel to service centers to address difficult technical issues for our clients.

We sell cars together with a scheduled program of recommended maintenance services in order to ensure that these cars are maintained to the highest standards to meet our strict requirements for performance and safety.

Our 7 Year Maintenance Program (free of charge for customers since 2011 on any new cars) is offered to further strengthen customer retention in the official network and has been coupled with the possibility to extend the statutory warranty term of our standard warranty terms through the Power warranty coverage program up to the 15th year of life of the car. For certain strictly limited series cars (for example, the LaFerrari and the LaFerrari Aperta) we introduced a Full Warranty Coverage Extension that can be applied after the 36-month commercial contractual warranty.

After the 7th year of life, a car (if in perfect maintenance condition) can be included in the Main Power warranty coverage program (Maintenance and Power) through to the car's 15th year of life. Between the 10th year of life and the Classiche eligibility (20 year old car) Ferrari provides its customers, in addition to standard maintenance items, also certain specific maintenance kits (Ferrari Premium) to preserve car performance and safety systems. When a car follows the full maintenance program up to the 20th year of life, it automatically obtains the Ferrari Classiche certification.

While we do not have any direct involvement in pre-owned car sales, we seek to support a healthy secondary market in order to promote the value of our brand, benefit our clients and facilitate sales of new cars. Our dealers provide an inspection service for clients seeking to sell their car which involves detailed checks on the car and a certification on which the client can rely, covering, among other things, the authenticity of the car, the conformity to original technical specifications, and the state of repair. Furthermore, we offer owners of classic Ferrari cars maintenance and restoration services through the 73 "Officina Ferrari Classiche" workshops, part of our service network.

In addition, owners of our classic cars can seek assistance in car and engine restorations at our Ferrari Classiche department in Maranello.

FINANCIAL SERVICES

We offer retail client financing for the purchase of our cars as well as dealer financing through the operations of Ferrari Financial Services ("FFS").

We offer retail client financing:

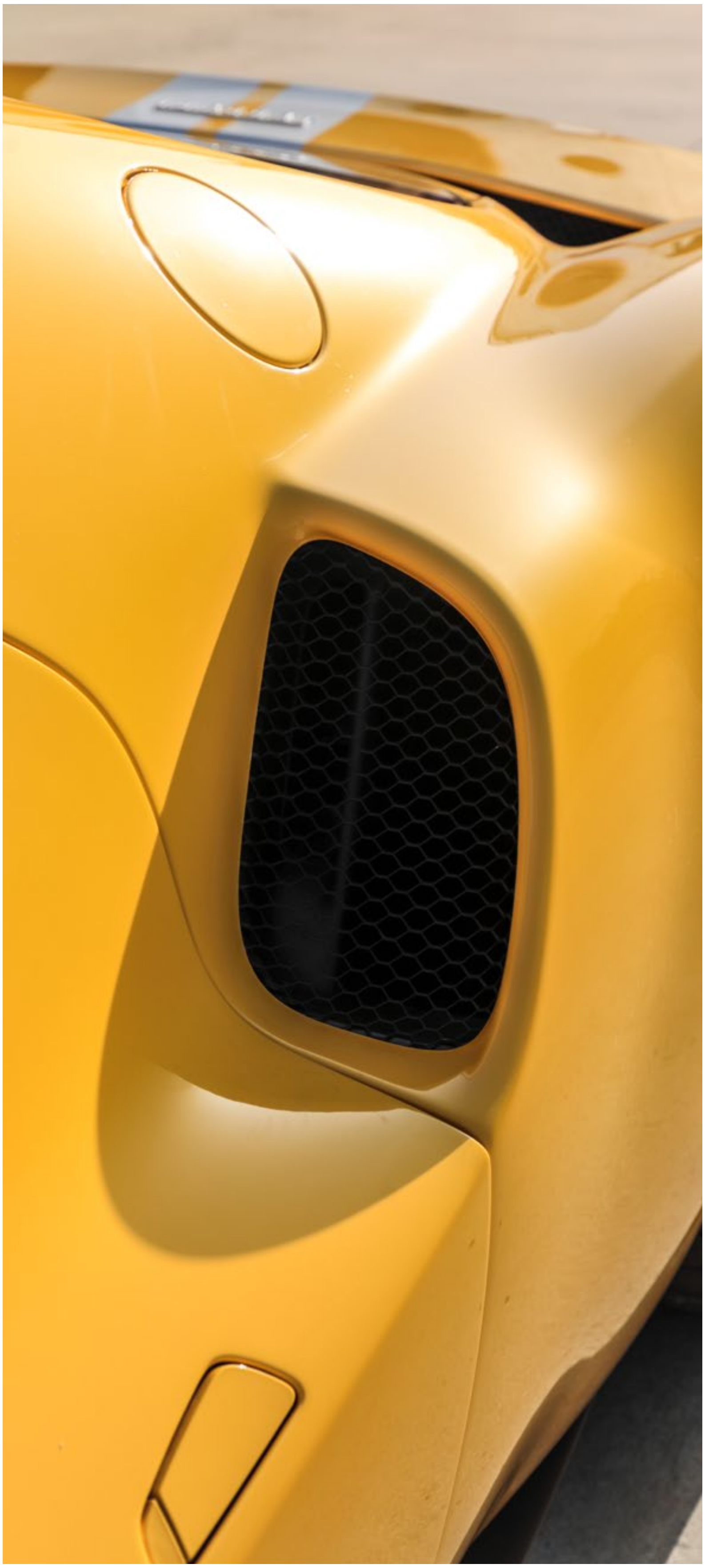
- directly in the United States through our fully owned subsidiary Ferrari Financial Services Inc. ("FFS Inc");
- through our associate Ferrari Financial Services GmbH in certain markets in EMEA (primarily the UK, Germany and Switzerland); and
- through various partnerships in other European countries and other major international markets, such as Japan and Mainland China.

FFS Inc also has remaining dealer financing services in the United States.

Through FFS, we offer a range of flexible, bespoke financial and ancillary services to clients (both current and new) interested in purchasing a wide range of cars, from our current product range to older pre-owned and classic models. FFS also provides special financing arrangements to a selected group of our most valuable and loyal customers.

Starting in 2016, FFS Inc has pursued a strategy of autonomous financing for our financial services activities in the United States, further reducing dependency on intercompany funding and increasing the portion of self-liquidating debt with various securitization transactions.

At December 31, 2021, the consolidated financial services portfolio was €1,144 million and originated in the United States.



CLIENT RELATIONS

OUR CLIENTS ARE THE BACKBONE OF OUR BUSINESS TOGETHER WITH OUR BRAND AND OUR TECHNOLOGY.
WE DO NOT PROMOTE OUR BRAND OR OUR CARS THROUGH GENERAL ADVERTISING. OUR MAIN BRAND MARKETING AND PROMOTIONAL ACTIVITIES HAVE TWO PRINCIPAL TARGETS.

Firstly, we target the general public. Our most significant effort in this respect is centered on our racing activities and the resonance of Scuderia Ferrari (see *"—Formula 1 Activities"*). We also engage in other brand-promotional activities, including our participation in various public events. In light of the COVID-19 pandemic, in 2021 our brand-promotional activities were carried out mainly through digital platforms such as eSports, and our official social media channels.

Secondly, we target existing and prospective clients seeking to promote clients' knowledge of our products, and their enjoyment of our cars both on road and on track, and to foster long-term relationships with our clients, which is key to our success. In 2021, approximately 59 percent of our new cars were sold to Ferrari owners.

By purchasing our cars, clients become part of a select community sharing a primary association with the Ferrari image and we foster this sense of fellowship with a number of initiatives. We strive to maximize the experience of our clients throughout their period of interaction with Ferrari – from first contact, through purchasing decision process, to waiting-time management and ownership.

The MyFerrari App is available exclusively for Ferrari clients to enhance their connection to the Ferrari world through the direct distribution of tailored content, including the digital editions of our 2021 model launches. This new channel enables clients to directly access features and services, strengthening their relationship with the brand and their preferred official Ferrari dealer.

CLIENT EVENTS

With client gatherings still impacted by restrictions in 2021, we continued to hold the presentation of our latest product offerings using digital formats where appropriate.
In May 2021, we livestreamed on our social channels the presentation of the new limited series 812 Competizione and 812 Competizione A from our newly finished *Attività Sportive GT* facility which overlooks our Fiorano race track. Viewers were able to hear the wonderful sounds of the naturally aspirated V12 engine while the 812 Competizione completed hot laps around the circuit.

In June 2021, the 296 GTB, an evolution of Ferrari's mid-rear-engined two-seater sports berlinetta concept, was unveiled digitally across our social channels in an extended reality format around the "Fun to Drive" concept of the model.

Additionally, in November 2021 the Ferrari Daytona SP3, the third car to join the strictly limited-edition Icona series, was presented to selected clients at an exclusive and private gathering at Casa Ferrari in Florence. The Ferrari Daytona SP3 made its public and livestream debut at the *Finali Mondiali* held at the Mugello circuit, where it led a parade flanked by the legendary sports prototypes of the 1960s that it was inspired from.

Following the digital launches of our new product offerings, clients were engaged locally by their preferred Ferrari dealers for conducting car configurations, static previews of the model, and eventually dynamic test drives when the dealer demonstrations became available.

Clients can continue to benefit from a set of direct services which enables them to participate in remote Atelier and Tailor Made sessions directly with our team of designers in Maranello. In addition, clients can send their creations in the configurator tool of the MyFerrari app directly to their official dealers.

DRIVING EVENTS

Driving events serve the dual objective of allowing clients to enjoy the best emotions of driving a Ferrari, and to foster client loyalty and repeat purchases by creating enhanced opportunities to experience new Ferrari cars. The Ferrari community is a passionate group supported by a wide array of experiences tailored to the dreams of modern car owners, classic car connoisseurs, and racetrack enthusiasts.

We see nurturing our clients' passion for driving as a key asset for our future commercial success, particularly in markets where racing traditions are less pronounced. We offer our prospective and existing clients interested in new Ferrari models our *Esperienza Ferrari* program, which consists of driving sessions with a team of highly qualified and skilled Ferrari instructors and technicians. In addition we also offer to our clients on-track driving courses (*Corso Pilota*), catering to different levels of skill and experience and teaching essential driving skills for high performance cars. In selected markets, such as China, we also offer complimentary driving courses on-track to any new car buyer.

In addition to on-track racing, we organize various on-the-road driving events, both under proprietary formats (*Ferrari Cavalcade, including the Cavalcade Classiche*) and with our own branded presence within established driving events. For example, in the *Ferrari Tribute to Mille Miglia* and *the Ferrari Tribute to Targa Florio* modern Ferrari cars take part in their own dedicated competition before the start of the main racing.

To mark the tenth anniversary of our most exclusive driving event for clients, in 2021 the *Ferrari Cavalcade* was held in Taormina, Sicily, gathering for the first time both our best modern and classic Ferrari models owned by clients from around the world.
A final gala was held in the spectacular Teatro Antico di Taormina, a perfect climax to the driving experience through the charms and warm hospitality of Southern Italy.

All driving events managed directly by Ferrari, such as the Ferrari Cavalcade, and those managed by third-party event organizers, such as the *Ferrari Tribute to Mille Miglia* and the *Ferrari Tribute to Targa Florio*, proceeded in accordance with local government health and safety regulations.

Another exclusive driving experience added in 2021 is the *Corso Pilota Classiche* course led by experts of the *Ferrari Classiche* team, and aimed at classic car enthusiasts and clients interested in learning more about the *Ferrari Classiche* certification program and the storied archives at our *Officine Classiche* restoration department. The initiative also offers the opportunity to experience on-track driving of those celebrated models on our Fiorano race circuit.

ATTIVITÀ SPORTIVE GT

Attività Sportive GT is our department overseeing the activities of *Competizioni GT* and *Corse Clienti* which organizes and supports client activities on track.
Ferrari is once again World Endurance Champion, both in the Constructors' and Drivers' categories, four years after its prior win, completing one of the most successful seasons in Ferrari's history.

In 2021, the *Competizioni GT* Department enjoyed a year of extraordinary achievements on track. Ferrari AF Corse's 488 GTEs won the Constructors' title in the FIA World Endurance Championship.
Ferrari drivers Alessandro Pier Guidi and James Calado won the world championship for a second time after winning in 2017, becoming the first World Endurance Championship drivers to achieve this result. Ferrari and AF Corse achieved two titles in the LMGTE AM category as well, and won the 24 Hours of Le Mans in PRO and Am classes. In the GT3 car championships, the 488 GT3 Evo 2020 continued its winning streak. Pier Guidi-Ledogar-Nielsen's victory in the GT World Challenge Europe Endurance Cup was undoubtedly the most important result of the season, and the crew drove a Ferrari to glory in the 24 Hours of Spa-Francorchamps for the first time since 2004. The 2021 488 GTE and 488 GT3 statistics were updated with 44 victories in 93 races (48%) and 423 wins in 761 races (55%), respectively. Since its racing debut, the various configurations of the 488 GT3 have achieved 106 titles.
While providing direct and indirect support to the various racing teams, the *Competizioni GT* engineers kept planning for the future. On February 24, 2021 Ferrari announced the launch of the Le Mans Hypercar (LMH) programme under which Ferrari will enter the new top category of the FIA WEC World Championship starting from 2023, in partnership with AF Corse. Ferrari has also announced a technical partnership agreement with ORECA for the assembly and after-sales services of the new GT3, which will begin track testing in early 2022. The technical partnership confirms Ferrari's long-term commitment to the main GT car championships.

Among the non-competitive activities, the *Club Competizioni GT* continued successfully and the event's participation increased by 24 percent compared to 2020, benefiting from the debut of the *488 GT Modificata*, a limited series car dedicated to sports clients, 24 of which took part in the *Finali Mondiali*.

Participants in the *Corse Clienti* racing season in Europe, North America and United Kingdom also increased in comparison with 2020, although the *Asia Pacific* series had to contend with continued travel restrictions and quarantines in the relevant geographies. For the first time in the history of the one-make series, a woman – Michelle Gatting – was crowned champion of the European series. During the *Finali Mondiali*, 17-year-old Finn Luka Nurmi won the Ferrari Challenge World Championship, setting another record after becoming the youngest winner in the history of the series at just 16 earlier in the year. The Ferrari Challenge Europe received the ISO 20121 certification, the international standard for sustainable event management, making the Prancing Horse's one-make series the first European single-make series for thermal cars to receive this certification.
F1 Clienti and the XX Programme, the non-competitive activities of *Corse Clienti F1 Clienti* and the *XX Programme*, and the non-competitive activities of *Corse Clienti*, experienced an increase in the number of event attendees in 2021 compared to 2020 and featured two new initiatives: *F1 Clienti Masterclass* and *XX Programme's Exclusive Experience*.

FERRARI CLASSICHE

The Ferrari Classiche department supports Ferrari customers in managing their historic Ferrari vehicles with the objective of keeping as many of these classic cars on the road as possible. Services include the certification of the authenticity of classic Ferrari cars and vehicles of particular historical relevance, the management of Ferrari restoration and repair activities, as well as the management of Ferrari spare parts, including when these are no longer available on the market. The department also provides advice on repair operations carried out on Ferrari Classiche cars within its network.

Ferrari Classiche aims to create a platform of information and technical expertise to preserve and enhance over time the awareness and value of Ferrari's heritage and brand. We view the surviving Ferrari vehicles of historical value as the tangible legacy and incarnation of our brand. The Ferrari Classiche department also supports and encourages the direct participation of clients in strategic historical events.

The Ferrari Classiche department in Maranello consists of an office of specialists and a workshop in which historic cars are restored and repaired. In addition, in order to provide an enhanced service to owners away from the main workshop in Maranello, starting in 2017 Ferrari Classiche authorized a new service network with 73 "Officina Ferrari Classiche" workshops to date, primarily for vehicle repairs and the certifications' inspections or revalidation, and the network is expected to expand in future periods.

The originality of the car with respect to the initial specifications is checked via a technical inspection, performed either at the Ferrari Classiche facility in Maranello or at an authorized Officina Ferrari Classiche, and benefits from a comprehensive archive containing drawings of each of the individual chassis and details of historical components. Based on the evidence gathered during this inspection, the car is then presented to an expert committee, chaired by the founder's son, Piero Ferrari, for the certification.

At the Maranello workshop, Ferrari Classiche carries out full restorations using either original components and spare parts or replicas manufactured in accordance with the original specifications. Our service offers our clients the opportunity to restore any classic Ferrari to its original pristine conditions.

The Ferrari Classiche department also provides basic technical and instructional support to the Ferrari Classiche Academy, a new driving school project that launched in 2019 for vintage Ferrari cars, including the Ferrari 308 and 550 Maranello.

FORMULA 1 ACTIVITIES

Participation in the FIA Formula 1 World Championship with Scuderia Ferrari is a core element of our marketing effort and promotional activities, as well as an important source of technological innovation for the engineering, development and production of our sports, GT, special series and Icona cars. The FIA Formula 1 World Championship is the pinnacle of motorsports with 445 million unique viewers and a total cumulative global television audience of 1.55 billion in 2021. (*Source: Formula 1 Press Office*)

Once again in 2021, Formula 1's social media platforms grew significantly, with the total number of followers up 40 percent to 49.1 million, and video views increased by 50 percent to 7 billion.
In 2021, Formula 1's social media channels were once again the fastest growing major sports league in the world across the four major social platforms and registered the fastest growth in engagement compared to other major sports. (*Source: Formula 1 Press Office*)

Formula 1 cars rely on advanced technology, powerful hybrid engines and cutting edge aerodynamics. While Europe is the sport's traditional base, longstanding non-European venues such as Australia, Brazil, Canada, Japan, Mexico and the United States have been joined in the last two decades by racing venues in China, Bahrain, United Arab Emirates, Singapore, Qatar, Saudi Arabia, Russia and Azerbaijan. This provides participants in the Formula 1 World Championship exceptional visibility on the world stage.
Scuderia Ferrari has been racing in the Formula 1 World Championship since the series was launched in 1950, and won its first Grand Prix in 1951.
We are the only team that has competed in each season since launch and the oldest and most successful in the history of Formula 1, with 238 Grand Prix wins. Throughout our racing history, we have won 15 Drivers' Championships and 16 Constructors' Championships, more than any other team. Many of the best known drivers in the sport's history have raced in Scuderia Ferrari's distinctive red cars including Alberto Ascari, Juan-Manuel Fangio, Mike Hawthorn, Phil Hill, John Surtees, Niki Lauda, Jody Scheckter, Gilles Villeneuve, Michael Schumacher and Kimi Raikkonen. Our drivers' line-up in 2021 comprised Charles Leclerc, the first graduate of the Ferrari Driver Academy training scheme to race for our Formula 1 race team, and Carlos Sainz, a young but already experienced talented Spanish driver.

In 2021 the new FIA financial regulations entered into force, imposing a cap (which will gradually decrease over the next two years) on certain expenses and investments related to operations and the chassis of the cars which may be incurred by any single Formula 1 team. Moreover, development activities were also limited by the new regulation and only one development per component was allowed in the power unit area.

Though the 2021 season remained affected by the COVID-19 pandemic, thanks to the efforts of FIA, Formula 1 and the teams, it was possible to organize 22 Grands Prix, a record number in the history of the sport.
In terms of results, the season ended with third place for the Scuderia Ferrari in the Constructors' Championship, with 323.5 points, five podiums, two pole positions, and with fifth and seventh place finishes in the Drivers' Championship, for Carlos Sainz and Charles Leclerc respectively.

Scuderia Ferrari's continuing participation in the FIA Formula 1 World Championship over the five year period from 2021 to 2025 is governed by two agreements – widely known as New Concorde Agreement - signed on August 18, 2020.
The first of such agreements governs the regulatory and governance aspects of the sport, and the second governs the commercial aspects. The New Concorde Agreement recognizes the historical role of Ferrari, the only team that has participated in all Formula 1 World Championship editions since its inception. In exchange for their participation in Formula 1 races, the participating teams receive a share of a prize fund based on the profits earned from Formula 1-related commercial activities managed by Formula 1, including in particular, promoters' fees, television broadcasting royalties, partnership agreements and other sources. Shares in the prize fund are paid to the teams, largely based on the relative ranking of each team in the championship. We use our share of these payments to offset a portion of the costs associated with Scuderia Ferrari, including the costs of designing and producing the race cars each year and the costs associated with managing a racing team, including the salaries of the drivers, who are typically among the most highly paid athletes in the world. Please see *"Risk Factors—Our revenues from Formula 1 activities may decline and our related expenses may grow"*.

Improvements in technology and, from time to time, changes in regulations typically require the design and production of a new racing car every year. Therefore, in addition to our long-term research and development efforts, we begin designing our cars each year in the spring, in anticipation of the start of the racing season the following March. While the chassis and the power unit we build each year are designed to be used throughout the racing season, the majority of other components fitted on our cars are adjusted from race to race depending on the characteristics of the circuits.

To maximize the performance, efficiency and safety of our Formula 1 cars, while complying with the strict technical rules and restrictions set out by the FIA, our research and development team plays a key role in the development of our road cars and their engines.
We often transfer technologies initially developed for racing to our road cars. Examples include steering wheel paddles for gear-shifting, the use and development of composite materials, which make cars lighter and faster, and technology related to hybrid propulsion.

Our road cars (especially our sports car models) have benefited from the know-how acquired in the wind tunnel by our racing car development teams, enjoying greater stability as they reach high speeds on and off the track. Our research and development team focus on combining minimal lap times with maximum efficiency, leading to advances in kinetic energy recovery systems, or ERS, technology. Current advanced ERS features two electric motor/generator units in every car, which allow the car to recover, store and deploy energy generated both by the vehicle during braking and by the exhaust gases through a turbocharger.

The great visibility, both on traditional media and on digital platforms, that Scuderia Ferrari obtains thanks to its participation in the FIA Formula 1 World Championship continues to attract significant sponsorships.

The visibility and placement of partner logos on the car and team uniforms reflect their respective level of sponsorship.
We use the platform provided by Formula 1 for a number of associated marketing initiatives, such as the hosting of clients and other key partners in Ferrari Formula 1 Club Hospitality to watch and experience the Grand Prix races with Scuderia Ferrari, and our Formula 1 drivers' participation in various

promotional activities for our road cars. We often sell older Formula 1 cars to customers for use in amateur racing or collection.

More generally, Formula 1 racing allows us to promote and market our brand and technology to a global audience without resorting to traditional advertising activities, therefore preserving the aura of exclusivity around our brand and limiting the marketing costs that we, as a company operating in the luxury industry, would otherwise incur.

In December 2021, the World Motor Sport Council validated the framework for the 2026 Power Unit Regulations, which includes technical, operational and financial guidelines. The framework identifies key objectives related to, among other things, the environmental impact, cost reduction measures and competitiveness of the FIA Formula 1 World Championship. A detailed document of the 2026 Power Unit Regulations is expected to be developed and submitted to the World Motor Sport Council during the course of 2022.

MUGELLO CIRCUIT

Located in Scarperia just outside Firenze, for more than 100 years the Mugello Circuit has carved its mark as one of the leading motorsport venues globally. Internationally renowned as the host venue for the Italian MotoGP Grand Prix since 1976 (and consecutively since 1994), the Formula 1 Grand Prix of Tuscany Ferrari 1000 in 2020, and numerous international motorsports competitions, the 5,245 metres circuit mimicking the natural slopes of the Tuscan hills is also famed for its ultimate driving experience and modern facilities.

Originally a 66 km road circuit, the first motorsport event held at Mugello starting from 1914 were regularity. Enzo Ferrari won in 1921 on an Alfa Romeo class 4.500. The current facilities were designed in the early 70's and later re-modelled in 1988 when Ferrari bought the circuit. Year after year the track has seen consistent improvements in terms of safety with FIA Grade 1 and FIM Grade A certifications, the highest levels of homologation for a racetrack.

In 2021 the circuit hosted 250 days of track activities and 14 race weekends.

The circuit was awarded the prize for the Best Grand Prix circuit for a MotoGP event five times (1995, 1996, 1997, 2000, 2011), and is also a leader in terms of its sustainability practices. It was the first circuit in the world to obtain FIA's prestigious "Achievement of Excellence" in 2015 and to be certified according to the sustainable event management system ISO 20121. In July 2021, an analysis carried out by Enovation Consulting and Right Hub on 96 circuits worldwide, 23 of which host or have hosted a Formula 1 GP, featured the Mugello Circuit on top of the Sustainable Circuits Index.

In 2021 all certifications were renewed, including for the international standards for sustainable and event management as well as the system of safety and health management on work places.

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BRAND DIVERSIFICATION STRATEGY

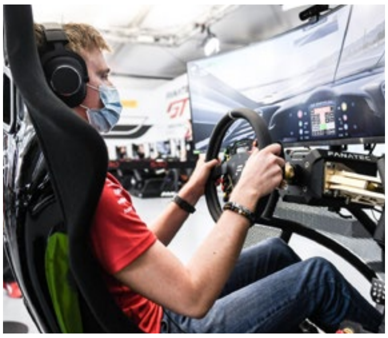
As one of the world's leading luxury brands, Ferrari operates in carefully selected luxury and lifestyle categories. We also engage in brand development and protection activities through licensing contracts with selected partners, retail activities through a chain of franchised or directly managed stores, licensed theme parks and the development of a line of apparel and accessories sold in our monobrand stores, on our website www.store.ferrari.com and in selected multi-brand stores, both physical and online.

In November 2019, management presented the principles of its brand diversification strategy, recognizing Ferrari as a unique brand with a dual identity: exclusive in relation to the luxury pricing and aspirational character of our cars, but also inclusive in relation to our F1 fan community.

To ensure long-term profitable growth, Ferrari intends to focus its offering on product categories that enhance the vibrancy and vitality of the brand through the following pillars:

BRAND EXTENSION

A REFINED COLLECTION OF PRODUCTS THAT WILL EMBODY FERRARI'S DNA



ENTERTAINMENT

TO REACH OUT TO A WIDER AND YOUNGER CUSTOMER BASE WHILE LEVERAGING FERRARI'S UNIQUE RACING ROOTS

CAR ADJACENCIES

A COLLECTION OF EXCLUSIVE LUXURY PRODUCTS AND SERVICES TO COMPLEMENT THE FERRARI EXPERIENCE

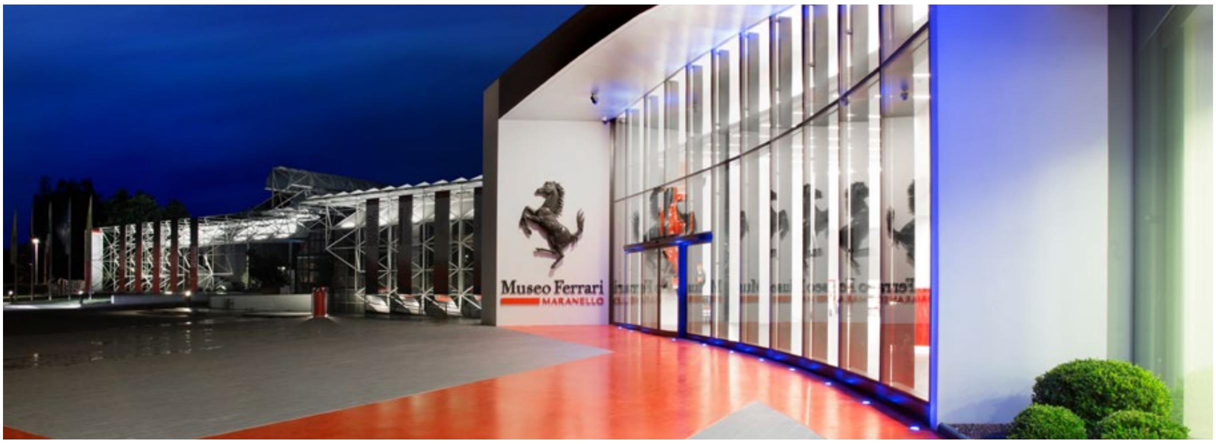
In 2021, due to government restrictions on travel and certain business activities imposed as a result of the COVID-19 pandemic, the number of visitors in our museums, our franchised and directly managed stores, and our licensed theme parks (further described below) was significantly lower than pre-pandemic levels despite an increase compared to 2020.

RETAIL

Through our network of stores (franchised or directly managed), we offer a wide range of Ferrari branded products, including our fashion collection.

At December 31, 2021, there were a total of 30 retail Ferrari stores, including those in Maranello, Milan, Rome, Miami, Los Angeles and Abu Dhabi, of which 16 stores directly owned and operated by us and 14 franchised stores (including 12 Ferrari Store Junior). We require all franchisees to operate our monobrand stores according to our standards. Stores are designed, decorated, furnished and stocked according to our directions and specifications.

We use multiple criteria to select our franchisees, including know-how, financial condition, sales network and market access. Generally, we require that applicants meet certain minimum working capital requirements and have the requisite business facilities and resources.
We typically enter into a standard franchising agreement with our franchisees. Pursuant to this agreement, the franchisee is authorized to sell our products at a suggested retail price. In exchange, we provide them with our products, the benefit of our marketing platform and association with our corporate identity.



MUSEUMS, LICENSING, ENTERTAINMENT AND THEME PARKS

Ferrari owns and manages two museums, one in Maranello and one in Modena.

We enter into license agreements with a number of licensees for the design, development and production of Ferrari branded products. We carefully select our licensees through a rigorous process and we contractually seek to ensure that our brand and intellectual property are protected and that the products which will eventually bear our brand are of adequate quality, appearance and market positioning. Ferrari branded products include consumer electronics, sportswear, toys, video games, watches and other accessories, as well as theme parks.

In 2021, we consolidated our participation in eSports with the second edition of the Ferrari eSports series with more than 34,000 participants.
A significant portion of our revenues from licensing activities consists of royalties we receive in connection with Ferrari World, our theme park in Abu Dhabi. Ferrari World opened on Yas Island, on the North East side of Abu Dhabi's mainland, in 2010. Ferrari World's iconic sleek red roof is directly inspired by the classic double curve side profile of the Ferrari GT body, spanning 200,000 square meters and carrying the largest Ferrari logo ever created. Ferrari World Abu Dhabi offers an all-around Ferrari experience to children and adults alike.

Our second theme park, Ferrari Land Portaventura, opened in April 2017 near Barcelona, and includes Red Force, the tallest and fastest roller-coaster in Europe. In the long-term we aim to open one theme park in each of the main geographic areas where we operate, including North America and Asia.

INTELLECTUAL PROPERTY

We own a number of registered designs and utility patents. We expect the number to grow as we continue to pursue technological innovations and to develop our design and brand activities.

We file patent applications in Europe, and around the world (including in the United States) to protect technology and improvements considered important to our business. No single patent is material to our business as a whole.

We also own a number of registered trademarks, designs and patents, including approximately 510 trademarks (word or figurative), registered in several countries and across a number classes. In particular, we ensure that the maximum level of protection is given to the following iconic trademarks, for which we own approximately 4,020 applications/registrations in approximately 140 countries, in most of the main classes for goods and services:

- "Ferrari" (word)
- "Ferrari" logotype:
- the "Prancing Horse" (figurative):
- the trademark (figurative):
- the racing shield (figurative):
- Scuderia Ferrari (word and figurative):

The names of our sports, GT, special series and Icona car models and Formula 1 single-seater models are also registered as trademarks (and logotypes) and we also register their domain names and the cars' design.

The protection of intellectual property is also increasingly important in connection with our design and brand activities. Therefore, we adopt and follow internal processes and procedures to ensure both that all necessary protection is given to our intellectual property rights and that no third party rights are infringed by us. In addition, we are particularly active in seeking to limit any counterfeiting activities regarding our Ferrari branded products around the world.
To reach this goal we closely monitor trademark applications and domain names worldwide, actively interact with national and local authorities and customs and avail ourselves of a network of experienced outside counsels.

~510
TRADEMARKS

~4,020
APPLICATIONS/ REGISTRATIONS OWNED

PROPERTIES

Our principal manufacturing facility is located in Maranello (Modena), Italy. It has an aggregate covered area of approximately 823 thousand square meters. Our Maranello plant hosts our corporate offices and most of the facilities we operate for the design, development and production of our road and track cars, as well as of our Formula 1 single-seaters. (See *"Production and Procurement—Production Process"*). Except for some leased technical equipment, we own all of our facilities and equipment in Maranello.

Since 2002 we have either rebuilt or renovated most of the buildings in Maranello, including the paint shop building and the production building. In 2015 we completed construction of the new building entirely dedicated to our Formula 1 team and racing activities, as well as the new wind tunnel 4WD.

In 2018 we completed the new Ferrari Design Centre, a building that covers more than 7 thousand square meters.

In 2019 we completed the office area and workshop area of the New Technical Center for the development of engines and hybrid systems. The entire building and the engine and hybrid test benches cover an area of approximately 20 thousand square meters and was completed in 2021.
Also in 2019, we purchased land of approximately 16 thousand square meters in line with our expansion plans.

In 2020, we purchased approximately 64 thousand square meters of land in Maranello to be used for future developments. In 2021, we completed the construction of the new building related to new GT sport activities (which covers an area of approximately 6 thousand square meters near the Fiorano track), the new building for our Formula 1 simulator and the renovation of the offices used by our Marketing and Commercial department. In 2020 we also purchased approximately 52 thousand square meters of land in Maranello to be used for future developments.

Adjacent to the plant is our Fiorano track, of approximately 3 thousand meters, built in 1972 and remodeled in 1996. The track also houses the Formula 1 logistics offices. Additional facilities in Maranello include a product development center, a hospitality area and the Ferrari museum.

We also own the Mugello racing circuit in Scarperia, near Florence, which we rent to racing events organizers (see *"Formula 1 Activities—The Mugello Circuit"*).

We own a second plant in Modena, named Carrozzeria Scaglietti. At this approximately 26 thousand square meter plant we manufacture aluminum bodyworks for our regular range, special series and prototype cars.

The total carrying value of our property, plant and equipment at December 31, 2021 was €1,353 million.

EMPLOYEES

Human capital is a crucial factor in our success, building on our position as a global leader in the luxury performance car sector and creating long-term, sustainable value. To recognize excellence, encourage professional development and create equal opportunities, we adopt a number of initiatives, including our appraisal system to assess our middle-managers and white collar employees through performance management metrics; our talent management and succession planning, in addition to assessment plans for blue collars; training and skill-building initiatives; employee satisfaction and engagement surveys, including our so-called "Pit Stop" and "Pole Position" programs; and flexible work arrangements, commuting programs and a dedicated welfare program, Formula Benessere, which includes, among other programs, *Formula Benessere Donna* and *Formula Benessere Junior* (offering medical assistance to employees and their families) and *Formula Estate Junior* (offering Summer Campus to the children of employees).

At December 31, 2021, we had a total of 4,609 employees, including 143 managers and senior managers. Of these, 4,337 were based at our Maranello facility, and 272 in offices around the world (including 25 managers and senior managers), mostly in North America and China.

	At December 31,		
	2021	**2020**	**2019**
White-collar employees and middle-managers	2,276	2,186	1,983
Italy	*2,039*	*1,961*	*1,772*
Rest of the world	*237*	*225*	*211*
Workers	2,190	2,233	2,179
Italy	*2,180*	*2,224*	*2,170*
Rest of the world	*10*	*9*	*9*
Managers and senior managers	143	137	123
Total	**4,609**	**4,556**	**4,285**

Approximately 12 percent of the employees were trade union members in 2021. Our employees' principal trade unions are *Federazione Italiana Metalmeccanici* (FIM-CISL), *Unione Italiana Lavoratori Metalmeccanic*i (UILM-UIL), *Federazione Italiana Sindacati Metalmeccanici* e *Industrie Collegate* (FISMIC) and *Federazione Impiegati Operai Metallurgici* (FIOM-CGIL).

All of our employees are covered by collective bargaining agreements. Our managers are represented by the Italian trade union, Federmanager, and are subject to a collective bargaining agreement, which will expire on December 31, 2022. Our other employees are covered by two agreements: the first one entered into by FCA, CNH Industrial and Ferrari with FIM-CISL, UILM-IUL, FISMIC, UGL and AQCF signed on March 11, 2019 which will expire on December 31, 2022, and the second one named "Accordo Premio di Competitività Ferrari" signed on September 25, 2019 which will expire on December 31, 2023. This collective bargaining contract provides, among other things, for the payment of bonuses linked to performance up to a maximum of approximately €13,000 gross per year and payable in four installments: three advances and a final balance.

In addition to the collective agreements, we have individually negotiated agreements with several of our managers and other key employees providing for long-term incentives, exclusivity and non-compete provisions.

REGULATORY MATTERS

We manufacture and sell our cars around the world and our operations are therefore subject to a variety of laws and regulations relating to environmental, health and safety and other matters. These laws regulate our cars, including their emissions, fuel consumption and safety, as well as our manufacturing facilities and operations, setting strict requirements on emissions, treatment and disposal of waste, water and hazardous materials and prohibitions on environmental contamination. Our vehicles, together with the engines that power them, must comply with extensive regional, national and local laws and regulations, and industry self-regulations (including those that regulate vehicle safety). However, we currently benefit from certain regulatory exemptions, because we qualify as an SVM or similar designation in certain jurisdictions where we sell cars. As outlined below, these exemptions provide a range of benefits, from less stringent emissions caps and compliance date extensions, to exemptions from zero emission vehicle production requirements.

We are in substantial compliance with the relevant regulatory requirements affecting our facilities and products around the world. We constantly monitor such requirements and adjust our operations as necessary to remain in compliance.

APPROVAL AND MARKET SURVEILLANCE

In May 2018 the European Parliament and European Council issued Regulation 2018/858, establishing the new framework for the approval and market surveillance of motor vehicles (repealing Directive 2007/46/EC). While the previous regulatory framework of Directive 2007/46/EC was focused on technical standards, the new regulation has a broader scope by including market surveillance requirements in order to ensure the enforcement of applicable standards. The key objectives of Regulation 2018/858 are: enhancing the independence of technical services (i.e. the approved testing laboratories) as well as improving the quality of the testing of vehicles and setting stricter requirements for technical services; introducing market surveillance in order to verify the conformity of vehicles on the market to the applicable standards, and requiring corrective measures in case of non-compliance or where a vehicle poses a safety risk or a risk to the environment; strengthening the type approval system with more stringent oversight by the EU. The Commission has the power to suspend, restrict or withdraw the designation of technical services, to order recalls, and to impose financial penalties.

GREENHOUSE GAS/CO_2/FUEL ECONOMY LEGISLATION

European legislation limited fleet average greenhouse gas emissions for new passenger cars to 130 grams of CO_2 per kilometer for the period 2015-2019. Due to our SVM status under EU regulations we benefited from a derogation from the 130 grams per kilometer emissions requirement available to small volume and niche manufacturers during that period. Pursuant to that derogation, we were instead required to meet yearly CO_2 emissions targets, beginning in 2012, reaching a target level of 290 grams per kilometer in 2016 for our fleet of EU-registered vehicles that year. Despite global shipments exceeding 10,000 vehicles in 2019, Ferrari continued to qualify as an SVM under EU regulations, because its total number of registered vehicles in the EU per year is less than 10,000 vehicles.

In 2014, the European Union set new 2020 emissions targets, calling for 95 percent of a manufacturer's full fleet of new passenger cars registered in the EU in 2020 to average 95 grams of CO_2 per kilometer, rising to 100 percent of the fleet in 2021. The 2014 regulation extends the small volume and niche manufacturers derogation. Pursuant to the derogation approved by the European Commission following our petition, we were required to meet certain CO_2 emissions target levels in the 2017-2021 period, reaching a target of 277 grams per kilometer in 2021 for our fleet of EU-registered cars that year.

In 2019, the European Union set new 2025 and 2030 emissions targets, calling for respectively a 15 percent and 37.5 percent reduction of the target applicable in 2021. An incentive mechanism for zero and low emission vehicles was also introduced. This new regulation (EU 2019/631) continues to state that it is not appropriate to use the same method to determine the emissions reduction targets for large volume manufacturers as for small volume manufacturers that are considered as independent. Therefore, Ferrari and other SVMs have the possibility to continue to apply for alternative emissions reduction and are required to submit the application at the latest by October 31 of the year in which the related derogation shall apply.

The regulation EU 2019/631 sets out new EU rules on monitoring and reporting of average emissions: the Commission will have to ensure the real-world representativeness of the CO_2 emission values based on data from the fuel consumption meters installed in new cars and will be obliged to publish the performance of each manufacturer. For this purpose, the Commission issued in March 2021 the Implementing Regulation EU 2021/392 requiring manufacturers to collect and report the real-world on-board fuel consumption monitoring (OBFCM) data and the vehicle identification numbers of new cars registered starting from January 1, 2021, unless the vehicle owner expressly refuses to make that data available. The European Commission will then publish real-world data on an annual basis, aggregated at the level of manufacturer for comparison of the same set of vehicles between data recorded in the certificates of conformity and the real-world data. In addition, regulation EU 2019/631 requires the European Commission to evaluate the possibility of a common methodology for the assessment and the consistent data reporting of full life-cycle emissions from cars. The regulation also includes provisions on in-service conformity testing and on detecting strategies which may artificially improve the CO_2 performance. Because of these requirements, the European Commission is currently working on a Delegated Regulation defining the procedures for verifying the CO_2 emissions of vehicles in-service. Detailed technical provisions (e.g. test procedures, statistical evaluations, tolerances, pass/fail criteria, etc.) for the in-service verification procedures will be further defined by an Implementing Regulation.

The European Green Deal, adopted by the European Commission in December 2019, has at its core combating climate change and reaching the objectives of the Paris Agreement and other environmental goals (including addressing air pollution). One of its central elements is the 2050 climate neutrality objective. The European Commission enshrined the 2050 climate neutrality objective into EU law entered into force in July 2021. In order to set the EU on a sustainable path to achieve climate neutrality by 2050, the European Commission has also presented a net EU-wide, economy-wide plan to reduce greenhouse gas emissions by at least 55 percent by 2030, compared to 1990 levels.

Building on the existing legislation and the EU's 2030 climate ambitions, the European Commission also published the "Fit for 55" Package on July, 14, 2021, which includes a proposed amendment to the regulation EU 2019/631. In particular, the European Commission's proposal would remove by 2030 the provision granting a derogation from the specific emissions targets to manufacturers responsible for between 1,000 and 10,000 new passenger cars in a calendar year. Moreover, the proposal would increase the 2030 CO_2 emissions target from a 37.5% to a 55% reduction compared to 2021 and introduce a 2035 target whereby CO_2 emissions from new cars and vans would have to be 100% lower compared to 2021.

Similarly to the EU, Switzerland introduced CO_2 emission regulations for new cars in July 2012. Despite the existence of some specificities within the Swiss regulation, derogations aligned with EU regulation have been granted to SVMs up to and including 2021. Switzerland has historically adopted the targets approved by the European Commission. On November 24, 2021, the Swiss Federal Council amended the CO_2 emission regulations for cars and vans. This regulation was repealed starting from January 1, 2022 and the vehicles of niche and small volume manufacturers will have to meet the same CO_2 emission targets as the large volume manufacturers. This change in legislation is expected to result in additional costs for Ferrari, either through penalties or the purchase of emissions credits from other manufacturers. Ferrari does not expect such additional costs to be material.

In the United States, both Corporate Average Fuel Economy ("CAFE") standards and greenhouse gas emissions ("GHG") standards are imposed on manufacturers of passenger cars. Because the control of fuel economy is closely correlated with the control of GHG emissions, the United States Environmental Protection Agency ("EPA") and the National Highway Traffic Safety Administration ("NHTSA") have sought to harmonize fuel economy regulations with the regulation of GHG vehicle emissions (primarily CO_2). These agencies have set the federal standards for passenger cars and light trucks to meet an estimated combined average fuel economy (CAFE) level that is equivalent to 35.5 miles per U.S. gallon for 2016 model year vehicles (250 grams CO_2 per mile). In August 2012, these agencies extended this program to cars and light trucks for model years 2017 through 2025, targeting an estimated combined average emissions level of 163 grams per mile in 2025, which is equivalent to 54.5 miles per gallon.

On September 27, 2019 the EPA and the NHTSA issued the "Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule Part One: One National Program" (SAFE I Rule). These rules would exert federal preemption authority under the CAFE statute over California's ability to regulate greenhouse gases and would revoke the current EPA waiver under the Clean Air Act which had authorized California to regulate GHG from motor vehicles. The state of California along with other states and certain NGOs filed challenges to these rules in both US District Court for the District of Columbia and the United States Court of Appeals D.C. Circuit. In May 2021, the NHTSA issued a notice of proposed rulemaking proposing to fully repeal the SAFE I Rule.

On March, 31, 2020 the EPA and the NHTSA issued the final SAFE Vehicles Rule (Part Two) setting CAFE and carbon dioxide emissions standards for model years 2021-2026 passenger cars and light trucks. Under the SAFE Vehicles Rule (Part Two), the overall stringency of the federal standards is significantly reduced from the levels previously set as the final rule will increase stringency of CAFE and CO_2 emissions standards by 1.5 percent each year through model year 2026, as compared with the standards issued in 2012, which would have required annual increases of approximately 5 percent. In August 2021, the EPA published a notice of proposed rulemaking proposing to strengthen federal GHG emissions standards for passenger cars and light trucks by setting stringent requirements for reductions from for model years 2021-2026. Consistently with the EPA's approach, in September 2021 the NHTSA published a notice of proposed rulemaking proposing revised fuel economy standards for passenger cars and light trucks for model years 2024-2026.

Under current regulation, for model years 2017-2026, the EPA allows a SVM, defined as an operationally independent manufacturer with less than 5,000 yearly unit sales in the United States, to petition for a less stringent standard. The EPA has granted us SVM status. We therefore petitioned the EPA for alternative standards for the model years 2017-2021 and 2022-2025, which are aligned to our technical and economic capabilities. On July 31, 2019 the EPA published a Notice in the U.S. Federal Register (Federal Register /Vol. 84, No. 147) that in part proposed that Ferrari be permitted an alternative standard substantially in line with the alternative standard that Ferrari proposed to the EPA for model years 2017-2021. The EPA approved Ferrari proposed standards for model years 2017-2020, whereas it required a small reduction for the model year 2021 standard. On June 25, 2020, the EPA Administrator signed the final determination for alternative GHG standards for SVMs for model years 2017 through 2021.

In September 2016, we petitioned the NHTSA for recognition as an independent manufacturer of less than 10,000 vehicles produced globally, and we proposed alternative CAFE standards, for model years 2017, 2018 and 2019. Then, in December, 2017, we amended the petition by proposing alternative CAFE standards for model years 2016, 2017 and 2018 instead, covering also the 2016 model year. In 2019, our global production exceeded 10,000 vehicles, and therefore we are not considered a SVM by the NHTSA for model year 2019. We previously purchased the CAFE credits needed to fulfill this deficit. On July 15, 2020, we submitted to the NHTSA a petition for an exemption from the CAFE standards for the model year 2020. We proceeded with this submission because, although Ferrari originally intended to produce more than 10,000 vehicles in 2020, actual production was lower than 10,000 vehicles as a result of the COVID-19 pandemic and the related shutdown of our production facilities. Therefore since we met the NHTSA definition of a SVM, we have requested an alternative fleet average GHG standards for model year 2020 standard. The NHTSA has confirmed that it will not send a shortfall letter to Ferrari requiring payment of CAFE civil penalties or the application of CAFE credits with regards to model year 2020 until the NHTSA has ruled on Ferrari's petitions for an alternative standard. We purchased the CAFE credits needed to fulfill our model year 2021 deficit and we are planning to continue with this approach for subsequent model years.

The state of California has been granted special authority under the Clean Air Act to set its own vehicle emission standards. In February 2010, the California Air Resources Board ("CARB") enacted regulations under which manufacturers of vehicles for model years 2012-2016 which are in compliance with the EPA greenhouse gas emissions regulations are also deemed to be in compliance with California's greenhouse gas emission regulations (the so-called "deemed to comply" provision). In November 2012, the CARB extended these rules to include model years 2017-2025. In 2017 CARB performed a technical assessment regarding greenhouse gas standards for model years 2022 through 2025, in parallel with the EPA and the NHTSA, and confirmed in March 2017 that the standards defined in 2012 may be still considered appropriate. On December 12, 2018 the CARB amended its existing regulations to clarify that the "deemed to comply" provision would not be available for model years 2021-2025 if the EPA standards for those years were altered via an amendment of federal regulations. On September 19, 2019, the NHTSA and the EPA established the "One National Program" for fuel economy regulation, taking the first step towards finalizing the agencies' August 2018 proposal by announcing the EPA's decision to withdraw California's waiver of preemption under the Clean Air Act, and by affirming the NHTSA's authority to set nationally applicable regulatory standards under the preemption provisions of the Energy Policy and Conservation Act (EPCA). The two agencies indicated that they anticipate issuing a final rule on standards in the near future. Ferrari currently avails itself of the "deemed-to-comply" provision to comply with CARB greenhouse gas emissions regulations. Therefore, depending on future developments, it may be necessary to also petition the CARB for SVM alternative standards and to increase the number of tests to be performed in order to follow the CARB specific procedures.

While Europe and the United States lead the implementation of these fuel consumption/CO_2 emissions programs, other jurisdictions typically follow on with adoption of similar regulations within a few years thereafter. In China, for example, Stage IV targeted a national average fuel consumption of 5.0L/100km by 2020. In September 2017, the Chinese government issued the Administrative Measures on CAFC (Corporate Average Fuel Consumption) and NEV (New Energy Vehicle) Credits. This regulation establishes mandatory CAFC requirements, while providing additional flexibility for SVMs (defined as a manufacturer with less than 2,000 units imported in China per year that achieve a certain minimum CAFC yearly improvement rate). Manufactures that exceed the CAFC regulatory ceiling are required to purchase NEV credits.

The Stage V regulation, issued on December 31, 2019, sets the fuel consumption fleet average targets for the period 2021-2025, targeting a national average fuel consumption of 4.0 l/100km by 2025. Following the adoption of the Stage V fuel consumption regulation, an update to the Administrative Measures on CAFC and NEV credits was published in June 2020, keeping the additional flexibility for SVMs and relaxing the minimum CAFC yearly improvement rate required. In addition to the fuel consumption target on the entire fleet, the Chinese regulation GB 19578-2021 sets specific fuel consumption limits on model types. Currently, this standard is only applicable to domestic cars, as it is not adopted by the China Certification and Accreditation Administration (CNCA). In the current Ferrari portfolio, only the plug-in hybrid models would be compliant with this regulation. Following the same approach also with respect to pure electric vehicles, during 2021 the relevant Chinese authorities have published a notice to call for participation in a working group that should define the energy consumption limit standards for electric vehicles.

In the future, driving bans on combustion engine vehicles could be imposed, particularly in metropolitan areas, promoting progress in electric and hybrid technology. On September 23, 2020, the Governor of California issued an executive order requiring that all in-state sales of new passenger vehicles be zero-emission by 2035. CARB is developing regulations among the Advanced Clean Cars II (ACC II) regulatory package to implement such executive order. The ACC II regulations will seek to increase the number of zero-emission vehicles (ZEVs) for sale and reduce criteria and greenhouse gas emissions from new light- and medium-duty vehicles beyond the 2025 model year. During 2021, the state of Washington introduced legislation that could phase out sales of non-ZEVs. The Washington State House bill 1204 titled "Clean Cars 2030" provides that all privately and publicly owned passenger and light duty vehicles of model year 2030 or later registered in Washington state must be electric vehicles and the state's transportation commission will now work on a scoping plan for achieving the 2030 requirement, anticipating the California target by five years. In November 2020, the UK Prime Minister, the Transport Secretary and the Business Secretary announced, in the context of the 10-Point Plan for a Green Industrial Revolution, the end of the sale of new petrol and diesel cars in the United Kingdom by 2030. On July 14, 2021 the UK Government published the Green Paper on a New Road Vehicle CO_2 Emissions Regulatory Framework for the United Kingdom. The commitment is to reach net zero carbon emissions by 2050. Following Brexit, the UK Government is autonomous in defining the legal framework to deliver the internal combustion engine vehicles phase out dates announced and is expected to publish a proposal in 2022. This will put the United Kingdom on course to be the first G7 country to decarbonize cars and vans.

EXHAUST AND EVAPORATIVE EMISSIONS REQUIREMENTS

In 2007, the European Union adopted a series of updated standards for emissions of other air pollutants from passenger and light commercial vehicles, such as nitrogen oxides, carbon monoxide, hydrocarbons and particulates. These standards were phased in from September 2009 (Euro 5) and September 2014 (Euro 6) for passenger cars. In 2016, the European Union established that Euro 6 limits shall be evaluated through Real Driving Emissions (RDE) measurement procedure and a new test-cycle more representative of normal conditions of use (Worldwide Light Vehicles Test Procedure). SVMs (vehicle manufacturers with a worldwide annual production lower than 10,000 units in the year prior to the grant of the type-approval) are required to be compliant with RDE standards starting from 2020 while non-SVMs have been required to comply with RDE standards starting from 2017. We believe all new Ferrari models are fully compliant with RDE requirements. In 2018, the European Commission issued Regulation 2018/1832 for the purpose of improving the emission type approval tests and procedures for light passenger and commercial vehicles, including those for in-service conformity and RDE and introducing devices for monitoring the consumption of fuel and electric energy. Under the EU Regulation, which became applicable in January 2019, among other things, the extended documentation package provided by manufacturers to type approval authorities to describe Auxiliary Emission Strategies (AES) is no longer required to be kept confidential, and the decision whether to allow access to such documentation package is left to national authorities. In addition, the Regulation introduced a new methodology for checking In-Service Conformity (ISC) which includes RDE tests. Compliance is tested based on ISC checks performed by the manufacturer, the granting type approval authority (GTAA), and accredited laboratories or technical services. Test results will be publicly available; in addition, the GTAA will publish annual reports on the ISC checks performed, in order to improve transparency. The European Commission is currently working on another amendment to the WLTP and RDE test procedures primarily to align them with the corresponding UNECE Regulations. However, other EU-specific requirements are also anticipated.

On December 13, 2018, the General Court of the European Union issued a ruling on the action started in mid-2016 by the cities of Madrid, Brussels and Paris on the legality of the Commission introducing in the second RDE Regulation (2016/646) RDE conformity factors (CF) which had the effect of increasing the emission limits. This led to the appeal proceedings during 2019 against the General Court's judgment that annulled the conformity factors in the RDE legislation. The appeal is currently pending.

During 2019, the European Commission announced that it will propose more stringent air pollutant emissions standards for combustion-engine vehicles and indicated 2021 as a target timeline. The European Commission created an Advisory Group on Vehicle Emission Standards (AGVES), by joining all the relevant expert groups working on emission legislation, in order to provide technical advice for the development of the post-EURO 6/VI emission standards for motor vehicles. In March 2020, the European Commission launched a public consultation on its roadmap outlining the policy options that it could pursue in revising the emission standards for light and heavy duty vehicles (Euro 7). This initiative is part of the European Green Deal, advocating the European automotive industry's role as a leader in the global transition to zero-emission vehicles. More stringent air pollutant emissions standards for combustion engine vehicles are expected to be set by early 2022. Depending on the future regulatory developments, the technological solutions required to ensure compliance with Euro 7 standards may affect customers' expectations on performance, sound and driving experience. The European Commission is also expected to assess and evaluate the current noise emissions limits, with the risk of more stringent thresholds.

In the United States, the "Tier 3" Motor Vehicle Emission and Fuel Standards issued by the EPA were finalized in April 2014. With Tier 3, the EPA has established more stringent vehicle emission standards, requiring significant reductions in both tailpipe and evaporative emissions, including nitrogen oxides, volatile organic compounds, carbon monoxide and particulate matter. The new standards are intended to harmonize with California's standards for 2015-2025 model years (so called "LEV3") and will be implemented over the same timeframe as the U.S. federal CAFE and GHG standards for cars and light trucks described above. Because of our status as an operationally independent SVM, Ferrari obtained a longer, more flexible schedule for compliance with these standards under both the EPA and California Program.

In addition, California is moving forward with other stringent emission regulations for vehicles, including the Zero Emission Vehicle regulation (ZEV). The ZEV regulation requires manufacturers to increase their sales of zero emissions vehicles year on year, up to an industry average of approximately 15 percent of vehicles sold in the state by 2025. Because we currently sell fewer than 4,500 units in California, we are exempt from these requirements.

Additional stringency of evaporative emissions also requires more advanced materials and technical solutions to eliminate fuel evaporative losses, all for much longer warranty periods (up to 150,000 miles in the United States).

As already mentioned, the California Air Resources Board is working on the development of the ACC II regulations and in December 2021 presented proposals to amend the Low Emission Vehicle (or LEV) Regulation to reduce both tailpipe and evaporative emissions.

In response to severe air quality issues in Beijing and other major Chinese cities, in 2016 the Chinese government published a more stringent emissions program (National 6), providing two different levels of stringency (6a and 6b) effective starting from 2020. In July 2018 China's central government launched a three-year plan to reduce air pollution, extending targets for reducing lung-damaging airborne particulate pollution to the country's 338 largest cities. This plan includes reductions in steel and other industrial capacity, reducing reliance on coal, promoting electric vehicles and cleaner transport, enhancing air-pollution warning systems, and increasing inspections of businesses for air pollution infractions. Several autonomous regions and municipalities have implemented the requirements of the National 6 program even ahead of the mandated deadlines.

During 2020, the Chinese Vehicle Emission Control Center (VECC) launched the "Pre-study on Next Stage Emission Standards for Light duty Vehicles", an ongoing research project expected to be finalized in a more stringent emission program in the next years.

Several others regulations are also emerging to take into account the non-exhaust emissions and the environmental impact of electric and hybrid vehicles components. Brake particulate emissions from passenger cars are currently not regulated by any UNECE or regional Regulations. However, the representatives of some contracting parties (e.g. the European Union, UK and Japan) are asking for the authorization to develop a new UN Global Technical Regulation (UN GTR) on the topic of brake particulate emissions of light duty vehicle's brake systems. The Informal Working Group on Electric Vehicles and Environment of the United Nations proposed during 2021 a Global Technical Regulation on in-vehicle battery durability. This regulation is applicable to both pure electric and plug-in hybrid vehicles and establishes provisions regarding state-of-health monitors, minimum performance requirements and in-service conformity checks. A UN GTR is not binding for certification purposes. However, it could be transposed into a UN Regulation or a regional regulation required for the certification. The European Commission has expressed the will to include these GTR requirements in Euro 7 regulation. Moreover, the European Commission published, in December 2020, a proposal for a new regulation on batteries and waste batteries. This proposal will apply to all kind of batteries, including automotive and electric vehicle batteries, and establishes requirements on sustainability, labelling, information and end-of-life. This regulation is currently under discussion.
To comply with current and future environmental rules, we may have to incur substantial capital expenditure and research and development expenditure to upgrade products and manufacturing facilities, which would have an impact on our cost of production and results of operation.

VEHICLE SAFETY

Vehicles sold in Europe are subject to vehicle safety regulations established by the EU or by individual member states. In 2009, the EU established a simplified framework for vehicle safety, repealing more than 50 directives and replacing them with a single regulation (the "General Safety Regulation") aimed at incorporating relevant United Nations standards. This incorporation process began in 2012. With respect to regulations on advanced safety systems, the EU now requires new model cars from 2011 onwards to have electronic stability control systems and tire pressure monitoring systems. Regulations on low-rolling resistance tires have also been introduced. The framework is reviewed periodically, and a revised version of the General Safety Regulation is currently under discussion.
In May 2018, the European Commission adopted a proposal for a regulation to make certain vehicle safety measures mandatory. On March 25, 2019, the European Parliament, Council and Commission reached a provisional political agreement on the revised General Safety Regulation. As of 2022, new safety technologies will become mandatory in European vehicles, such as Advanced Emergency Braking, Emergency Lane Keeping systems, crash-test improved safety belts, intelligent speed assistance and warning of driver drowsiness or distraction.
In 2017, the EU published technical requirements for the Emergency Call (eCall) system, mandatory for new model cars starting from 2018. Starting from July 1, 2019, new types of pure electric vehicle and new types of hybrid electric vehicle capable of operating without propulsion from a combustion engine operating are required to be equipped with an Acoustic Vehicle Alerting System (AVAS), and from July 1, 2021 for all new vehicles of such types, in order to alert pedestrians that a vehicle is moving at low speeds. Starting from 2022, European authorities and United Nation's contracting parties will enforce regulations on cyber security and over the air updates. Starting from 2024, European authorities and United Nation's contracting parties will enforce

amendments for the existing regulation on pedestrian protection, modifying the current test procedures and enhancing the measurement methods on extended vehicle areas such as the windscreen. In 2020 the European Commission issued its new digital strategy policies, which represent a priority in its regulatory agenda. During 2021, several draft proposals were issued in this respect, including in relation to Real Time Traffic Information (RTTI), Connected and Intelligent Transport Systems (C-ITS), Artificial Intelligence (AI). During 2022 more legislative acts are forecasted, including regarding access to vehicle data and automated driving).

Under U.S. federal law, all vehicles sold in the United States must comply with Federal Motor Vehicle Safety Standards ("FMVSS") promulgated by the NHTSA. Manufacturers need to provide certification that all vehicles are in compliance with those standards. In addition, if a vehicle contains a defect that is related to motor vehicle safety or does not comply with an applicable FMVSS, the manufacturer must notify vehicle owners and provide a remedy at no cost to the owner. Moreover, the Transportation Recall Enhancement, Accountability, and Documentation Act ("TREAD") requires manufacturers to report certain information related to claims and lawsuits involving fatalities and injuries in the United States if alleged to be caused by their vehicles, and other information related to client complaints, warranty claims, and field reports in the United States, as well as information about fatalities and recalls outside the United States. Several new or amended FMVSSs have taken or will take effect during the next few years in certain instances under phase-in schedules that require only a portion of a manufacturer's fleet to comply in the early years of the phase-in. These include an amendment to the side impact protection requirements that added several new tests and performance requirements (FMVSS No. 214), an amendment to roof crush resistance requirements (FMVSS No. 216), and a rule for ejection mitigation requirements (FMVSS No. 226). U.S. federal law also sets forth minimum sound requirements for hybrid and electric vehicles (FMVSS No. 141).

On May 4, 2016, the NHTSA published a Consent Order Amendment to the November 3, 2015 Takata Consent Order regarding a defect which may arise in the non-desiccated Takata passenger airbag inflators manufactured using phase stabilized ammonium nitrate and mounted on certain vehicles, including Ferrari cars. As a result of this order and subsequent orders by the NHTSA relating to the non-desiccated Takata passenger airbag inflators, in 2016 Ferrari initiated a global recall campaign to include all Ferrari cars produced in all model years mounting such airbag inflators. The global recall campaign was implemented based on priority groups and the timeline set by the NHTSA. Ferrari recognized provisions of €37 million in 2016 for the estimated costs of the worldwide global Takata recall due to uncertainty of recoverability of the costs from Takata. At December 31, 2021 the provision amounted to approximately €3 million, reflecting the current best estimate for future costs related to the entire recall campaign to be carried out by the Group.

In 2017, the Chinese authorities published an updated version of the current local general safety standard which allows China to become the driver market for the Event Data Recorder mandatory installation starting from 2021. Technical requirements were defined in mid-2019, through the formal adoption of the local standard. Among the United Nations contracting parties, China has been the first country to propose an early adoption of updated test procedures on high-voltage batteries for hybrid and electric vehicles, which has been enforced starting in 2020. During 2021, the Chinese authorities worked on several rulemaking initiatives related to active safety (e.g. ADAS, eCall), vehicle digitalization, cyber security and software updates which are not yet mandatory for certification purposes and contribute to the regulatory uncertainty in this market.


AUTOMOBILE CLUB DE L'OUEST
ROLEX
DHL
MOTUL
RICHARD MILLE
Ansys
Cetilar
V-Power
MICHELIN
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COVID-19 PANDEMIC UPDATE

The global spread of the COVID-19 virus ("COVID-19"), which was declared a global pandemic by the World Health Organization in March 2020, has led to governments around the world mandating various restrictive measures to contain the pandemic, including social distancing, quarantine, "shelter in place" or similar orders, travel restrictions and suspension of non-essential business activities. To date, several of these measures are still in place or were reintroduced at various points in time as a result of further "waves" of the pandemic, although the scope and timing of restrictive measures have varied greatly across jurisdictions.

As the virus spread and the severity of the COVID-19 pandemic became apparent, Ferrari's leadership took actions to protect and support its employees and communities, mitigate the impacts on the Group's financial performance and strengthen the Group's liquidity and financial position.

The impacts of the COVID-19 pandemic on the Group's operations and the main actions taken by Ferrari in response to the pandemic since its inception are summarized below:

- With the safety and well-being of Ferrari employees in mind and considering government restrictions implemented to combat the spread of the virus, production and deliveries to the distribution network were temporarily suspended from the end of March until the beginning of May 2020. Although certain restrictions have remained in place in some of the countries where Ferrari operates, since May 2020 substantially all Ferrari dealerships remained operational and order collections continued as usual. The Group remains focused on maintaining a robust order book going forward and on the careful management of our waiting lists in line with our strategy of controlled growth and preservation of brand exclusivity.

- To protect the health and well-being of its workforce and customers as Ferrari returned to regular business operations, we successfully implemented our "Back on Track" program, which facilitated our return to full production by May 8, 2020 through the implementation of various safety measures to combat and contain the spread of the COVID-19 virus in the workplace.

- Following various initiatives implemented by Ferrari since the start of the pandemic to support local communities, the Group continues to provide logistical support as well as facilities at its Fiorano race track for the vaccination campaign, where more than 230 thousand vaccine doses have been administered to date by the local medical authority. This is in addition to the more than 115 thousand serological tests, rapid swabs tests and flu vaccinations provided at the Fiorano race track since the start of the pandemic. With the commencement of the national COVID-19 vaccination campaign in Italy, in mid-June 2021 Ferrari launched its own vaccination plan, dedicated to its employees, their families and all the resident consultants and suppliers; planned alongside local Health Authorities. The campaign resulted in a high number of vaccinations and is now completed. Ferrari also organized an additional extraordinary COVID-19 vaccination campaign for employees, resident consultants and suppliers at our screening center, with first doses administered on October 1, 2021 and second doses on October 29, 2021. Ferrari also implemented a flu vaccination campaign in November 2021 and more recently a campaign for the booster dose of the COVID-19 vaccine.

- Although production and certain other activities, including Formula 1, our stores and our museums, were temporarily suspended near the end of March 2020, the Group continued many other key business activities and functions through remote working arrangements, and up to the date of this document it continues to take measures to combat the spread of COVID-19 at its facilities while guaranteeing the possibility of remote work for those employees whose job activity is compatible with such work arrangements.

- In order to prudently manage potential liquidity or refinancing risks in the foreseeable future, the

Group focused on increasing and preserving its available liquidity and took actions to contain costs and capital expenditures in 2020, while ensuring that all projects that are considered important for the continuing success of Ferrari and its future development are maintained.

- The Group decided to temporarily suspend its share repurchase program from the end of March 2020 to the beginning of March 2021, when the program was restarted.

- The start of the 2020 Formula 1 World Championship season was postponed from March to July 2020 and it ultimately consisted of 17 Grand Prix events, five fewer than those originally scheduled. Additionally, most of the races were held without public attendance, including Paddock Club and paddock guests. These circumstances adversely impacted our financial results in 2020 due to a reduction of sponsorships and consequent reduced commercial revenues from partners and the holder of Formula 1's commercial rights (Formula One Management). Although the 2021 season remained affected by the COVID-19 pandemic, including changes in venues and several races being held with a reduced number of spectators, the season ultimately consisted of a record number of 22 Grand Prix races.

- Brand activities were also adversely impacted as a result of the temporary closure of Ferrari stores and museums in the first quarter of 2020, which gradually reopened starting from May 2020 with appropriate safety measures in place to protect our staff and customers. To date, in-store traffic has not yet recovered to pre-pandemic levels and museums continue to be subject to certain restrictions as a result of local regulations, although overall brand activities have increased in 2021 compared to 2020.

- There have been no significant effects on the valuation of assets or liabilities and no increases in allowances for credit losses as a result of COVID-19. Moreover, no material impairment indicators have been identified and there have been no changes in accounting judgments or other significant accounting impacts relating to COVID-19.

- No significant changes occurred in controls that materially affect internal control over financial reporting.

Ferrari's leadership is continuously monitoring the evolution of the COVID-19 pandemic as new information becomes available as well as the related effects on the results of operations and financial position of the Group. Ferrari has been gradually recovering from the effects of the COVID-19-related suspension of production and other business activities that occurred primarily in 2020. The effects of the pandemic on Ferrari in 2021 were limited and, building on the otherwise strong performance in a year in which the Group exceeded its guidance on all metrics, management looks to seize the opportunities ahead and share its future plans on June 16, 2022 in Maranello at the Capital Markets Day.

The future impacts of COVID-19 on Ferrari's results of operations and financial condition will depend on ongoing developments in relation to the pandemic, including the success of the gradual release of containment measures and vaccination programs worldwide, as well as the overall condition and outlook of the global economy. See also *"Risk Factors—We are subject to risks related to the COVID-19 pandemic or similar public health crises that may materially and adversely affect our business"*.

FINANCIAL OVERVIEW

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE GROUP

The following discussion of our financial condition and results of operations should be read together with the information included under "Overview—History of the Company" and the Consolidated Financial Statements included elsewhere in this document. This discussion includes forward-looking statements, and involves numerous risks and uncertainties, including, but not limited to, those described under "Forward-Looking Statements" and "Risk Factors". Actual results may differ materially from those contained in any forward-looking statements.

TRENDS, UNCERTAINTIES AND OPPORTUNITIES

Shipments — Our net revenues and results of operations depend on, among other things, the achievement of shipment targets established in our budgets and business plans, which we define in line with our low volume strategy to pursue controlled growth and preserve brand exclusivity. As part of this strategy, we seek to manage waiting lists in the various markets in which we operate in order to respond optimally to relative levels of demand, based on our order books, while being sensitive to local client expectations in those markets. In certain markets, we believe that waiting lists have promoted the sense of exclusivity of our products and, accordingly, we monitor and manage waiting lists to maintain this exclusivity while ensuring that we do not jeopardize client satisfaction.

In order to maintain our brand's reputation of exclusivity among purchasers of our cars, we have continued our low volume strategy while responding to growing demand and to demographic changes as the size and spending capacity of our target clients has grown, gradually increasing annual shipments from 10,131 in 2019 to 11,155 in 2021, despite a decrease to 9,119 in 2020 driven by the effects of the COVID-19 pandemic, resulting in average annual shipments of 10,135 over the three year period from 2019 to 2021. Our plans reflects a continuation of this strategy and a measured but significant increase in shipments above current levels as we broaden our product portfolio to target a potentially larger customer base, while preserving and enhancing the exclusivity and value of our brand.

The following table sets forth our shipments [1] by geographic location:

	For the years ended December 31,					
	2021	%	2020	%	2019	%
EMEA						
Germany	1,252	11.2%	995	10.9%	967	9.5%
UK	996	8.9%	971	10.6%	1,120	11.1%
Italy	668	6.0%	574	6.3%	559	5.5%
Switzerland	481	4.3%	456	5.0%	454	4.5%
France	473	4.2%	463	5.1%	452	4.5%
Middle East [2]	334	3.0%	304	3.3%	309	3.1%
Other EMEA [3]	1,288	11.6%	1,055	11.6%	1,034	10.1%
Total EMEA	**5,492**	**49.2%**	**4,818**	**52.8%**	**4,895**	**48.3%**
Americas [4]	2,831	25.4%	2,325	25.5%	2,900	28.6%
Mainland China, Hong Kong and Taiwan	899	8.1%	456	5.0%	836	8.3%
Rest of APAC [5]	1,933	17.3%	1,520	16.7%	1,500	14.8%
Total	**11,155**	**100.0%**	**9,119**	**100.0%**	**10,131**	**100.0%**

(1) Excluding the XX Programme, racing cars, one-off and pre-owned cars.
(2) Middle East mainly includes the United Arab Emirates, Saudi Arabia, Bahrain, Lebanon, Qatar, Oman and Kuwait.
(3) Other EMEA includes Africa and the other European markets not separately identified.
(4) Americas includes the United States of America, Canada, Mexico, the Caribbean and Central and South America.
(5) Rest of APAC mainly includes Japan, Australia, Singapore, Indonesia, South Korea, Thailand, India and Malaysia.

We target our products to the upper end of the luxury car segment and buyers of our cars tend to belong to the wealthiest segment of the population. As the size and spending capacity of our target client base has grown significantly in recent years, our addressable market and the sense of exclusivity fostered by our low volume strategy have been further enhanced. Given that our shipment strategy is flexible, we are able to adjust the geographical allocation of our shipments to respond to changes in our key markets. The geographic allocation of our shipments and their mix by product is generally impacted by the phase-in/phase-out pace of individual models, as well as the length of waiting lists and other market-specific factors and conditions, including the potential for future growth. We expect that further growth in shipments will result primarily from our deliberate targeting of new customer groups and modes of use through the expansion of our product range.

Research, Development and Product Lifecycle — We engage in research and development activities aimed at improving the design, performance, advanced technology, safety, efficiency and reliability of our cars. The first stage of product development is the research phase. In this phase, we research the specifications of new models that we believe will appeal to our clients and will be commercially viable. Costs we incur for the development of our cars and engines, as well as their related components and systems, are recognized as an asset if, and only if, both of the following conditions under IAS 38 - *Intangible Assets* are met: (i) development costs can be measured reliably and (ii) the technical feasibility of the product, estimated volumes and expected pricing all support the view that the development expenditure will generate future economic benefits. All other research and development costs are expensed as incurred. Capitalized development costs include all direct and indirect costs that may be directly attributed to the development process.

The level of our capitalized development costs is primarily affected by the timing of updates and renewals to our product range and, more recently, by our decision to integrate newly-introduced powertrain technologies (including hybrid and electric) more broadly into our product portfolio. We continually launch new cars with enhanced technological innovations and design improvements. From 2019 to 2021 we launched 13 new models in accordance with our plan to launch 15 new models by 2022 as announced at our 2018 Capital Markets Day, with the objective of maintaining our product portfolio's leading position and to respond quickly to market demand and technological breakthroughs.

A clear example of this is the integration of hybrid engine technology in several recent models, including the 296 GTB, which we launched in 2021 and features Plug-in Hybrid Electric Vehicle (PHEV) technology and a new V6 engine, as well as the SF90 Stradale and the SF90 Spider, our first series production models to feature PHEV technology, which were launched in 2019 and 2020, respectively. Additionally, some of our past models, such as LaFerrari and the LaFerrari Aperta, also included hybrid technology. Our range models typically have a lifecycle of four to five years, while our special series, Icona and limited edition hypercars typically have shorter lifecycles. A portion of our research and development efforts are related to the development of the various components used in our models, and in particular, hybrid, electric, electronic and mechanical components. The new and advanced technological content integrated into our new models is in part driven by the output from the research and development efforts for vehicle components. Our continued focus on component development has the objective of improving performance and reducing the costs to develop new models. Capitalized development costs are amortized on a straight-line basis from the start of production over the estimated lifecycle of the model or the useful life of the related assets or components, which is generally between four and eight years.

We also incur research and development costs in connection with Formula 1 racing activities, including initiatives to maximize the performance, efficiency and safety of our racing cars. While we develop these technologies for initial use in our Formula 1 racing cars, we seek to transfer these technologies and components, where appropriate, to models in our current and future product range. Technological developments and changes in the regulations of the Formula 1 World Championship generally lead us to design, develop and construct a new racing car to be used for one year only and the costs incurred for the design, development and construction of a new racing car are generally expensed as incurred and classified as research and development costs in the income statement, unless the technology is expected to be used for more than one year and the costs meet the capitalization criteria in IAS 38. Research and development costs for Formula 1 activities can vary from year to year and may be difficult to predict because they are subject to, among other things, changes in racing regulations and the need to respond to our car's performance relative to other racing teams. Research and development costs are recognized net of technology-related government incentives.

Under the recently effective Formula 1 financial regulations, a budget cap has been introduced to limit the amount of certain types of costs (primarily relating to the development and manufacturing of the racing car chassis) that may be incurred by the teams participating in the Formula 1 World Championship to a maximum of $147 million for the recently completed 2021 season and to a maximum of $142 million for the upcoming 2022 season, to be further reduced to $137 million for the 2023 season (assuming 23 Grand Prix races in both the 2022 and 2023 seasons).

As a result of our strategy to update and broaden our product range and significantly increase our efforts relating to hybrid, electric and other advanced technologies, our overall research and development expenditure increased during the period from 2019 to 2021. In particular, we made significant investments in product development in relation to both our current product portfolio and models to be launched in future years, as well components. Notwithstanding actions taken in 2020 to contain costs as a result of the COVID-19 pandemic, we continued to invest significantly in research and development projects that are considered important for the continuing success of Ferrari and its future development.

The following table summarizes our research and development for the years ended December 31, 2021, 2020 and 2019:

	For the years ended December 31,		
	2021	2020	2019
Capitalized development costs [1]	363	320	330
Research and development costs expensed (A)	574	527	559
Total research and development	**937**	**847**	**889**
Amortization of capitalized development costs (B)	**194**	**180**	**140**
R&D costs as recognized in the consolidated income statement (A+B)	**768**	**707**	**699**

(1) Capitalized to development costs within intangible assets during the year.

Car Profitability — The relative profitability of the cars we sell tends to vary depending on a number of factors, including exclusivity of the offering, technological advancement and content of the car, engine size and performance, level of personalization and the geographic market in which it is sold. For example, our Icona models, which include the Ferrari Daytona SP3 presented in November 2021 and the Ferrari Monza SP1 and SP2 (our first Icona models, whose shipments commenced in 2019), as well as our limited edition hypercars (the latest of which was the LaFerrari Aperta which concluded shipments in 2018) have sales prices that are much higher than other models in the Ferrari product range in light of their exclusivity, as well as the advanced technology and design integrated in these models. In general, more exclusive offerings generate higher net revenues and provide better margins than those generated on shipments of range models and special series cars, and therefore they benefit our results in the periods in which they are sold. We plan to launch our Icona models more frequently compared to our limited edition hypercars, and we expect this to reduce the volatility in financial performance that we have at times experienced historically due to the cadence of our limited edition hypercars.

We seek to increase the average price point of our range and special series models over time by continually improving performance, technology and other features, as well as by leveraging the exclusivity of certain model offerings and the scarcity value resulting from our low volume strategy. In particular, in recent years we have been increasing the price of selected models in certain markets and introduced new models with higher average selling prices compared to the corresponding predecessor models. Furthermore, as we continue to integrate advanced technologies more broadly into our car portfolio, we expect that our average price point will continue to increase reflecting the superior technological content of our new models.

Additionally, the interior and exterior technology and content of the cars we sell can be customized through our personalization offerings, which can be further enhanced through additional bespoke specifications. Incremental revenues from personalization are a particularly favorable factor of our pricing and product mix, due to the fact that we generate incremental margin on each additional option selected by our clients.

Cost of Sales — Cost of sales comprises expenses incurred in the manufacturing and distribution of cars and parts, including engines sold to Maserati and engines rented to other Formula 1 racing teams. The cost of materials, components and labor are the most significant elements of our cost of sales, while the remaining costs primarily include depreciation, insurance and transportation costs. Cost of sales also includes warranty and product liability-related costs, which are estimated and recorded at the time our cars are shipped. Interest expenses and other financial charges that are directly attributable to our financial services activities, including provisions for risks and write-downs of financial assets, are also reported in cost of sales.

We purchase a variety of components (including mechanical, electrical, electronic, aluminum, steel and plastic components, as well as castings and tires), raw materials (the most significant of which is aluminum) and supplies, and we incur costs for utilities, logistics and other services from numerous suppliers in the manufacture of our cars. Fluctuations in the cost of sales are primarily related to the number of cars we produce and sell along with changes in car mix.

Newer models generally have more technologically advanced components and enhancements, including hybrid and electric technology, and therefore have higher costs per unit; however we aim to price our cars appropriately to recover these costs. Our Icona models, as well as our limited edition hypercars and one-off cars, also tend to have higher costs per unit, but these higher costs tend to be more than offset by higher sales prices. Cost of sales are also affected by fluctuations of certain raw material prices, although we typically seek to manage these costs and minimize their volatility through the use of long-term fixed price purchase contracts.

In recent years we have made efforts to achieve technical and commercial efficiencies. In particular, technical efficiencies focus on efforts to produce components using innovative and cost-effective materials, without compromising the quality or performance of the components. In order to achieve these technical efficiencies, we perform in-house research and development activities and we invite our suppliers to present us with innovative technical solutions that they have developed. Commercial efficiencies have been achieved through negotiating discounts and entering into long-term contracts with suppliers, who commit upfront to pass on to us a portion of the efficiencies they achieve in performing our supply contracts. Furthermore, efforts are made to award new business to existing suppliers, where appropriate, in order to negotiate favorable pricing. As cost of sales also includes depreciation of plant and equipment, cost of sales is affected by the number and timing of product launches, which trigger the commencement of depreciation of plant and equipment acquired specifically for the production of certain car models.

As further described in the *"Results of Operations"* section below, due to the effects of the temporary suspension of production and shipments, as well as the changes to the calendar and format of the 2020 Formula 1 World Championship, which were caused by the COVID-19 pandemic, costs as a percentage of net revenues were higher in 2020 compared to other years. Furthermore, a portion of our costs are fixed in nature and we decided to pay all employees throughout the whole suspension period and not accede to any government aid programs, therefore management actions to reduce costs only partially compensated the decrease in net revenues experienced in 2020 as a result of the pandemic.

Economic Conditions and Macro Events — Significant inflationary pressures appeared in 2021 in many of the markets in which we operate and this trend has continued in early 2022. Although there were no material effects on our results of operations in 2021 from the recent rise in inflation in certain goods and services, management is carefully monitoring the inflation outlook, as well as any changes to interest rates, to appropriately address the potential impacts on our operating costs and financial expenses, as well as our new order intake.

Additionally, as a result of the current geopolitical tensions and conflict between Russia and Ukraine, and the recent recognition by Russia of the independence of the self-proclaimed republics of Donetsk and Luhansk, in the Donbas region of Ukraine, the governments of the United States, the European Union, Japan and other jurisdictions have recently announced the imposition of sanctions on certain industry sectors and parties in Russia and the regions of Donetsk and Luhansk, as well as enhanced export controls on certain products and industries. Despite the fact that Ferrari has very limited commercial interests in Russia, Ukraine and the areas of conflict, these and any additional sanctions and export controls, as well as any counterresponses by the governments of Russia or other jurisdictions, could adversely affect, directly or indirectly, our supply chain, with negative implications on availability and prices of raw materials, and our customers, as well as the global financial markets and financial services industry.

Effects of Foreign Currency Exchange Rates — We are affected by fluctuations in foreign currency exchange rates through (i) the translation into Euro upon consolidation of foreign currency financial statements of our subsidiaries with functional currencies other than Euro, which we refer to as the translation impact, and (ii) transactions by entities of the Group in currencies other than their own functional currencies, which we refer to as the transaction impact.

Translation impacts arise in the preparation of the consolidated financial statements; in particular, we present our consolidated financial statements in Euro, while the functional currency of each of our subsidiaries depends on the primary economic environment of that entity. In preparing the consolidated financial statements, we translate into Euro the assets and liabilities of foreign subsidiaries expressed in local functional currency other than Euro using the foreign currency exchange rates prevailing at the balance sheet date, while we translate income and expenses using the average foreign currency exchange rates for the period presented. Accordingly, fluctuations in the foreign currency exchange rates of the functional currencies of our subsidiaries against the Euro impacts our results of operations.

Transaction impacts arise when our Group entities conduct transactions in currencies other than their own functional currency. Therefore, we are also exposed to foreign currency risks in connection with scheduled receipts and payments in multiple currencies. Our costs are primarily denominated in Euro, while the majority of our revenues are generated in currencies other than the Euro, including in U.S. Dollars, Pound Sterling, Japanese Yen, Chinese Yuan, Swiss Franc and, to a lesser extent, certain other currencies.

In general, an appreciation of the U.S. Dollar, and the other currencies in which we operate, against the Euro would positively impact our net revenues and results of operations.

Our risk management policies contemplate the use of derivative financial instruments to hedge foreign currency exchange rate risk. In particular, we have used derivative financial instruments as cash flow hedges for the purpose of hedging the foreign currency exchange rate at which a predetermined proportion of forecasted transactions denominated in foreign currencies will occur. Accordingly, our results of operations have not been fully exposed to fluctuations in foreign currency exchange rates. See Note 30 *"Qualitative and Quantitative Information on Financial Risks"* to the Consolidated Financial Statements included elsewhere in this document for additional information related to our foreign currency exchange rate risk policies.

Regulation — We ship our cars throughout the world and are therefore subject to a variety of laws and regulations, including tariffs. These laws regulate our cars, including their emissions, fuel consumption and safety, as well as our manufacturing facilities. As we are currently a small volume manufacturer in certain jurisdictions, we benefit from certain regulatory exemptions, including less stringent emissions caps. Developing, engineering and producing cars which meet continuously evolving regulatory requirements, and can therefore be sold in the relevant markets, requires a significant effort and expenditure of resources. See *"Overview of Our Business—Regulatory Matters"* for additional information.

Patent Box Benefit — Income taxes for the years ended December 31, 2021, 2020 and 2019 benefited from the application of the Patent Box tax regime, which provides tax benefits for companies that generate income through the use of intangible assets. Starting in 2020 the Group has applied the Patent Box tax regime for the period from 2020 to 2024 and determined the income eligible for the Patent Box regime with recognition of the Patent Box tax benefit in three equal annual installments.

Italian legislation recently enacted in 2021 will replace the current Patent Box tax regime with a 110% "super tax deduction" for certain costs related to eligible intangible assets and provides for a specific transitional procedure between the two regimes. The new legislation should not have any impact on income taxes of the Group for the year ended December 31, 2021 and management will continue to follow updates in the legislation as they become known.

For additional information see Note 10 *"Income taxes"* to the Consolidated Financial Statements included elsewhere in this document.

Trademark Step-up — In the fourth quarter of 2020, the Group benefited from the measures introduced in Italy by the art. 110 of the Law Decree n. 104/2020, converted in the Law n.126/2020, enacting *"Urgent measures to support and relaunch the economy"* which reopened the voluntary step up of tangible and intangible assets, with the application of a substitutive tax rate (3%). In particular, Ferrari S.p.A. benefited from the one-off partial step-up of its trademark for tax purposes, which resulted in the recognition in 2020 of deferred tax assets for €84 million and a substitute tax liability for €9 million, resulting in a net tax benefit of €75 million. There was no cash effect in 2020 from the step-up of the trademark. The deferred tax asset will be utilized over a 50-year period (recently extended from the previous 18 years following the approval of Law 234/2021; see also Note 10 *"Income taxes"* to the Consolidated Financial Statements included elsewhere in this document) and the substitute tax will be paid in three equal annual installments starting in 2021.

Management considers this item significant in nature but non-recurring and not reflective of ongoing operational activities, therefore the positive impact of €75 million has been excluded in the calculation of Adjusted Net Profit and Adjusted Basic and Diluted Earnings per Common Share for 2020.

Asset-backed Financing (Securitizations) — We pursue a strategy of autonomous financing for our financial services activities in the United States, which involves limiting or reducing dependency on intercompany funding and increasing the portion of self-liquidating debt with various securitization transactions. At December 31, 2021 and 2020 our funding under securitization programs amounted to €900 million and €761 million, respectively.

For additional information see Note 24 *"Debt"* to the Consolidated Financial Statements included elsewhere in this document.

Maserati Engine Volumes — We have been producing engines for Maserati since 2003. The V8 engines that we historically produced and continue to produce for Maserati are variants of Ferrari families of engines and are mounted on Maserati's highest performing models. We also produce a V6 family of engines exclusively for Maserati. We currently have a multi-year arrangement with Maserati to provide V6 engines up to 2023. Net revenues generated from sales of engines to Maserati depend on the orders received from Maserati, which in turn depend on Maserati production volumes and product launches. Our net revenues from engines increased in 2021 compared to 2020 as a result of higher orders received from Maserati, although they remain below 2019 levels.


Ferrari

RESULTS OF OPERATIONS

CONSOLIDATED RESULTS OF OPERATIONS 2021 COMPARED TO 2020 AND 2020 COMPARED TO 2019

The following is a discussion of the results of operations for the year ended December 31, 2021 as compared to the year ended December 31, 2020, and for the year ended December 31, 2020 as compared to the year ended December 31, 2019. The presentation includes line items as a percentage of net revenues for the respective periods presented to facilitate year-over-year comparisons.

For the year ended December 31, 2020 our costs as a percentage of net revenues and our EBIT and EBIT margin were negatively impacted by the COVID-19 pandemic, which caused a seven-week production and delivery suspension in the first half of 2020 (during which we decided to pay all employees throughout the whole suspension period and not accede to any government aid programs) as well as changes to the format of the 2020 Formula 1 World Championship.

(€ million, except percentages)

	For the years ended December 31,					
	2021	Percentage of net revenues	2020	Percentage of net revenues	2019	Percentage of net revenues
Net revenues	4,271	100.0%	3,460	100.0%	3,766	100.0%
Cost of sales	2,081	48.7%	1,686	48.7%	1,805	47.9%
Selling, general and administrative costs	348	8.1%	336	9.7%	343	9.1%
Research and development costs	768	18.0%	707	20.4%	699	18.6%
Other expenses, net	6	0.2%	19	0.6%	5	0.1%
Result from investments	7	0.2%	4	0.1%	3	0.1%
EBIT	**1,075**	**25.2%**	**716**	**20.7%**	**917**	**24.4%**
Net financial expenses	33	0.8%	49	1.4%	42	1.2%
Profit before taxes	**1,042**	**24.4%**	**667**	**19.3%**	**875**	**23.2%**
Income tax expense	209	4.9%	58	1.7%	176	4.6%
Net profit	**833**	**19.5%**	**609**	**17.6%**	**699**	**18.6%**

NET REVENUES

The following table sets forth an analysis of our net revenues for each of the years ended December 31, 2021, 2020 and 2019:

(€ million, except percentages)

	For the years ended December 31,						Increase/(Decrease)			
	2021	Percentage of net revenues	2020	Percentage of net revenues	2019	Percentage of net revenues	2021 vs. 2020		2020 vs. 2019	
Cars and spare parts (1)	3,573	83.7%	2,835	81.9%	2,926	77.7%	738	26.0%	(91)	(3.1)%
Engines (2)	189	4.4%	151	4.4%	198	5.3%	38	25.7%	(47)	(24.0)%
Sponsorship, commercial and brand (3)	431	10.1%	390	11.3%	538	14.3%	41	10.4%	(148)	(27.5)%
Other (4)	78	1.8%	84	2.4%	104	2.7%	(6)	(7.4)%	(20)	(19.5)%
Total net revenues	**4,271**	**100.0%**	**3,460**	**100.0%**	**3,766**	**100.0%**	**811**	**23.4%**	**(306)**	**(8.1)%**

(1) Includes net revenues generated from shipments of our cars, any personalization generated on these cars, as well as sales of spare parts.

(2) Includes net revenues generated from the sale of engines to Maserati for use in their cars and from the rental of engines to other Formula 1 racing teams.

(3) Includes net revenues earned by our Formula 1 racing team through sponsorship agreements and our share of the Formula 1 World Championship commercial revenues, as well as net revenues generated through the Ferrari brand, including merchandising, licensing and royalty income.

(4) Primarily relates to financial services activities, management of the Mugello racetrack and other sports-related activities.

2021 COMPARED TO 2020

Net revenues for 2021 were €4,271 million, an increase of €811 million, or 23.4 percent (an increase of 26.0 percent on a constant currency basis), from €3,460 million for 2020.

The increase in net revenues was attributable to the combination of (i) a €738 million increase in cars and spare parts, (ii) a €38 million increase in engines, and (iii) a €41 million increase in sponsorship, commercial and brand, partially offset by a €6 million decrease in other revenues.

CARS AND SPARE PARTS

Net revenues generated from cars and spare parts were €3,573 million for 2021, an increase of €738 million, or 26.0 percent, from €2,835 million for 2020.

The increase in net revenues from cars and spare parts was primarily attributable to higher car volumes, positive mix and personalizations, partially offset by negative foreign currency exchange impact (mainly relating to the U.S. Dollar and the Japanese Yen). Shipments in 2020 were impacted by the seven-week production and delivery suspension in the first half of the year caused by the COVID-19 pandemic.

Overall, shipments increased by 2,036 cars, or 22.3 percent, driven by a 34.6 percent increase in shipments of our V8 models while shipments of our V12 models decreased by 16.1 percent, mainly due to the 812 Superfast, which was phased out during 2021.

In particular, the increase in shipments was driven by the F8 family, together with the Ferrari Roma and the SF90 Stradale, which both reached global distribution in the second quarter of 2021, as well as the ramp up of the Ferrari Portofino M and the SF90 Spider, partially offset by the Ferrari Portofino, the 488 Pista family and the 812 Superfast. Additionally, deliveries of the Ferrari Monza SP1 and SP2 increased in 2021 compared 2020, in line with planning, and the models are reaching the end of production. The positive mix impact was driven by the SF90 family and the Ferrari Monza SP1 and SP2, as well as higher revenues from personalizations.

All geographic regions positively contributed in the year, with increases in revenues of: (i) €251 million in EMEA, (ii) €217 million in Americas, (iii) €137 million in Mainland China, Hong Kong and Taiwan, and (iv) €133 million in Rest of APAC. The performance in Mainland China, Hong Kong and Taiwan was boosted by the launch of new models and the comparison versus the prior year, which was negatively impacted by the decision to deliberately accelerate client deliveries in 2019 in advance of new emissions regulations.
All changes include the effects of foreign currency hedge transactions.

ENGINES

Net revenues generated from engines were €189 million for 2021, an increase of €38 million, or 25.7 percent, from €151 million for 2020. The increase was mainly attributable to an increase in engines sold to Maserati and, to a lesser extent, higher revenues from the rental of engines to other Formula 1 racing teams.

SPONSORSHIP, COMMERCIAL AND BRAND

Net revenues generated from sponsorship, Formula 1 commercial agreements and brand management activities were €431 million for 2021, an increase of €41 million, or 10.4 percent, from €390 million for 2020. The increase was primarily attributable to Formula 1 racing activities, driven by the more favorable Formula 1 calendar compared to 2020, and brand-related activities, partially offset by a lower prior year Formula 1 ranking.

OTHER

Other net revenues were €78 million for 2021, a decrease of €6 million, or 7.4 percent, from €84 million for 2020.

2020 COMPARED TO 2019

Net revenues for 2020 were €3,460 million, a decrease of €306 million, or 8.1 percent (a decrease of 8.9 percent on a constant currency basis), from €3,766 million for 2019.

The change in net revenues was attributable to the combination of (i) a €91 million decrease in cars and spare parts, (ii) a €47 million decrease in engines, (iii) a €148 million decrease in sponsorship, commercial and brand, and (iv) a €20 million decrease in other revenues.

CARS AND SPARE PARTS

Net revenues generated from cars and spare parts were €2,835 million for 2020, a decrease of €91 million, or 3.1 percent, from €2,926 million for 2019. The decrease in net revenues was primarily attributable to lower volumes as well as their personalizations, mainly due to the seven-week production suspension in the first half of 2020 and the temporary closure of certain dealerships caused by the COVID-19 pandemic, partially offset by positive mix driven by deliveries of the Ferrari Monza SP1 and SP2.

Overall, shipments decreased by 1,012 cars, or 10.0 percent, compared to the prior year, driven by the COVID-19 pandemic, with a gradual recovery of production and shipments in the second half of 2020. Shipments of our V8 models decreased by 10.3 percent while our V12 models decreased by 9.0. The decrease in shipments also reflects the phase-out of the Ferrari Portofino as well as the Ferrari 488 Pista and Ferrari 488 Pista Spider gradually approaching the end of their lifecycles, partially offset by the ramp up of the Ferrari F8 Tributo, the Ferrari F8 Spider, and the 812 GTS which reached global distribution, as well as the Ferrari Monza SP1 and SP2, which were delivered as originally scheduled in 2020.
The deliveries of the SF90 Stradale started in the fourth quarter of 2020 following the industrialization delays experienced and subsequently resolved. Deliveries of the Ferrari Roma also commenced in the fourth quarter.

The €91 million decrease in net revenues was composed of (i) a €170 million increase in EMEA, (ii) a €143 million decrease in Americas (including positive foreign currency translation impact driven by the strengthening of the U.S. Dollar compared to the Euro), (iii) a €146 million decrease in Mainland China, Hong Kong and Taiwan, and (iv) a €28 million increase in the Rest of APAC. Net revenues by geography were impacted by the deliberate geographic allocations driven by the phase-in/phase-out pace of individual models, which primarily favored EMEA in 2020. The decrease in Mainland China, Hong Kong and Taiwan was primarily impacted by the decision to accelerate client deliveries in the first half of 2019, in addition to the effects of COVID-19 in 2020.

ENGINES

Net revenues generated from engines were €151 million for 2020, a decrease of €47 million, or 24.0 percent, from €198 million for 2019. The decrease was attributable to lower shipments of engines to Maserati and lower revenues from the rental of engines to other Formula 1 racing teams driven by the reduced number of races in 2020 as a result of the COVID-19 pandemic.

SPONSORSHIP, COMMERCIAL AND BRAND

Net revenues generated from sponsorship, Formula 1 commercial agreements and brand management activities were €390 million for 2020, a decrease of €148 million, or 27.5 percent, from €538 million for 2019. The decrease was primarily attributable to impacts of the COVID-19 pandemic, which resulted in a reduced number of Formula 1 races in 2020 and a decrease in-store traffic and museum visitors.

OTHER

Other net revenues were €84 million for 2020 a decrease of €20 million, or 19.5 percent, from €104 million for 2019. The decrease was primarily attributable to reduced sports-related activities and the cancellation of the Moto GP event at the Mugello racetrack, the effects of which were only partially offset by the first ever Formula 1 Grand Prix held at the Mugello racetrack.

COST OF SALES
(€ million, except percentages)

	For the years ended December 31,						Increase/(Decrease)			
	2021	Percentage of net revenues	2020	Percentage of net revenues	2019	Percentage of net revenues	2021 vs. 2020		2020 vs. 2019	
Cost of sales	2,081	48.7%	1,686	48.7%	1,805	47.9%	395	23.4%	(119)	(6.6)%

2021 COMPARED TO 2020

Cost of sales for 2021 was €2,081 million, an increase of €395 million, or 23.4 percent, from €1,686 million for 2020. As a percentage of net revenues, cost of sales was 48.7 percent for both 2021 and 2020.

The increase in cost of sales was primarily attributable to higher car volumes and a change in product mix, as well as higher Maserati engine volumes and costs for other supporting activities.

2020 COMPARED TO 2019

Cost of sales for 2020 was €1,686 million, a decrease of €119 million, or 6.6 percent, from €1,805 million for 2019. As a percentage of net revenues, cost of sales increased from 47.9 percent in 2019 to 48.7 percent in 2020.

The decrease in cost of sales was primarily attributable to a decrease in car volumes due to COVID-19 pandemic and lower engine volumes produced for Maserati, partially offset by higher depreciation. Cost of sales in 2020 includes the full cost of employees' paid days of absence during the COVID-19-related production suspension.

SELLING, GENERAL AND ADMINISTRATIVE COSTS
(€ million, except percentages)

	For the years ended December 31,						Increase/(Decrease)			
	2021	Percentage of net revenues	2020	Percentage of net revenues	2019	Percentage of net revenues	2021 vs. 2020		2020 vs. 2019	
Selling, general and administrative costs	348	8.1%	336	9.7%	343	9.1%	12	3.5%	(7)	(2.1)%

2021 COMPARED TO 2020

Selling, general and administrative costs were €348 million for 2021, an increase of €12 million, or 3.5 percent, from €336 million for 2020. As a percentage of net revenues, selling, general and administrative costs were 8.1 percent in 2021 compared to 9.7 percent in 2020.

The increase was mainly attributable to communication and marketing activities related to models unveiled in 2021, as well as lifestyle events and costs to support the organic growth of the business.

2020 COMPARED TO 2019

Selling, general and administrative costs for 2020 were €336 million, a decrease of €7 million, or 2.1 percent, from €343 million for 2019. As a percentage of net revenues, selling, general and administrative costs were 9.7 in 2020 compared to 9.1 percent in 2019.

The decrease in selling, general and administrative costs was primarily attributable to the deployment of significant cost containment actions, partially offset by Formula 1 racing activities.

RESEARCH AND DEVELOPMENT COSTS
(€ million, except percentages)

	For the years ended December 31,						Increase/(Decrease)			
	2021	Percentage of net revenues	2020	Percentage of net revenues	2019	Percentage of net revenues	2021 vs. 2020		2020 vs. 2019	
Research and development costs expensed during the year	574	13.4%	527	15.2%	559	14.9%	47	8.9%	(32)	(5.9)%
Amortization of capitalized development costs	194	4.6%	180	5.2%	140	3.7%	14	7.7%	40	29.3%
Research and development costs	768	18.0%	707	20.4%	699	18.6%	61	8.6%	8	1.2%

2021 COMPARED TO 2020
Research and development costs for 2021 were €768 million, an increase of €61 million, or 8.6 percent, from €707 million for 2020. As a percentage of net revenues, research and development costs were 18.0 percent in 2021 compared to 20.4 percent in 2020.

The increase in research and development costs was primarily attributable to an increase in research and development costs expensed of €47 million driven by product innovation and Formula 1 activities, and comparison was impacted by higher technology incentives in the prior year, as well as an increase in amortization of capitalized development costs of €14 million driven by a general increase in capitalized development costs in recent years in line with our strategy to update and broaden our product range and significantly increase our efforts in relation to hybrid and other advanced technologies.

2020 COMPARED TO 2019
Research and development costs for 2020 were €707 million, an increase of €8 million, or 1.2 percent, from €699 million for 2019. As a percentage of net revenues, research and development costs were 20.4 percent in 2020 compared to 18.6 percent in 2019.

The increase of €8 million in research and development costs during the period was primarily attributable to an increase in amortization of capitalized development costs of €40 million driven by a general increase in capitalized development costs in recent years in line with our strategy to update and broaden our product range and significantly increase our efforts relating to hybrid and other advanced technologies, partially offset by lower research and development costs expensed during the period of €32 million, including as a result of technology-related government incentives recognized in 2020.

We continued to invest in research and development projects important for the continuing success of Ferrari and its future development, despite certain actions taken in 2020 to contain costs as a result of the COVID-19 pandemic.

OTHER EXPENSES/(INCOME), NET
(€ million, except percentages)

	For the years ended December 31,			Increase/(Decrease)			
	2021	2020	2019	2021 vs. 2020		2020 vs. 2019	
Other expenses/(income), net	6	19	5	(13)	(69.9)%	14	270.2%

Generally, other expenses/(income), net consist of other expenses that primarily include indirect taxes, provisions and other miscellaneous expenses, as well as other income that primarily includes rental income, gains on the disposal of property, plant and equipment and other miscellaneous income, including the release of previously recognized provisions.
Other expenses/(income), net in 2021 is composed of other expenses of €14 million, partially offset by €8 million of

other income. Other expenses/(income), net in 2020 is composed of other expenses of €25 million, partially offset by €6 million of other income.

Other expenses/(income), net in 2019 is composed of other expenses of €14 million, partially offset by €9 million of other income. Other expenses, net in 2021 and 2019 include releases of provisions relating to legal disputes following developments favorable to Ferrari.

EBIT
(€ million, except percentages)

	For the years ended December 31,						Increase/(Decrease)			
	2021	Percentage of net revenues	2020	Percentage of net revenues	2019	Percentage of net revenues	2021 vs. 2020		2020 vs. 2019	
EBIT	1,075	25.2%	716	20.7%	917	24.4%	359	50.2%	(201)	(21.9)%

2021 COMPARED TO 2020

EBIT for 2021 was €1,075 million, an increase of €359 million, or 50.2 percent, from €716 million for 2020. As a percentage of net revenues, EBIT increased from 20.7 percent in 2020 to 25.2 percent in 2021.

The increase in EBIT was primarily attributable to the combined effects of (i) positive volume impact of €220 million, (ii) positive product mix impact of €212 million, (iii) an increase in research and development costs of €61 million, (iv) an increase in selling, general and administrative costs of €12 million, (v) positive contribution of €77 million driven by Formula 1 racing activities reflecting the more favorable Formula 1 calendar compared to 2020 as well as higher contribution from brand-related activities, Maserati engines and other supporting activities, partially offset by a lower prior year Formula 1 ranking, and (vi) negative foreign currency exchange impact of €77 million (including foreign currency hedging instruments) primarily driven by the strengthening of the Euro compared to the U.S. Dollar and the Japanese Yen.

The positive mix impact was driven by the SF90 family, the Ferrari Monza SP1 and SP2, and personalizations, partially offset by the ramp up of the Ferrari Roma and the Portofino M and reduced contribution of the 812 Superfast, which was phased out during 2021.

2020 COMPARED TO 2019

EBIT for 2020 was €716 million, a decrease of €201 million, or 21.9 percent, from €917 million for 2019. As a percentage of net revenues, EBIT decreased from 24.4 percent in 2019 to 20.7 percent in 2020.

The decrease in EBIT was attributable to the combined effects of (i) negative volume impact of €126 million, (ii) positive product mix and price impact of €130 million, (iii) an increase in industrial costs of €58 million, including higher depreciation, (iv) an increase in research and development costs of €8 million (net of the benefit from technology-related government incentives), (v) a decrease in selling, general and administrative costs of €7 million, (vi) negative contribution of €184 million due to the impacts of COVID-19 on the Formula 1 racing calendar, lower traffic for brand related activities and lower engine sales to Maserati, and (vii) positive foreign currency exchange impact of €38 million (including foreign currency hedging instruments) primarily driven by the strengthening of the U.S. Dollar and Japanese Yen compared to the Euro.

The negative volume impact was primarily attributable to the temporary suspension of shipments for seven weeks during the first half of 2020 as a result of the COVID-19 pandemic, the effects of which were partially recovered in the second half of the year. The positive product mix and price impact was primarily attributable to deliveries of the Ferrari Monza SP1 and SP2 as well as an otherwise richer product mix, partially offset by fewer shipments of the FXX-K EVO and lower contributions from our personalization programs, which are correlated to the decrease in volumes.

NET FINANCIAL EXPENSES
(€ million, except percentages)

	For the years ended December 31,			Increase/(Decrease)			
	2021	2020	2019	2021 vs. 2020		2020 vs. 2019	
Net financial expenses	33	49	42	(16)	(32.3)%	7	16.7%

2021 COMPARED TO 2020

Net financial expenses for 2021 decreased to €33 million compared to €49 million for 2020.

The decrease in net financial expenses was primarily attributable to a decrease in net foreign exchange losses, including hedging costs.

2020 COMPARED TO 2019

Net financial expenses for 2020 increased to €49 million compared to €42 million for 2019.

The increase in net financial expenses was primarily attributable to (i) a decrease in the fair value of investments held by the Group (compared to an increase in the fair value of investments held by the Group 2019), and (ii) an increase in net foreign exchange losses, including the net costs of hedging.

INCOME TAX EXPENSE
(€ million, except percentages)

	For the years ended December 31,			Increase/(Decrease)			
	2021	2020	2019	2021 vs. 2020		2020 vs. 2019	
Income tax expense	209	58	176	151	n.m.	(118)	(67.1)%

2021 COMPARED TO 2020

Income tax expense for 2021 was €209 million, an increase of €151 million, compared to €58 million for 2020. Income taxes for both years benefited from the application of the Patent Box regime. See Note 10 "Income Taxes" to the Consolidated Financial Statements included elsewhere in this document for additional information related to the Patent Box tax regime in Italy.

The increase in income tax expense was primarily attributable to the combined effects of (i) an increase in profit before taxes and (ii) a net tax benefit recognized in 2020 from the partial step up of trademarks for tax purposes amounting to €75 million, as further described below.

The effective tax rate was 20.1 percent in 2021 compared to 8.7 percent in 2020. The increase in the effective tax rate was primarily attributable to the effects of a net tax benefit recognized in 2020 from the voluntary, partial step-up of trademarks for tax purposes, as further described below.

In the fourth quarter of 2020, the Group benefited from the measures introduced in Italy by the art. 110 of the Law Decree n. 104/2020, converted in the Law n.126/2020, enacting *"Urgent measures to support and relaunch the economy"* which reopened the voluntary step up of tangible and intangible assets, with the application of a substitutive tax rate (3%). In particular, Ferrari S.p.A. benefited from the one-off partial step-up of its trademark for tax purposes, which resulted in the recognition in 2020 of deferred tax assets for €84 million and a substitute tax liability for €9 million, resulting in a net tax benefit of €75 million. There was no cash effect in 2020 from the step-up of the trademark. The deferred tax asset will be utilized over a 50-year period (following the introduction of the 2022 Italian budget law (Law 234/2021) which provides for an extension from 18 years to 50 years of the amortization period for tax purposes for any trademarks and goodwill that benefited from the step-up regime) and the substitute tax will be paid in three equal annual installments starting in 2021. The net benefit has been treated as an adjusting item in the calculation of Adjusted Net Profit and Adjusted Basic and Diluted Earnings per Common Share for 2020.

2020 COMPARED TO 2019

Income tax expense for 2020 was €58 million, a decrease of €118 million, or 67.1 percent compared to €176 million for 2019.

The decrease in income tax expense was primarily attributable to the combined effects of (i) a tax benefit from the partial step up of trademarks for tax purposes amounting to €75 million, as further described above, (ii) a decrease in profit before taxes, and (iii) the effects of deductions for eligible research and development costs. Income taxes for both years benefited from the application of the Patent Box regime.

The effective tax rate was 8.7 percent in 2020 compared to 20.2 percent in 2019. The decrease in the effective tax rate was primarily attributable to the effects of the net tax benefit recognized in 2020 from the trademark step-up as described above, and to a lesser extent, the effects of deductions for eligible research and development costs.

RECENT DEVELOPMENTS

See *"Subsequent Events and 2022 Outlook"*.

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY OVERVIEW

We require liquidity in order to fund our operations and meet our obligations. Short-term liquidity is required, among others, to purchase raw materials, parts, components and utilities for car production, as well as to fund personnel expenses and other operating costs. In addition to our general working capital and operational needs, we require cash for capital investments to support continuous product range renewal and expansion and, more recently, for research and development activities to transition our product portfolio to hybrid and electric technology. We also make investments to, among others, enhance manufacturing efficiency, improve capacity, implement sustainability initiatives, ensure environmental compliance and carry out maintenance activities. We fund our capital expenditure primarily with cash generated from our operating activities.

We centrally manage our operating cash management, liquidity and cash flow requirements with the objective of ensuring efficient and effective management of our funds. We believe that our cash generation together with our available liquidity, including committed credit lines granted from primary financial institutions, will be sufficient to meet our obligations and fund our business and capital expenditures.

See the *"Net Debt and Net Industrial Debt"* section below for additional details relating to our liquidity.

CYCLICAL NATURE OF OUR CASH FLOWS

Our working capital is subject to month to month fluctuations due to, among other things, production and sales volumes, our financial services activities, the timing of capital expenditures and, to a lesser extent, tax payments. In particular, our inventory levels generally increase in the periods leading up to the launch of new models, during the phase out of existing models when we build up spare parts, and at the end of the second quarter when our inventory levels are generally higher to support the summer plant shutdown.

We generally receive payment for cars between 30 and 40 days after the car is shipped (or earlier when sales financing schemes are utilized by us or by our dealers) while we generally pay most suppliers between 60 and 90 days after we receive the raw materials, components or other goods and services. Additionally, we also receive advance payments from our customers, mainly for our Icona and limited edition models. We maintain sufficient inventory of raw materials and components to ensure continuity of our production lines, however delivery of most raw materials and components takes place monthly or more frequently in order to minimize inventories. The manufacture of one of our cars typically takes between 30 and 45 days, depending on the level of automation of the relevant production line, and the car is generally shipped to our dealers three to six days following the completion of production, although we may warehouse cars in local markets for longer periods of time to ensure prompt deliveries in certain regions. As a result of the above, including the advances received from customers for certain car models, we tend to receive payment for cars shipped before or around the time we are required to make payments for the raw materials, components or other materials used in manufacturing the cars.

Our investments for capital expenditure and research and development are, among other factors, influenced by the timing and number of new models launches. Our development costs, as well as our other investments in capital expenditure, generally peak in periods when we develop a significant number of new models to renew or expand our product range. Our investments in research and development are also influenced by the timing of research costs for our Formula 1 activities, for which expenditure in a normal season is generally higher in the first and last quarters of the year, and otherwise depends on the evolution of the applicable Formula 1 technical regulations, as well as the number and cadence of races during the course of the racing season. We are currently undergoing a period of structurally higher capital spending as we broaden our car architectures and work on the transition to hybrid and electric technologies. We also continue to make significant capital investments by prioritizing capital projects that are considered important for the continuing success of Ferrari and its future development, including the acquisition in 2020 and, to a lesser extent, in 2021, of tracts of land adjacent to our facilities in Maranello as part of our expansion plans.

The payment of income taxes also affects our cash flows. We typically pay the first tax advance payment in the second quarter of the year and the remaining portion in the third and/or fourth quarters. Our tax expense and tax payments in 2021, 2020 and 2019 benefited from applying the Patent Box tax regime. See Note 10 *"Income Taxes"* to the Consolidated Financial Statements included elsewhere in this document for additional information related to the Patent Box tax regime in Italy.

CASH FLOWS

The following table summarizes the cash flows from/(used in) operating, investing and financing activities for each of the years ended December 31, 2021, 2020 and 2019. For additional details of our cash flows, see our Consolidated Financial Statements included elsewhere in this document.

(€ million)

	For the years ended December 31,		
	2021	2020	2019
Cash and cash equivalents at beginning of the year	**1,362**	**898**	**794**
Cash flows from operating activities	1,283	838	1,306
Cash flows used in investing activities	(733)	(708)	(701)
Cash flows (used in)/from financing activities	(580)	340	(502)
Translation exchange differences	12	(6)	1
Total change in cash and cash equivalents	**(18)**	**464**	**104**
Cash and cash equivalents at end of the year	**1,344**	**1,362**	**898**

2021 COMPARED TO 2020

For the year ended December 31, 2021 cash and cash equivalents held by the Group decreased by €18 million compared to an increase of €464 million for year ended December 31, 2020. The difference in the net change in cash and cash equivalents in 2021 compared to 2020 of €482 million was primarily attributable to the combined effects of:

(i) the full repayment of a bond for €501 million in January 2021 (including a principal amount of €500 million and interest of €1 million);
(ii) lower cash proceeds from the issuance of bonds and notes of €491 million (net proceeds of €149 million in 2021 from the issuance of the 2032 Notes (as defined below) compared to €640 million in 2020 from the issuance of the 2025 Bond (as defined below);
(iii) higher share repurchases of €101 million (€231 million in 2021 compared to €130 million in 2020 as the share repurchase program was restarted on March 11, 2021 following the decision to temporarily suspend the program on March 30, 2020 to preserve liquidity as a result of the COVID-19 pandemic); and
(iv) higher investments in intangible assets of €33 million to support the development of our current and future product offering;

partially offset by:

(i) an increase in EBITDA of €388 million;
(ii) an increase of €123 million in net proceeds from bank borrowings and other financial institutions;
(iii) a positive impact of €62 million from working capital and other operating assets and liabilities, and
(iv) lower dividends paid to owners of the parent of 48 million (€160 million paid in 2021 compared to 208 million paid in 2020, primarily driven by the effects of the COVID-19 pandemic).

2020 COMPARED TO 2019

For the year ended December 31, 2020 the total change in cash and cash equivalents was €464 million compared to €104 million for year ended December 31, 2019. The increase in cash generation of €360 million in 2020 compared to 2019 was primarily attributable to:

(i) net cash proceeds of €640 million received in 2020 from the issuance of the 2025 Bond; and
(ii) lower share repurchases of €257 million (€130 million in 2020 compared to €387 million in 2019) driven by our decision to temporarily suspend the share repurchase program in March 2020 to preserve liquidity as a result of the COVID-19 pandemic;

partially offset by:

(i) a decrease in advances received for the Ferrari Monza SP1 and SP2 (which were primarily received in 2019 ahead of shipments, including for cars actually delivered in 2020);
(ii) the adverse impacts on our cash flows from operating activities as a result of the COVID-19 pandemic, including the temporary suspension of production and deliveries for seven weeks during the first half of 2020, as well as higher inventories reflecting efforts to mitigate potential supply chain issues;
(iii) an increase in income taxes paid, and
(iv) lower net proceeds from our securitization programs.

Please refer to the following discussion and to the Consolidated Statement of Cash Flows included elsewhere in this document for additional information related to our cash flows.

A summary of the cash flows from or used in operating, investing and financing activities for each year is provided below.

OPERATING ACTIVITIES — YEAR ENDED DECEMBER 31, 2021

For the year ended December 31, 2021, our cash flows from operating activities were €1,283 million, primarily the result of:

(i) profit before tax of €1,042 million, adjusted for €456 million for depreciation and amortization expense, €33 million of net finance costs and net other non-cash expenses and income of €48 million (including provision accruals, result from investments and share-based compensation expense recognized in relation to the Group's equity incentive plans);

partially offset by:

(i) €123 million related to cash absorbed by receivables from financing activities driven by an increase in the financial services portfolio;
(ii) €30 million of cash absorbed from the change in other operating assets and liabilities, primarily attributable to reversals of advances received for the Ferrari Monza SP1 and SP2, partially offset by advances received for the 812 Competizione and 812 Competizione A;
(iii) €6 million of cash absorbed from the net change in inventories, trade receivables and trade payables. In particular, the movement was attributable to: (a) cash absorbed by inventories of €81 million driven by higher volumes, partially offset by (b) cash generated from trade receivables of €2 million and (c) cash generated from trade payables of €73 million;
(iv) €28 million of net finance costs paid; and
(v) €109 million of income tax paid.

OPERATING ACTIVITIES — YEAR ENDED DECEMBER 31, 2020

For the year ended December 31, 2020, our cash flows from operating activities were €838 million, primarily the result of:

(i) profit before tax of €667 million, adjusted for €427 million for depreciation and amortization expense, €49 million of net finance costs, and net other non-cash expenses and income of €59 million (including provision accruals, result from investments and share-based compensation expense recognized in relation to the Group's equity incentive plans);

partially offset by:

(i) €15 million of cash absorbed from the net change in inventories, trade receivables and trade payables. In particular, the movement was attributable to: (a) cash absorbed by inventories of €68 million driven by higher finished goods and raw materials, including the effects of efforts to protect the supply chain from potential COVID-19-related disruptions, partially offset by (b) cash generated from trade receivables of €44 million and (c) cash generated from trade payables of €9 million;
(ii) €137 million of cash absorbed related to the net change in other operating assets and liabilities, primarily attributable to reversals of advances received for the Ferrari Monza SP1 and SP2;
(iii) €69 million related to cash absorbed from receivables from financing activities, driven by an increase in the financial receivables portfolio;
(iv) 52 million of net finance costs paid; and
(v) €91 million of income tax paid.

OPERATING ACTIVITIES — YEAR ENDED DECEMBER 31, 2019

For the year ended December 31, 2019, our cash flows from operating activities were €1,306 million, primarily the result of:

(i) profit before tax of €875 million, adjusted to add back €352 million of depreciation and amortization expense, €42 million of net finance costs and net other non-cash expenses and income of €49 million (including provision accruals, result from investments and share-based compensation expense recognized in relation to the Group's equity incentive plans); and
(ii) €146 million of cash generated by the change in other operating assets and liabilities, primarily attributable to advances received for the Ferrari Monza SP1 and SP2;

partially offset by:

(i) €77 million of cash absorbed from receivables from financing activities driven by an increase in the financial services portfolio;
(ii) €9 million of cash related to the net change in inventories, trade payables and trade receivables. In particular, the movement was attributable to (a) cash absorbed by inventory of €41 million and (b) cash absorbed by trade receivables of €22 million, which were both primarily driven by higher volumes, partially offset by (c) cash generated from trade payables of €54 million

driven by higher capital expenditures and an increase in volumes;

(iii) €39 million of net finance costs paid; and

(iv) €33 million of income tax paid.

INVESTING ACTIVITIES — YEAR ENDED DECEMBER 31, 2021

For the year ended December 31, 2021, our net cash used in investing activities was €733 million, primarily the result of: €385 million for additions to intangible assets, mainly related to externally acquired and internally generated development costs to support the development of our current and future product offering and, (ii) €352 million of capital expenditures additions to property, plant and equipment, partially offset by proceeds from disposals. For a detailed analysis of additions to property, plant and equipment and intangible assets see *"—Capital Expenditures"* below.

INVESTING ACTIVITIES — YEAR ENDED DECEMBER 31, 2020

For the year ended December 31, 2020, our net cash used in investing activities was €708 million, primarily the result of: (i) €352 million for additions to intangible assets, mainly related to externally acquired and internally generated development costs and, (ii) €357 million of capital expenditures additions to property, plant and equipment, mainly related to plant and machinery for new models as well as our acquisition of tracts of land adjacent to our facilities in Maranello as part of our expansion plans, partially offset by proceeds from the disposals. For a detailed analysis of additions to property, plant and equipment and intangible assets see *"—Capital Expenditures"* below.

INVESTING ACTIVITIES — YEAR ENDED DECEMBER 31, 2019

For the year ended December 31, 2019, our net cash used in investing activities was €701 million, primarily the result of: (i) €354 million for additions to intangible assets, mainly related to externally acquired and internally generated development costs and, (ii) €352 million of capital expenditures additions to property, plant and equipment, mainly related to plant and machinery for new models as well as our acquisition of tracts of land adjacent to our facilities in Maranello as part of our expansion plans, partially offset by proceeds from disposals. For a detailed analysis of additions to property, plant and equipment and intangible assets see *"—Capital Expenditures"* below.

FINANCING ACTIVITIES — YEAR ENDED DECEMBER 31, 2021

For the year ended December 31, 2021, net cash used in financing activities was €580 million, primarily the result of:

(i) €500 million for the full repayment of a bond upon maturity in January 2021;

(ii) €231 million to repurchase common shares under the Company's share repurchase program (including the "Sell-to-Cover" practice under the equity incentive plans);

(iii) €161 million of dividends paid, of which €1 million was to non-controlling interests;

(iv) €22 million in repayments of lease liabilities; and

(v) €7 million related to the net change in other debt;

partially offset by:

(i) €149 million of net proceeds from the issuance of the 2032 Notes in July 2021;

(ii) €121 million related to the net change in bank borrowings and other financial institutions; and

(iii) €71 million of proceeds net of repayments related to our revolving securitization programs in the United States.

FINANCING ACTIVITIES — YEAR ENDED DECEMBER 31, 2020

For the year ended December 31, 2020, our net cash from financing activities was €340 million, primarily the result of:

(i) €640 million of net proceeds from the issuance of the 2025 Bond;

(ii) €44 million of proceeds net of repayments related to our revolving securitization programs in the United States; and

(iii) €18 million related to the net change in other debt;

partially offset by:

(i) €211 million of dividends paid, of which €3 million was to non-controlling interests;

(ii) €130 million paid to repurchase common shares under the Company's share repurchase program in the first quarter of 2020;

(iii) €20 million in repayments of lease liabilities; and

(iv) €1 million related to the net change in bank borrowings.

FINANCING ACTIVITIES — YEAR ENDED DECEMBER 31, 2019

For the year ended December 31, 2019, our net cash used in financing activities was €502 million, primarily the result of:

(i) €387 million paid to repurchase common shares under the Company's share repurchase program;

(ii) €315 million related to the cash tender offer to repurchase an aggregate nominal amount of

€200 million of 0.25 percent notes due January 2021 and an aggregate nominal amount of €115 million of the 1.5 percent notes due March 2023;
(iii) €195 million of dividends paid, of which €2 million was to non-controlling interests; and
(iv) €7 million related to the net change in bank borrowings and lease liabilities.

partially offset by:

(i) €298 million of net proceeds from the Company's issuance of 1.12 percent senior notes due August 2029 and 1.27 percent senior notes due August 2031, each having a principal amount of €150 million;
(ii) €92 million of proceeds net of repayments related to our revolving securitization programs in the United States; and
(iii) €12 million related to the net change in other debt.

CAPITAL EXPENDITURES

Capital expenditures are defined as additions to property, plant and equipment (including right-of-use assets recognized in accordance with IFRS 16 — Leases) and intangible assets. Capital expenditures for the years ended December 31, 2021, 2020 and 2019 were €750 million, €734 million and €706 million, respectively.

The following table sets a forth a breakdown of capital expenditures by category for each of the years ended December 31, 2021, 2020 and 2019:

(€ million)

	For the years ended December 31,		
	2021	2020	2019
Intangible assets			
Externally acquired and internally generated development costs	363	320	330
Patents, concessions and licenses	17	27	18
Other intangible assets	5	5	6
Total intangible assets	**385**	**352**	**354**
Property, plant and equipment			
Industrial buildings	35	28	16
Plant, machinery and equipment	123	115	176
Other assets	20	24	18
Advances and assets under construction	187	215	142
Total property, plant and equipment	**365**	**382**	**352**
Total capital expenditures	**750**	**734**	**706**

INTANGIBLE ASSETS

Our total capital expenditures in intangible assets for the year ended December 31, 2021 were €385 million (€352 million and €354 million for the years ended December 31, 2020 and 2019, respectively).

The most significant investments relate to externally acquired and internally generated development costs. In particular, we make such investments to support the development of our current and future product offering. The capitalized development costs primarily include materials and personnel costs relating to engineering, design and development activities focused on content enhancement of existing cars and new models, including to broaden our product range and our ongoing investments in hybrid and electric technology and the development of components, which are necessary to provide continuing performance upgrades to our sports car customers and to help us capture the preferences of the urban, affluent purchasers of GT cars whom we are increasingly targeting as we transition our product portfolio to hybrid and electric technology. We continually invest in product development to ensure we can quickly and efficiently respond to market demand and technological breakthroughs, as well as to maintain our position at the top of the luxury performance sports cars market.

For the year ended December 31, 2021, we invested €363 million in externally acquired and internally generated development costs, of which €229 million related to the development of models to be launched in future years and €134 million primarily related to the development of our current product portfolio and components.

For the year ended December 31, 2020, we invested €320 million in externally acquired and internally generated development costs, of which €244 million primarily related to the development of models to be launched in future years and, to a much lesser extent, to investments required for new technical regulations applicable for the 2022 to 2025 Formula 1 seasons, and €76 million related to the development of models in our current product portfolio and car components.

For the year ended December 31, 2019, we invested €330 million in externally acquired and internally generated development costs, of which €145 million related to development of models to be launched in future years and €185 million primarily related to the development of our current product portfolio as well as components.

PROPERTY, PLANT AND EQUIPMENT

Our total capital expenditures in property, plant and equipment for the year ended December 31, 2021 were €365 million (€382 million and €352 million for the years ended December 31, 2020 and 2019, respectively).

Our most significant investments generally relate to plant, machinery and equipment, which amounted to €123 million for the year ended December 31, 2021 (€115 million and €176 million for the years ended December 31, 2020 and 2019, respectively) as well as advances and assets under construction, which amounted to €187 million for the year ended December 31, 2021 (€215 million and €142 million for the years ended December 31, 2020 and 2019, respectively). Our main investments primarily related to industrial tools needed for the production of cars and investments in car production lines (including those for models to be launched in future years), as well as investments related to our personalization programs and engine assembly lines. Investments in advances and assets under construction and industrial buildings for the periods presented reflect our focus on the hybridization and broadening of our product range and supporting future model launches, including our acquisition of tracts of land adjacent to our facilities in Maranello as part of our expansion plans, which amounted to €42 million in 2021 (cumulative acquisitions of land since the start of 2019 amounted to €117 million).

At December 31, 2021, the Group had contractual commitments for the purchase of property, plant and equipment amounting to €74 million (€101 million at December 31, 2020).

CONTRACTUAL OBLIGATIONS

The following table summarizes payments due under our significant contractual commitments at December 31, 2021:

(€ million)

	Payments due by period				
	Less than 1 year	1 to 3 years	3 to 5 years	After 5 years	Total
Long-term debt [(1)]	343	781	753	508	2,385
Interest on long-term debt [(2)]	28	38	17	21	104
Lease obligations [(3)]	15	19	13	11	58
Unconditional minimum purchase obligations [(4)]	80	61	15	1	157
Purchase obligations [(5)]	74	—	—	—	74
Total contractual obligations	**540**	**899**	**798**	**541**	**2,778**

(1) Amounts presented relate to the principal amounts of long-term debt, excluding lease liabilities and the related interest expense that will be paid when due. For additional information see Note 24 "Debt" to our Consolidated Financial Statements included elsewhere in this document. The table above does not include short-term debt obligations. See the table below for a reconciliation of the contractual commitments of our long-term debt to our debt recorded in the consolidated statement of financial position included within our Consolidated Financial Statements.

(2) Amounts include interest payments based on contractual terms and current interest rates on our long-term debt. Interest rates based on variable rates included above were determined using the rates in effect at December 31, 2021.

(3) Lease obligations mainly relate to leases for Ferrari stores, industrial buildings and certain other assets used in our business.

(4) Unconditional minimum purchase obligations relate to our unconditional purchase obligations to purchase a fixed or minimum quantity of goods and/or services from suppliers with fixed and determinable price provisions. From time to time, in the ordinary course of our business, we enter into various arrangements with key suppliers in order to establish strategic and technological advantages. In particular, such agreements primarily relate to research and development activities and, to a lesser extent, tooling obligations. This amount also includes unconditional purchase obligations to purchase a minimum quantity of goods and/or services in connection with certain of our sponsorship contracts.

(5) Purchase obligations represent obligations to purchase property, plant and equipment.

The long-term debt obligations reflected in the table above can be reconciled to the amount in the consolidated statement of financial position at December 31, 2021 (in our Consolidated Financial Statements included elsewhere in this document) as follows:

(€ million)

	Amount
Debt	2,630
Short-term debt obligations	(186)
Lease liabilities	(56)
Amortized cost effects	(3)
Long-term debt	**2,385**

PENSION, POST-EMPLOYMENT BENEFITS AND OTHER PROVISIONS FOR EMPLOYEES

We provide post-employment benefits for certain active employees and retirees of the Group. We classify these benefits on the basis of the type of benefit provided and in particular as defined contribution plans, defined benefit obligations and other provisions for employees. At December 31, 2021 the liability for such obligations amounted to €101 million (€60 million at December 31, 2020). See Note 22 *"Employee benefits"* to the Consolidated Financial Statements included elsewhere in this document.

OFF BALANCE SHEET ARRANGEMENTS

We have entered into various off-balance sheet arrangements with unconsolidated third parties in the ordinary course of business. For additional information see Note 29 *"Commitments"* to our Consolidated Financial Statements included elsewhere in this document.

NON-GAAP FINANCIAL MEASURES

We monitor and evaluate our operating and financial performance using several non-GAAP financial measures including: Net Debt, Net Industrial Debt, Free Cash Flow and Free Cash Flow from Industrial Activities, EBITDA, Adjusted EBITDA, Adjusted EBIT, Adjusted Net Profit, Adjusted Basic and Diluted Earnings per Common Share, as well as a number of financial metrics measured on a constant currency basis. We believe that these non-GAAP financial measures provide useful and relevant information to management and investors regarding our performance and improve our ability to assess our financial performance and financial position. They also provide us with comparable measures that facilitate management's ability to identify operational trends, as well as make decisions regarding future spending, resource allocations and other operational decisions. While similar measures are widely used in the industry in which we operate, the financial measures we use may not be comparable to other similarly titled measures used by other companies nor are they intended to be substitutes for measures of financial performance or financial position as prepared in accordance with IFRS.

NET DEBT AND NET INDUSTRIAL DEBT

Due to different sources of cash flows used for the repayment of debt between industrial activities and financial services activities, and the different business structure and leverage implications, Net Industrial Debt, together with Net Debt, are the primary measures used by us to analyze our capital structure and financial leverage. We believe the presentation of Net Industrial Debt aids management and investors in their analysis of the Group's financial position and financial performance and to compare the Group's financial position and financial performance with that of other companies. Net Industrial Debt is defined as total debt less cash and cash equivalents (Net Debt), further adjusted to exclude the debt and cash and cash equivalents related to our financial services activities (Net Debt of Financial Services Activities).

The following table sets forth a reconciliation of Net Debt and Net Industrial Debt at December 31, 2021 and 2020.

(€ million)

	At December 31,	
	2021	2020
Cash and cash equivalents	1,344	1,362
Total liquidity	**1,344**	**1,362**
Bonds and notes	(1,487)	(1,835)
Asset-backed financing (Securitizations)	(900)	(761)
Lease liabilities	(56)	(62)
Borrowings from banks and other financial institutions	(154)	(29)
Other debt	(33)	(38)
Total Debt	**(2,630)**	**(2,725)**
Net Debt (A)	**(1,286)**	**(1,363)**
Net Debt of Financial Services Activities (B)	(989)	(820)
Net Industrial Debt (A-B)	**(297)**	**(543)**

On July 29, 2021, the Company issued 0.91 percent senior notes due January 2032 ("2032 Notes") through a private placement to certain US institutional investors, having a principal of €150 million. The net proceeds from the issuance amounted to €149,495 thousand, and the yield to maturity, on an annual basis, equals the nominal coupon rates of the Notes. The Notes are primarily used for general corporate purposes, including the funding of capital expenditures.

On May 27, 2020, the Company issued 1.5 percent coupon notes due May 2025 ("2025 Bond"), having a principal of €650 million. The notes were issued at a discount for an issue price of 98.898 percent, resulting in net proceeds of €640 million after related expenses and a yield to maturity of 1.732 percent. The bond was admitted to trading on the regulated market of Euronext Dublin.

For additional information relating to our total debt, see Note 24 "Debt" to the Consolidated Financial Statements included elsewhere in this document.

The increase in the Net Debt of Financial Services Activities (as defined above) of €169 million, from €820 million at December 31, 2020, to €989 million at December 31, 2021, relates primarily to the increase in asset-backed financing (securitizations) of the receivables generated by our financial services activities in the United States, which grew by €204 million, from €940 million at December 31, 2020 to €1,144 million at December 31, 2021. The following table presents our receivables from financing activities and our Net Debt of Financial Services Activities at December 31, 2021 and 2020:

(€ million)

	At December 31,	
	2021	**2020**
Receivables from financing activities	1,144	940
Net Debt of Financial Services Activities	(989)	(820)

For further details of our receivables from financing activities and our asset-backed financing (securitizations), see Note 18 "Current Receivables and Other Current Assets" and Note 24 "Debt" to the Consolidated Financial Statements included elsewhere in this document.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents amounted to €1,344 million at December 31, 2021 compared to €1,362 million at December 31, 2020. See *"Cash Flows"* above for further details.

Approximately 85 percent of our cash and cash equivalents were denominated in Euro at December 31, 2021 (approximately 88 percent at December 31, 2020). Our cash and cash equivalents denominated in currencies other than the Euro are available mostly to Ferrari S.p.A. and certain subsidiaries which operate in areas other than Europe. Cash held in such countries may be subject to transfer restrictions depending on the jurisdictions in which these subsidiaries operate. In particular, cash held in China (including in foreign currencies), which amounted to €90 million at December 31, 2021 (€56 million at December 31, 2020), is subject to certain repatriation restrictions and may only be repatriated as a repayment of payables, or debt, or as dividends or capital distributions. We do not currently believe that such transfer restrictions have an adverse impact on our ability to meet our liquidity requirements.

The following table sets forth an analysis of the currencies in which our cash and cash equivalents were denominated at the dates presented.

(€ million)

	At December 31,	
	2021	**2020**
Euro	1,144	1,203
Chinese Yuan	88	51
U.S. Dollar	68	76
Japanese Yen	20	13
Other currencies	24	19
Total	**1,344**	**1,362**

Cash collected from the settlement of receivables under securitization programs is subject to certain restrictions regarding its use and is primarily applied to repay principal and interest of the related funding. Such cash amounted to €48 million at December 31, 2021 (€37 million at December 31, 2020).

TOTAL AVAILABLE LIQUIDITY

Total available liquidity (defined as cash and cash equivalents plus undrawn committed credit lines) at December 31, 2021 was €2,020 million (€2,062 million at December 31, 2020).

The following table summarizes our total available liquidity:

(€ million)

	At December 31,	
	2021	2020
Cash and cash equivalents	1,344	1,362
Undrawn committed credit lines	676	700
Total available liquidity	**2,020**	**2,062**

The undrawn committed credit lines at December 31, 2021 and at December 31, 2020 relate to revolving credit facilities. For further details, see Note 24 "Debt" in the Consolidated Financial Statements included elsewhere in this document.

To prudently manage potential liquidity or refinancing risks as a result of the COVID-19 pandemic, in April 2020 the Group increased its undrawn committed credit lines by securing an additional amount of €350 million, doubling the total committed credit lines available and undrawn to €700 million. In March 2021 the Group cancelled a credit line of €100 million and simultaneously replaced it with a new credit line for €150 million with a term of 23 months. Subsequently, in April 2021, the Group replaced an uncommitted credit line of $50 million, which was terminated, with a new committed credit line for $100 million with a term of 24 months. At December 31, 2021 the line had been drawn down for $70 million (€62 million) representing the only committed credit line that has been drawn down by the Group. The new credit line replaces the funding previously provided by one of securitization programs in the US for funding of up to $110 million that expired in April 2021. In October 2021, a committed credit line previously negotiated in April 2020 for €100 million expired. At December 31, 2021 the Group had total committed credit lines available and undrawn of €676 million (€700 million at December 31, 2020).

REE CASH FLOW AND FREE CASH FLOW FROM INDUSTRIAL ACTIVITIES

Free Cash Flow and Free Cash Flow from Industrial Activities are two of our primary key performance indicators to measure the Group's performance. These measures are presented by management to aid investors in their analysis of the Group's financial performance and to compare the Group's financial performance with that of other companies. Free Cash Flow is defined as cash flows from operating activities less investments in property, plant and equipment (excluding right-of-use assets recognized during the period in accordance with IFRS 16 — Leases) and intangible assets. Free Cash Flow from Industrial Activities is defined as Free Cash Flow adjusted to exclude the operating cash flow from our financial services activities (Free Cash Flow from Financial Services Activities). Prior to 2020, we defined Free Cash Flow and Free Cash Flow from Industrial Activities without excluding from investments in property, plant and equipment the right-of-use assets recognized during the period in accordance with IFRS 16 — Leases. Applying the current definition of Free Cash Flow and Free Cash Flow from Industrial Activities to 2019 would result in an immaterial difference compared to the figures presented below.

The following table sets forth our Free Cash Flow and Free Cash Flow from Industrial Activities for the years ended December 31, 2021, 2020 and 2019.

(€ million)

	For the years ended December 31,		
	2021	**2020**	**2019**
Cash flows from operating activities	1,283	838	1,306
Investments in property, plant and equipment and intangible assets	(737)	(709)	(706)
Free Cash Flow	**546**	**129**	**600**
Free Cash Flow from Financial Services Activities	(96)	(42)	(75)
Free Cash Flow from Industrial Activities	**642**	**171**	**675**

Free Cash Flow for the year ended December 31, 2021 was €546 million compared to €129 million for the year ended December 31, 2020 and €600 million for the year ended December 31, 2019. For an explanation of the drivers in Free Cash Flow see *"Cash Flows"* above.

Free Cash Flow from Industrial Activities for the year ended December 31, 2021 was €642 million, an increase of €471 million compared to €171 million for the year ended December 31, 2020. The increase in Free Cash Flow from Industrial Activities in 2021 compared to 2020 was primarily attributable to an increase in EBITDA and a positive change in cash flows from other operating assets and liabilities driven by the collection of advances from the 812 Competizione and 812 Competizione A, partially offset by the reversal of advances for the Ferrari Monza SP1 and SP2 and higher investments to support the development of our current and future product offering and higher taxes paid.

Free Cash Flow from Industrial Activities for the year ended December 31, 2020 was positive €171 million a decrease of €504 million compared to €675 million for the year ended December 31, 2019. The decrease in Free Cash Flow from Industrial Activities was primarily driven by a decrease in advances received for the Ferrari Monza SP1 and SP2 (which were primarily received in 2019 ahead of shipments, including for cars actually delivered in 2020), the adverse impacts on our EBITDA as a result of the COVID-19 pandemic and higher inventories at year end reflecting efforts to mitigate potential supply chain issues, as well as an increase in income taxes paid. Free Cash Flow from Industrial Activities in 2019 benefited from advances collected ahead of shipments of the Ferrari Monza SP1 and SP2, including for cars actually delivered in 2020.

EBITDA AND ADJUSTED EBITDA

EBITDA is defined as net profit before income tax expense, net financial expenses and amortization and depreciation. Adjusted EBITDA is defined as EBITDA as adjusted for certain income and costs, which are significant in nature, expected to occur infrequently, and that management considers not reflective of ongoing operational activities. EBITDA is presented by management to aid investors in their analysis of the performance of the Group and to assist investors in the comparison of the Group's performance with that of other companies. Adjusted EBITDA is provided in order to present how the underlying business has performed prior to the impact of the adjusting items, which may obscure the underlying performance and impair comparability of results between periods.

The following table sets forth the calculation of EBITDA and Adjusted EBITDA for the years ended December 31, 2021, 2020 and 2019, and provides a reconciliation of these non-GAAP measures to net profit.
There were no adjustments impacting Adjusted EBITDA for the periods presented.

(€ million)

	For the years ended December 31,		
	2021	2020	2019
Net profit	833	609	699
Income tax expense	209	58	176
Net financial expenses	33	49	42
EBIT	**1,075**	**716**	**917**
Amortization and depreciation	456	427	352
EBITDA and Adjusted EBITDA	**1,531**	**1,143**	**1,269**

ADJUSTED EBIT

Adjusted EBIT represents EBIT as adjusted for certain income and costs which are significant in nature, expected to occur infrequently, and that management considers not reflective of ongoing operational activities.
We provide Adjusted EBIT in order to present how the underlying business has performed prior to the impact of any adjusting items, which may obscure the underlying performance and impair comparability of results between the periods.

The following table sets forth the calculation of Adjusted EBIT for the years ended December 31, 2021, 2020 and 2019. There were no adjustments impacting Adjusted EBIT for the periods presented.

(€ million)

	For the years ended December 31,		
	2021	2020	2019
EBIT and Adjusted EBIT	**1,075**	**716**	**917**

/ NON-GAAP FINANCIAL MEASURES

ADJUSTED NET PROFIT

Adjusted Net Profit represents net profit as adjusted for certain income and costs (net of tax effects) which are significant in nature, expected to occur infrequently, and that management considers not reflective of ongoing operational activities. We provide Adjusted Net Profit in order to present how the underlying business has performed prior to the impact of any adjusting items, which may obscure the underlying performance and impair comparability of results between the periods.

The following table sets forth the calculation of Adjusted Net Profit for the years ended December 31, 2021, 2020 and 2019.

(€ million)

	For the years ended December 31,		
	2021	2020	2019
Net profit	**833**	**609**	**699**
Trademark step-up [(1)]	—	(75)	—
Adjusted Net Profit	**833**	**534**	**699**

(1) Reflects the application of the measures introduced in Italy by the art. 110 of the Law Decree n. 104/2020, converted in the Law n.126/2020, enacting "Urgent measures to support and relaunch the economy" which reopened the voluntary step up of tangible and intangible assets, with the application of a substitutive tax rate (3%). In particular, Ferrari S.p.A. benefited from the one-off partial step-up of its trademark for tax purposes, which resulted in the recognition in 2020 of deferred tax assets for €84 million and a substitute tax liability for €9 million, resulting in a net tax benefit of €75 million. There was no cash effect in 2020.

ADJUSTED BASIC AND DILUTED EARNINGS PER COMMON SHARE

Adjusted Basic and Diluted Earnings per Common Share represents earnings per share, as adjusted for certain income and costs (net of tax effects) which are significant in nature, expected to occur infrequently, and that management considers not reflective of ongoing operational activities. We provide Adjusted Basic and Diluted Earnings per Common Share in order to present how the underlying business has performed prior to the impact of any adjusting items, which may obscure the underlying performance and impair comparability of results between the periods.

The following table sets forth the calculation of Adjusted Basic and Diluted Earnings per Common Share for the years ended December 31, 2021, 2020 and 2019.

		For the years ended December 31,		
		2021	2020	2019
Net profit attributable to owners of the Company	€ million	831	608	696
Trademark step-up [(1)]	€ million	—	(75)	—
Adjusted net profit attributable to owners of the Company	**€ million**	**831**	**533**	**696**
Weighted average number of common shares for basic earnings per share	thousand	184,446	184,806	186,767
Adjusted basic earnings per common share	**€**	**4.50**	**2.88**	**3.73**
Weighted average number of common shares for diluted earnings per share [(2)]	thousand	184,722	185,379	187,535
Adjusted diluted earnings per common share	**€**	**4.50**	**2.88**	**3.71**

(1) Reflects the application of the measures introduced in Italy by the art. 110 of the Law Decree n. 104/2020, converted in the Law n.126/2020, enacting "Urgent measures to support and relaunch the economy" which reopened the voluntary step up of tangible and intangible assets, with the application of a substitutive tax rate (3%). In particular, Ferrari S.p.A. benefited from the one-off partial step-up of its trademark for tax purposes, which resulted in the recognition in 2020 of deferred tax assets for €83.7 million and a substitute tax liability for €9.0 million, resulting in a net tax benefit of €74.7 million. There was no cash effect in 2020.

(2) The weighted average number of common shares for diluted earnings per share was increased to take into consideration the theoretical effect of the potential common shares that would be issued under the Group's equity incentive plans (assuming 100 percent of the related awards vested).

See Note 12 *"Earnings per Share"* to the Consolidated Financial Statements, included elsewhere in this document, for the calculation of the basic and diluted earnings per common share.

CONSTANT CURRENCY INFORMATION

The *"Results of Operations"* discussion above includes information about our net revenues on a constant currency basis, which excludes the effects of foreign currency translation from our subsidiaries with functional currencies other than Euro, as well as the effects of foreign currency transaction impact and foreign currency hedging. We use this information to assess how the underlying revenues changed independent of fluctuations in foreign currency exchange rates and hedging. We calculate constant currency by (i) applying the prior-period average foreign currency exchange rates to translate current period revenues of foreign subsidiaries expressed in local functional currency other than Euro, (ii) applying the prior-period average foreign currency exchange rates to current period revenues originated in a currency other than the functional currency of the applicable entity, and (iii) eliminating the variances of any foreign currency hedging (see Note 2 *"Significant Accounting Policies"* to the Consolidated Financial Statements, included elsewhere in this document, for information on the foreign currency exchange rates applied). Although we do not believe that these measures are a substitute for GAAP measures, we do believe that revenues excluding the impact of currency fluctuations and the impacts of hedging provide additional useful information to investors regarding the operating performance on a local currency basis.

SUBSEQUENT EVENTS AND 2022 OUTLOOK

SUBSEQUENT EVENTS

On January 26, 2022 Ferrari announced that CEVA Logistics will be a new Scuderia Ferrari team partner starting from the 2022 Formula 1 season. The multi-year agreement will also see CEVA involved in Ferrari's other racing activities in GT racing and the Ferrari Challenge, with the Marseille-based company taking on the role of Official Logistics Partner for those series.

On February 8, 2022 Ferrari announced a new partnership with Qualcomm Technologies, Inc. The San Diego, California-based company will be a Scuderia Ferrari Premium Partner through Snapdragon, Qualcomm's premium product and experience brand leveraged across multiple platforms and categories, including automotive. The agreement with Qualcomm Technologies will have a strong technological impact aimed at accelerating the digital transformation process for Ferrari and its road cars. Starting from the first common projects already identified, such as the digital cockpit, the two companies will bring together ideas and expertise to explore new opportunities and a range of technological solutions.

Under the common share repurchase program, from January 1, 2022 to February 18, 2022 the Company purchased an additional 390,819 common shares for total consideration of €80.1 million. At February 18, 2022 the Company held in treasury an aggregate of 10,470,922 common shares.

On February 25, 2022, the Board of Directors of Ferrari N.V. recommended to the Company's shareholders that the Company declare a dividend of €1.362 per common share, totaling approximately €250 million. The proposal is subject to the approval of the Company's shareholders at the Annual General Meeting to be held on April 13, 2022.

2022 OUTLOOK

The following 2022 outlook is subject to trading conditions unaffected by COVID-19 pandemic restrictions and based on the following assumptions:

- Carefully leveraging strong demand
- Richer model mix being more than offset by the negative impact from the Ferrari Monza SP1 and SP2 phase out
- Ferrari Daytona SP3 and Ferrari Purosangue will commence production in 2022 with deliveries starting in 2023
- Formula 1 revenues reflecting more diversified but lower sponsorship, partially offset by better prior year ranking
- Increasing depreciation and amortization in line with the start of production of new models
- Industrial free cash flow generation sustained by Daytona SP3 advances collection
- Disciplined capital expenditures to fuel long-term development

Net revenues: ~ Euro 4.8 billion

Adj. EBITDA: Euro 1.65-1.70 billion (34.5%-35.5%)

Adj. EBIT: Euro 1.10-1.15 billion (23%-24%)

Adj. Diluted EPS: Euro 4.55-4.75 per share (*)

Industrial Free Cash Flow: ≥ Euro 0.60 billion

(*) Calculated using the weighted average diluted number of common shares as of December 31, 2021 (184,722 thousand).


MICHELIN

MAJOR SHAREHOLDERS

Exor is our largest shareholder through its approximately 24.21 percent shareholding interest in our outstanding common shares (as of February 14, 2022). See *"Overview—History of the Company"*. As a result of the loyalty voting mechanism, Exor's voting power is approximately 36.00 percent (as of February 14, 2022). In addition, as of February 14, 2022, Mr. Piero Ferrari holds approximately 10.30 percent of our outstanding common shares and, as a result of the loyalty voting mechanism, his voting power is approximately 15.31 percent. The percentages of ownership and voting power above are calculated based on the number of outstanding shares net of treasury shares.

Exor and Mr. Piero Ferrari informed us that they have entered into a shareholder agreement, summarized below under *"—Shareholders' Agreement"*.

Exor resulted from a cross-border merger of its predecessor entity, Exor S.p.A. with and into Exor N.V. As a result of that merger, which was completed on December 11, 2016, all activities of Exor S.p.A. are continued by Exor under universal succession, including with respect to the holding of our shares. Exor is controlled by Giovanni Agnelli B.V. ("G.A."), which holds 84.37 percent of its share capital, based on regulatory filings with the Netherlands Authority for the Financial Markets *(stichting Autoriteit Financiële Markten*, the "AFM"). G.A. is a Dutch private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) with interests represented by shares, founded by Giovanni Agnelli and currently held by members of the Agnelli and Nasi families, descendants of Giovanni Agnelli, founder of Fiat. Its present principal business activity is to purchase, administer and dispose of equity interests in public and private entities and, in particular, to ensure the cohesion and continuity of the administration of its controlling equity interests. The managing directors of G.A., as of February 16, 2022, were John Elkann, Jeroen Preller, Florence Hinnen, Tiberto Brandolini d'Adda, Alessandro Nasi, Andrea Agnelli, Luca Ferrero de' Gubernatis Ventimiglia and Benedetto Della Chiesa.

Based on the information in Ferrari's shareholder register, regulatory filings with the AFM and the SEC and other sources available to us, the following shareholders owned, directly or indirectly, in excess of three percent of the common shares holding voting rights of Ferrari, as of February 14, 2022:

Shareholder	Number of common shares	Percentage owned (1)
Exor N.V. (2)	44,435,280	24.21%
Piero Ferrari (2)	18,894,295	10.30%
BlackRock, Inc. (3)	10,708,393	5.84%
T. Rowe Price Associates, Inc (4)	7,423,138	4.04%
Other public shareholders	102,037,188	55.61%

(1) The percentages of share capital set out in this table are calculated as the ratio of (i) the aggregate number of outstanding common shares beneficially owned by the shareholder to (ii) the total number of outstanding common shares (net of treasury shares) of Ferrari. These percentages may slightly differ from the percentages of share capital included in the public register held by the AFM of all notifications made pursuant to the disclosure obligations under chapter 5.3 of the Dutch Act on financial supervision (Wet op het financieel toezicht; the "AFS"), inter alia, because any shares held in treasury by Ferrari are included in the relevant denominators for purposes of the AFS disclosure obligations.

(2) Each of Exor and Piero Ferrari participate in the loyalty voting program of Ferrari. As of February 14, 2022, Exor owned 44,435,280 special voting shares and Mr. Ferrari owned 18,892,160 special voting shares. Therefore, as discussed above in this section, their voting power in Ferrari is higher than the percentage of common shares beneficially held as presented in this table.

(3) Based on filings with the SEC (Amendment No. 1 to Schedule 13G filed on February 3, 2022, File No. 005-89223), BlackRock, Inc. is a parent holding company or control person in accordance with Rule 13d-1(b)(1)(ii)(G) and, out of the common shares beneficially owned as set forth in the table, it has sole voting power over 9,871,147 common shares.

(4) Based on filings with the SEC (Amendment No. 1 to Schedule 13G filed on February 14, 2018, File No. 005-89223), T. Rowe Price Associates, Inc. is an investment adviser registered under Section 203 of the U.S. Investment Advisers Act of 1940. Based on subsequent filings with the SEC, out of the common shares beneficially owned as set forth in the table, T. Rowe Price associates, Inc. has sole voting power over 4,112,710 common shares.

Based on the information in Ferrari's shareholder register and other sources available to us, as of February 14, 2022, approximately 63.8 million Ferrari common shares, or 32.9 percent of the outstanding Ferrari common shares, were held in the United States. As of the same date, approximately 1,924 record holders had registered addresses in the United States.

SHAREHOLDERS' AGREEMENT

On December 23, 2015, Exor and Piero Ferrari entered into a Shareholders' Agreement, which became effective at the completion of the Separation on January 3, 2016 (the "Shareholders' Agreement") and prior to the admission to listing and trading of the common shares of Ferrari on the MTA, now renamed Euronext Milan. Ferrari is not a party to the Shareholders' Agreement and does not have any rights or obligations thereunder. Below is a summary of the principal provisions of the Shareholders' Agreement based on regulatory filings made by Exor and Piero Ferrari.

CONSULTATION

For the purposes of forming and exercising, to the extent possible, a common view on the items on the agenda of any General Meeting of shareholders of Ferrari, Exor and Piero Ferrari will consult with each other prior to each General Meeting. For the purposes of this consultation right and duties, representatives of each of Exor and Piero Ferrari shall meet in order to discuss in good faith whether they have or can find a common view as to the matters on the agenda of the immediately following General Meeting. This consultation right does not include an obligation to vote in any certain way nor does it constitute a veto right in favor of Piero Ferrari.

PRE-EMPTION RIGHT IN FAVOR OF EXOR AND RIGHT OF FIRST OFFER OF PIERO FERRARI

In the event that Piero Ferrari intends to transfer (in whole or in part) his Ferrari common shares or receives a third party offer for the acquisition of all or part of his Ferrari common shares, Exor will have the right to purchase all (but not less than all) of the common shares Piero Ferrari intends to transfer on the terms of the original proposed transfer by Piero Ferrari or, in case the original proposed transfer was for no consideration, at market prices determined pursuant to the Shareholders' Agreement.

In the event Exor intends to transfer (in whole or in part) its common shares to a third party, either solicited or unsolicited, Piero Ferrari will have the right to make a binding, unconditional and irrevocable all cash offer for the purchase of such common shares.

The foregoing will not apply in the case of transfers of Ferrari common shares: (i) by any party to the Shareholders' Agreement, to a party that qualifies as a "Loyalty Transferee" (as defined in the Ferrari Articles of Association) of such party, (ii) by Exor, to any affiliate of G.A., to a successor in business of G.A. and to any affiliate of a successor in business of G.A., and (iii) by any party to the Shareholders' Agreement that is an individual, to an entity wholly owned and controlled by that same party. In addition, the provisions regarding the pre-emption right in favor of Exor and right of first offer of Piero Ferrari shall not apply in relation to, and Piero Ferrari shall be free and allowed to carry out, market sales to third parties of his Ferrari common shares which in the aggregate do not exceed, during the whole period of validity of the Shareholders' Agreement, 0.5 percent of the number of common shares owned by Piero Ferrari upon completion of the Separation.

TERM

The Shareholders' Agreement entered into force upon completion of the Separation on January 3, 2016 and provides that it shall remain in force until the fifth anniversary of the effective date of the Separation, provided that if neither of the parties to the Shareholders' Agreement terminates the Shareholders' Agreement within six months before the end of the initial term, then the Shareholders' Agreement shall be renewed automatically for another five year term. Since neither of the parties to the Shareholders' Agreement terminated it within six months before January 3, 2021, the Shareholders' Agreement was automatically renewed for another five year term and, therefore, until January 3, 2026.

The Shareholders' Agreement shall terminate and cease to have any effect as a result of the transfer of all the common shares owned by either Exor or Piero Ferrari to a third party.

GOVERNING LAW AND JURISDICTION

The Shareholders' Agreement is governed by and must be interpreted according to the laws of the Netherlands. Any disputes arising out of or in connection with the Shareholders' Agreement are subject to the exclusive jurisdiction of the competent court in Amsterdam, the Netherlands, without prejudice to the right of appeal and appeal to the Supreme Court.

CORPORATE GOVERNANCE

INTRODUCTION

Ferrari is a public limited liability company, incorporated under the laws of the Netherlands. The Company is the holding company of the Ferrari group following the separation of the Ferrari business from FCA, now renamed Stellantis. In this section, the "Company" also refers to Ferrari N.V. predecessor, formerly known as New Business Netherlands N.V., as the context may require. Such predecessor of Ferrari N.V. was the holding company of the Ferrari group following completion of the restructuring intended to facilitate Ferrari's IPO. When in this section reference is made to Ferrari N.V., it solely relates to the current Ferrari N.V. (previously known as FE New N.V.), which acquired Ferrari N.V. predecessor under universal title through a merger under Dutch law. The Company qualifies as a foreign private issuer under the New York Stock Exchange ("NYSE") listing standards and its common shares are listed on the NYSE and on the Euronext Milan (previously named Mercato Telematico Azionario).

In accordance with the NYSE rules, the Company is permitted to follow its so called "home country practice" with regard to certain corporate governance standards. Therefore, the Company has adopted, except as discussed below under "Compliance with Dutch Corporate Governance Code", the best practice provisions of the revised Dutch corporate governance code issued by the Corporate Governance Code Monitoring Committee, which entered into force on January 1, 2018 (the "Dutch Corporate Governance Code") and is applicable as from financial year 2017. The Dutch Corporate Governance Code contains principles and best practice provisions that regulate relations inter alia between the board of directors of a company and its committees and the relationship with the general meeting of shareholders.

In this report the Company addresses its overall corporate governance structure. The Company discloses, and intends to disclose any material departure from the best practice provisions of the Dutch Corporate Governance Code in this and in its future annual reports.

BOARD OF DIRECTORS

Pursuant to the Company's articles of association (the "Articles of Association"), its board of directors (the "Board of Directors") may have three or more directors (the "Directors"). At the annual general meeting of shareholders held on April 15, 2021, the number of the Directors was set at nine and the current slate of Directors was appointed. Mr. Benedetto Vigna was designated as Acting Chief Executive Officer by the Board of Directors effective as of September 16, 2021. The term of office of the current Directors will expire on the day the Company's 2022 annual general meeting of shareholders is held. Each Director may be reappointed at any subsequent annual general meeting of shareholders; the next annual general meeting of shareholders is currently expected to be held on April 13, 2022. On December 10, 2020, Mr. Louis Camilleri communicated to the Company his decision, for personal reasons, to retire with immediate effect from his role as the Company's Chief Executive Officer and as member of the Board of Directors. As a result, Mr. John Elkann, the Company's Executive Chairman, acted as interim Chief Executive Officer pursuant to his appointment by the Board of Directors at the meeting of the Board of Directors held on December 15, 2020, until Mr. Benedetto Vigna was designated as Acting Chief Executive Officer by the Board of Directors effective as of September 16, 2021. The Board of Directors recommended during its meeting of February 25, 2022 the shareholders to appoint Mr. Benedetto Vigna as executive director at the Company's 2022 annual general meeting of shareholders and the Board of Directors during its meeting shortly after the AGM 2022 envisages to confirm his title of CEO. On February 16, 2021, the Company announced that Mr. Roberto Cingolani tendered his resignation from his role as Company's non-executive Director and member of the ESG Committee of the Board of Directors effective as of February 13, 2021 when he was appointed Minister of the new Italian Government. Mrs. Delphine Arnault was appointed as a member of the ESG Committee on February 26, 2021, filling the vacancy left by the resignation of Mr. Roberto Cingolani.

The Board of Directors as a whole is responsible for the strategy of the Company. The Board of Directors is composed of two executive Directors (i.e., Mr. John Elkann, Executive Chairman, and Mr. Benedetto Vigna, Acting Chief Executive Officer) and eight non-executive Directors, who do not have day-to-day responsibility within the Company or the Group. Pursuant to Article 17 of the Articles of Association, the general authority to represent the Company shall be vested in the Board of Directors and the Chief Executive Officer.

The Board of Directors appointed the following internal committees: (i) an Audit Committee, (ii) a ESG Committee, and (iii) a Compensation Committee. On certain key operational matters, the executive Directors are supported by the Ferrari Leadership Team (hereinafter also the "FLT", formerly Senior Management Team, and so renamed as a result of the organizational changes executed in January 2022), which is responsible for reviewing the operating performance of the businesses, collaborating on certain operational matters, supporting the executive Directors with their tasks and executing decisions of the Board of Directors and the day-to-day management of the Company, primarily to the extent it relates to the operational management.

Set forth below is the name, year of birth and position of each of the persons currently serving as Directors of Ferrari N.V. Unless otherwise indicated, the business address of each person listed below will be c/o Ferrari, Via Abetone Inferiore n. 4, I-41053 Maranello (MO), Italy.

Name	Year of Birth	Position
John Elkann	1976	Executive Chairman and Executive Director
Benedetto Vigna	1969	Acting Chief Executive Officer
Piero Ferrari	1945	Vice Chairman and Non-Executive Director
Sergio Duca	1947	Senior Non-Executive Director
Delphine Arnault	1975	Non-Executive Director
Francesca Bellettini	1970	Non-Executive Director
Eddy Cue	1964	Non-Executive Director
John Galantic	1961	Non-Executive Director
Maria Patrizia Grieco	1952	Non-Executive Director
Adam Keswick	1973	Non-Executive Director

Eight Directors currently qualify as independent (representing a majority) for purposes of NYSE rules and Rule 10A-3 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and seven Directors qualify as independent (representing a majority) for purposes of the Dutch Corporate Governance Code.

The non-executive Directors of the Company met to discuss the functioning of the Board and its committees, the functioning of the executive Directors as a corporate body of the company, or the corporate strategy and the main risks of the business, pursuant to best practice provisions 2.2.6, 2.2.7 and 1.1.2 of the Dutch Corporate Governance Code.

The Board of Directors has resolved to grant the following titles:

- John Elkann: Chairman of the Company;
- Benedetto Vigna: Acting Chief Executive Officer;
- Piero Ferrari: Vice-Chairman; and
- Sergio Duca: Senior Non-Executive Director

The Board of Directors has also resolved to appoint Sergio Duca as chairman of the Board, as referred to in the Dutch Civil Code, who will in such capacity have the title Chair (Voorzitter).

The following members are independent within the meaning of the Dutch Corporate Governance Code and NYSE rules:

- Delphine Arnault;
- Francesca Bellettini;
- Eddy Cue;
- Sergio Duca;
- John Galantic;
- Maria Patrizia Grieco; and
- Adam Keswick.

In addition, Piero Ferrari is considered independent within the meaning of the NYSE rules.

Directors are expected to prepare themselves for and to attend all Board of Directors meetings, the annual general meeting of shareholders and the meetings of the committees on which they serve, with the understanding that, on occasion, a Director may be unable to attend a meeting.

From January 1, 2021 to the year-end there were four meetings of the Board of Directors. The attendance rate at these meetings was 100 percent.

The current composition of the Board of Directors is the following:

John Elkann (Chairman of the Company and Executive Director) – Mr. John Elkann is Chairman and Chief Executive Officer of Exor and Chairman of Stellantis N.V. Mr. Elkann obtained a scientific baccalaureate from the Lycée Victor Duruy in Paris and graduated in Engineering from Politecnico, the Engineering University of Turin. While at university, he gained work experience in various companies of the Fiat Group in the UK and Poland (manufacturing) as well as in France (sales and marketing). He started his professional career in 2001 at General Electric as a member of the Corporate Audit Staff, with assignments in Asia, the USA and Europe. John Elkann is Chairman of Giovanni Agnelli B.V. He is Chairman of GEDI Gruppo Editoriale S.p.A. and board member of PartnerRe Ltd. Mr. Elkann is a trustee of MoMA. He also serves as Chairman of the Giovanni Agnelli Foundation.

Born in 1976, Italian citizenship.

Benedetto Vigna – Mr. Benedetto Vigna is Acting Chief Executive Officer since September 2021. Before joining Ferrari, he was President of STMicroelectronics', Analog, MEMS and Sensors Group, since January 2016 and also a member of ST's Executive Committee from May 31, 2018. Mr. Vigna joined ST in 1995 and founded ST's MEMS activities (Micro-Electro-Mechanical Systems). Under his guidance, ST's MEMS sensors established ST's leadership with large OEMs in motion-activated user interfaces. His responsibilities were expanded to include connectivity, imaging and power solutions and he piloted a series of successful moves into new business areas, with a particular focus on the industrial and automotive market segments. During his career Mr. Vigna has filed more than 200 patents on micromachining, authored numerous publications and has sat on the boards of several EU-funded programs including start ups as well as worldwide recognized boards of Asian and American research centers. Mr. Vigna graduated in Subnuclear Physics from the University of Pisa.

Born in 1969, Italian citizenship.

Piero Ferrari (Vice Chairman and non-executive Director) – Mr. Piero Ferrari has been Vice Chairman of Ferrari S.p.A. since 1988. He also serves as Chairman of HPE-COXA, is board member and Vice President of Ferretti Group and a board member and Vice President of CRN Ancona (Ferretti Group). He was President of Piaggio Aero Industries S.p.A. from 1998 to 2014 and served as Chairman of the Italian Motor Sport Commission (CSAI) from 1998 to 2001 and BA SERVICE from 2000 to 2015. He was also a board member and Vice President of Banca Popolare dell'Emilia Romagna in Modena from 2002 to 2011 and from 2011 to 2014 respectively. The son of Ferrari's founder Enzo Ferrari, Mr. Piero Ferrari covered a variety of management positions in the motor sport division of Ferrari from 1970 to 1988 with increasing responsibilities. His first position with Ferrari dates back to 1965 working on the production of the Dino 206 Competizione racing car. Mr. Piero Ferrari received an honorary degree in Aerospace Engineering from the University of Naples Federico II in 2004 and an Honorary Degree in Mechanical Engineering from the University of Modena and Reggio Emilia in 2005. In 2004, Mr. Piero Ferrari was awarded the title of Cavaliere del Lavoro.

Born in 1945, Italian citizenship.

Sergio Duca (Chairman of the Board of Directors and Senior Non-Executive Director) – Mr. Sergio Duca is a member of the Statutory Auditors of BasicNet S.p.A. since 2017, independent director of OSAI Automation System S.p.A. since November 2020 and a director of Tofaş Türk Otomobil Fabrikasi Anonim Şirketi, as well as Chairperson of the corporate governance committee, member of the risk management committee and member of the audit committee of the board of directors of Tofaş Türk Otomobil Fabrikasi Anonim Şirketi. He also serves as member of the board of Nedcommunity association since May 2019 and Chairman of the board of auditors of the Fondazione per la Scuola of Compagnia di San Paolo and ISPI (Institute for the Study of International Politics), as well as a member of the board of auditors of the Intesa San Paolo Foundation Onlus. Mr. Duca has previously served as Chairman of the Board of Statutory Auditors of Enel S.p.A. from April 2010 until May 2019, Chairman of the Board of Directors of Orizzonte SGR S.p.A. from 2008 until 2016, Chairman of the Board of Statutory Auditors of Exor S.p.A. until May 2015, Chairman of the Board of Statutory Auditors and effective auditor of GTech until April 2015, member of the Board of ASTM S.p.A. and Chairman of the Audit Committee of ASTM S.p.A. from 2010 until 2013, Chairman of the Board of Statutory Auditors of Tosetti Value SIM and an independent director of Sella Gestione SGR until April 2010. From 1997 until July 2007, Mr. Duca was the Chairman of PricewaterhouseCoopers S.p.A. In addition, he has previously served as Chairman of the board of auditors of the Silvio Tronchetti Provera Foundation, Chairman of the board of auditors of Compagnia di San Paolo until May 2016, member of the Edison Foundation's advisory board and the University Bocconi in Milan's development committee, as well as Chairman of the Bocconi's Alumni Association's board of auditors and a member of the board of auditors of the ANDAF (Italian Association of Chief Financial Officers). As a certified chartered accountant and auditor, he acquired broad experience through the PricewaterhouseCoopers network as the external auditor of a number of significant Italian listed companies. Mr. Duca graduated with honors in Economics and Business from University Bocconi in Milan.

Born in 1947, Italian citizenship.

Delphine Arnault (non-executive Director) – Mrs. Delphine Arnault graduated from the EDHEC Business School and the London School of Economics. She began her career at McKinsey & Company, the global management consultancy firm, where she was a Consultant for two years. In 2001, she joined the Executive Committee of Christian Dior Couture where she directed several product lines. She was appointed Deputy General Manager of Christian Dior Couture in 2008 and in September 2013 Deputy General Manager of Louis Vuitton Malletier. She has been a board director of LVMH Moët Hennessy Louis Vuitton SE since 2003. Delphine was appointed to the board of Château Cheval Blanc, the Saint-Emilion premier grand cru classé in 2008. In 2002 she joined the board of Loewe, the celebrated Spanish leather goods company, and was appointed to Pucci's board of directors in 2007. She was appointed to the boards of Céline in December 2011 and Christian Dior SE in April 2012. Delphine Arnault previously served as a director of both Havas and 21st Century Fox from 2013 to 2019. In 2021, she has been appointed to the Board of Gagosian and Phoebe Philo Limited.

Born in 1975, French citizenship.

Francesca Bellettini (non-executive Director) – Mrs. Francesca Bellettini is President and Chief Executive Officer of Yves Saint Laurent (part of the Kering Group), based in France, since September 2013. Mrs. Bellettini is a member of the Kering Group Executive Committee since 2013. Mrs. Bellettini joined the Kering Group in 2003, serving in several executive roles. From 2003 until 2008 she worked at Gucci, Italy, first as Assistant to the President and Managing Director and, from 2005, as Strategic Planning Director and Associate Worldwide Merchandising Director. In 2008, she joined Bottega Veneta, Italy, as Worldwide Merchandising Director and from 2010 she became Worldwide Merchandising-Communication Director based in Switzerland. From 1999 until 2002, Mrs. Bellettini worked in the Prada Group, Italy, first in the Planning and New Business Development Division of Prada and, in 2002, as Operations Manager of Helmut Lang. Previously, she worked in Compass Partners International, UK from 1998 to 1999, in Deutsche Morgan Grenfell, UK from 1996 to 1998 and in Goldman Sachs International, UK from 1994 to 1996. While graduating, she interned at Citibank, Italy in 1994. Mrs. Bellettini graduated in Business Administration with a major in Finance from Bocconi University, Italy.

Born in 1970, Italian citizenship.

Eddy Cue (non-executive Director) – Mr. Eddy Cue is Apple's senior vice president of Services, reporting to CEO Tim Cook. Mr. Cue oversees the full range of Apple's services, including Apple Music, Apple News, Apple Podcasts, the Apple TV app, and Apple TV+, as well as Apple Pay, Apple Card, Maps, Search Ads, Apple's iCloud services, and Apple's productivity and creativity apps. Mr. Cue's team has an excellent track record of building and strengthening world-class services that meet and exceed the high expectations of Apple's customers, and offer creators and storytellers the opportunity to bring their creative visions to people around the world. Mr. Cue joined Apple in 1989. Mr. Cue was instrumental in creating the Apple online store in 1998, the iTunes Store in 2003, and the App Store in 2008. He also played a key role in developing Apple's award-winning iLife suite of applications. In his early years at Apple, he was a successful manager of software engineering and customer support teams. Mr. Cue earned a bachelor's degree in Computer Science and Economics from Duke University. He serves on the Board of Trustees of both the Paley Center for Media and Duke University.

Born in 1964, American citizenship.

John Galantic (non-executive Director) – John Galantic is President and Chief Operating Officer of Chanel Inc. Galantic obtained a Bachelor's degree from Tufts University and Master's degree in Business Administration from Harvard Business School. He began his career at Procter and Gamble and worked in various Marketing and Sales roles in Italy, the UK and US. After stints at GlaxoSmithKline in global Marketing and at Coty Beauty, as President of Coty Americas, he joined Chanel in 2006. He joined the board of Chanel in 2018. Galantic has also been on the board of Bacardi Limited since 2011. Since 2017, he has been on the board of the Chanel Fondation, a philanthropic organization focused on women and girls.

Born in 1961, American citizenship.

Maria Patrizia Grieco (non-executive Director) – Mrs. Maria Patrizia Grieco has been the Chairperson of the board of directors of Banca Monte dei Paschi di Siena since May 2020, after having gained experience in the financial sector during the six years spent on the board of directors of Anima Holding. From May 2014 to May 2020 she was the Chairperson of the board of directors of Enel, the Italian company world leader in the utilities sector. After graduating in law from the University of Milan, she started her career in 1977 at Italtel, where in 1994 she became chief of the Legal and General Affairs directorate. In 1999, she was appointed General Manager with the task of reorganizing and repositioning the company, and in 2002 she became Chief Executive Officer. Subsequently, she held the positions of Chief Executive Officer of Siemens Informatica, Partner of Value Partners and Chief Executive Officer of the Group Value Team (today NTT Data). From 2008 to 2013 she was Chief Executive Officer of Olivetti, where she also held the role of Chairperson from 2011. She has been a member of the boards of directors of Fiat Industrial and CIR and currently serves on the boards of Ferrari, Amplifon and Endesa S.A. Mrs. Grieco is also Chair of Assonime and is a member of the board of directors of Bocconi University. Maria Patrizia Grieco was appointed Chairperson of the Italian Corporate Governance Committee in 2017. The Committee's purpose is to promote good corporate governance practices of Italian listed companies.

Born in 1952, Italian citizenship.

Adam Keswick (non-executive Director) – Mr. Adam Keswick first joined the Jardine Matheson Group in 2001 and was appointed to the Board of Jardine Matheson in 2007. He was Deputy Managing Director of Jardine Matheson from 2012 to 2016, and became chairman of Matheson & Co. in 2016. Mr. Keswick is a director of Dairy Farm, Hongkong Land, Jardine Strategic and Mandarin Oriental. He is also Vice-Chairman of the Supervisory Board of Rothschild & Co. and is a Director of Yabuli China Entrepreneurs Forum.

Born in 1973, British citizenship.

BOARD REGULATIONS

The current regulations of the Board of Directors deal with matters that concern the Board of Directors and its committees internally.

The regulations contain provisions concerning the manner in which meetings of the Board of Directors are called and held, including the decision-making process. The regulations provide that meetings may be held by telephone conference or video-conference, provided that all participating Directors can follow the proceedings and participate in real time discussion of the items on the agenda.

The Board of Directors can only adopt valid resolutions when the majority of the Directors in office shall be present at the meeting or be represented thereat.

A Director may only be represented by another Director authorized in writing. A Director may not act as a proxy for more than one other Director.

All resolutions shall be adopted by the favorable vote of the majority of the Directors present or represented at the meeting, provided that the regulations may contain specific provisions in this respect. Each Director shall have one vote.

The Board of Directors shall be authorized to adopt resolutions without convening a meeting if all Directors shall have expressed their opinions in writing, unless one or more Directors shall object in writing against the resolution being adopted in this way prior to the adoption of the resolution.

THE AUDIT COMMITTEE

The Audit Committee is responsible, inter alia, for assisting and advising the Board of Directors, and acting under authority delegated by the Board of Directors, with respect to: (i) the integrity of the Company's financial statements, (ii) the Company's policy on tax planning, (iii) the Company's financing, (iv) the Company's application of information and communication technology, (v) the systems of internal controls that management and the Board of Directors have established, (vi) the Company's compliance with legal and regulatory requirements, (vii) the Company's compliance with recommendations and observations of internal and independent auditors, (viii) the Company's policies and procedures for addressing certain actual or perceived conflicts of interest, (ix) the review and approval of related party transactions,

(x) the independent auditors' qualifications, independence, remuneration and any non-audit services for the Company, (xi) the functioning of the Company's internal auditors and of the independent auditors, (xii) risk management guidelines and policies, and (xiii) the implementation and effectiveness of the Company's ethics and compliance program.

The Audit Committee currently consists of Mr. Duca (Chairperson), Mrs. Bellettini and Mrs. Grieco, each of whom is independent within the meaning of the Dutch Corporate Governance Code. The Audit Committee is elected by the Board of Directors and is comprised of at least three non-executive Directors. Audit Committee members are also required (i) not to have any material relationship with the Company or to serve as auditors or accountants for the Company, (ii) to be "independent", for purposes of NYSE rules, Rule 10A-3 of the Exchange Act and the Dutch Corporate Governance Code, and (iii) to be "financially literate" and have "accounting or selected financial management expertise" (as determined by the Board of Directors). At least one member of the Audit Committee shall be a "financial expert" as defined by the Sarbanes-Oxley Act and the rules of the U.S. Securities and Exchange Commission and section 2(3) of the Dutch Decree on the Establishment of an audit committee. No Audit Committee member may serve on more than four audit committees for other public companies, absent a waiver from the Board of Directors, which must be disclosed in the Company's annual report. Unless decided otherwise by the Audit Committee, the independent auditors of the Company, the Chief Financial Officer and the Head of Internal Audit are required to attend its meetings, while the Chief Executive Officer is free, but not required, to attend the meetings of the Audit Committee, unless the Audit Committee determines otherwise, and shall attend the meetings of the Audit Committee if the Audit Committee so requires. The Audit Committee shall meet with the independent auditor at least once per year outside the presence of the executive Directors and management.

In 2021 the Audit Committee met six times and the average attendance rate was 88.89 percent. At these meetings several matters were discussed, including the audit committee role and responsibilities, the Company's financial control and risk framework, risk assessment, internal control over financial reporting pursuant to the applicable rules, and a financial overview of operating results.

THE COMPENSATION COMMITTEE

The Compensation Committee is responsible for, among other things, assisting and advising the Board of Directors, and acting under authority delegated by the Board of Directors ,with respect to: (i) determining executive compensation consistent with the Company's remuneration policy, (ii) reviewing and approving the remuneration structure for the executive Directors, (iii) administering equity incentive plans and deferred compensation benefit plans, (iv) discussing with management the Company's policies and practices related to compensation and issuing recommendations thereon, and (v) to prepare the compensation report.

The Compensation Committee currently consists of Mr. Galantic (Chairperson), Mr. Cue and Mr. Ferrari. The Compensation Committee is elected by the Board of Directors and is comprised of at least three non-executive Directors, at most one of whom may not be independent under Dutch Corporate Governance Code. Unless decided otherwise by the Compensation Committee, the Head of Human Resources of the Company attends its meetings.

In 2021 the Compensation Committee met twice with 100 percent attendance of its members at such meeting. The Compensation Committee reviewed the compensation report. Further information on the activities of the Compensation Committee are included in the compensation report.

THE ESG COMMITTEE

The ESG Committee (formerly the Governance and Sustainability Committee) is responsible for, among other things, assisting and advising the Board of Directors, and acting under authority delegated by the Board of Directors, with respect to: (i) drawing up the selection criteria and appointment procedures for members of the Board of Directors; (ii) periodic assessment of the size and composition of the Board of Directors and as appropriate making proposals for a composition profile of the Board of Directors; (iii) periodic assessment of the performance of individual directors and reporting this to the Board of Directors; (iv) proposals to the non-executive members of the Board of Directors for the nomination and re-nomination of directors to be elected by the shareholders; (v) supervision of the policy on the selection and appointment criteria for senior management and on succession planning; and (vi) monitoring, evaluation and reporting on the strategy, targets, achievements, disclosures and reports relating to ESG matters globally of the Company and its subsidiaries. On December 14, 2021 the Board of Directors changed the name of the former Governance and Sustainability Committee into ESG Committee and approved a new committee charter effective as of the same date.

The ESG Committee consists of Mr. Elkann (Chairperson), Mrs. Arnault and Mr. Cue. The ESG Committee is elected by the Board of Directors and is comprised of at least three Directors. At least more than half of the members shall be independent under the Dutch Corporate Governance Code, and at most one of the members may be an executive Director.

In 2021 the ESG Committee met once with 100 percent attendance of its members at such meeting. The Committee reviewed the Board of Directors' and Committee's assessments, the Sustainability achievement and objectives, and the recommendations for Directors' election.

In addition, as described above, the charters of the Audit Committee, Compensation Committee and ESG Committee set forth independence requirements for their members for purposes of the Dutch Corporate Governance Code. Audit Committee members are also required to qualify as independent for purposes of NYSE rules and Rule 10A-3 of the Exchange Act.

INDEMNIFICATION OF DIRECTORS

Under Dutch law, indemnification provisions may be included in a company's articles of association. Under the Articles of Association, the Company is required to indemnify any and all of its Directors, officers, former Directors, former officers and any person who may have served at its request as a director or officer of another company in which it owns shares or of which it is a creditor, who were or are made a party or are threatened to be made a party to or are involved in, any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitrative or investigative (each a "Proceeding"), or any appeal in such a Proceeding or any inquiry or investigation that could lead to such a Proceeding, against any and all liabilities, damages, reasonable and documented expenses (including reasonably incurred and substantiated attorneys' fees), financial effects of judgments, fines, penalties (including excise and similar taxes and punitive damages) and amounts paid in settlement in connection with such Proceeding by any of them. Such indemnification shall not be deemed exclusive of any other rights to which those indemnified may be entitled otherwise. Notwithstanding the above, no indemnification shall be made in respect of any claim, issue or matter as to which any of the above-mentioned indemnified persons shall be adjudged to be liable for gross negligence or willful misconduct in the performance of such person's duty to Ferrari. Ferrari has purchased directors' and officers' liability insurance for the members of the Board of Directors and certain other officers, substantially in line with that purchased by similarly situated companies.

CONFLICT OF INTEREST

A Director shall not participate in discussions and decision making of the Board of Directors with respect to a matter in relation to which he or she has a direct or indirect personal interest that is in conflict with the interests of the Company and the business associated with the Company ("Conflict of Interest"), which shall be determined outside the presence of the director concerned. All transactions, where there is a Conflict of Interest, must be concluded on terms that are customary in the branch concerned and approved by the Board of Directors. In addition, the Board of Directors as a whole may, on an ad hoc basis, resolve that there is such a strong appearance of a Conflict of Interest of an individual Director in relation to a specific matter, that it is deemed in the best interest of a proper decision making process that such individual Director be excused from participation in the decision making process with respect to such matter even though such Director may not have an actual Conflict of Interest.

At least annually, each Director shall assess in good faith whether (i) he or she is independent under (A) best practice provision 2.1.8 of the Dutch Corporate Governance Code, (B) the requirements of Rule 10A-3 under the Exchange Act, and (C) Section 303A of the NYSE Listed Company Manual; and (ii) he or she would have a Conflict of Interest in connection with any transactions between the Company and a significant shareholder or related party of the Company, including affiliates of a significant shareholder (such conflict, a "Related-Party Conflict"), it being understood that currently Exor N.V. ("Exor") would be considered a significant shareholder.

The Directors shall inform the Board of Directors through the Senior Non-executive Director or the Secretary of the Board of Directors as to all material information regarding any circumstances or relationships that may impact their characterization as "independent," or impact the assessment of their interests, including by responding promptly to the annual D&O questionnaires circulated by or on behalf of the Secretary that are designed to elicit relevant information regarding business and other relationships.

Based on each Director's assessment described above, the Board of Directors shall make a determination at least annually regarding such Director's independence and such Director's Related-Party Conflict. These annual determinations shall be conclusive, absent a change in circumstances from those disclosed to the Board of Directors, that necessitates a change in such determination.

Mr. Elkann is Chief Executive Officer of Exor, our and Stellantis's largest shareholder, and an executive director of Stellantis. Stellantis, Exor and a number of companies in the Stellantis and Exor groups are related parties to Ferrari. See *"Risk Factors-We may have potential conflicts of interest with Stellantis and Exor and its related companies"* and Note 28 *"Related Party Transactions"* to our Consolidated Financial Statements. Finally, Mr. Ferrari controls COXA S.p.A, from which Ferrari purchases components for Formula 1 racing cars, and HPE S.r.l., which provides consultancy engineering services to Ferrari, see Note 28 to our Consolidated Financial Statements.

LOYALTY VOTING STRUCTURE

In connection with the separation from Fiat Chrysler Automobiles N.V., Ferrari issued special voting shares with a nominal value of one Euro cent (€0.01) per share to FCA, Piero Ferrari and FCA shareholders holding FCA special voting shares prior to the separation including Exor, in addition to Ferrari common shares.

As of February 14, 2022, Exor held approximately 24.21 percent of our outstanding common shares and approximately 36.00 percent of the voting power in us, Piero Ferrari held approximately 10.30 percent of our outstanding common shares and approximately 15.31 percent of the voting power in us and public shareholders hold approximately 48.69 percent of the voting power in us. The percentages of voting power above are calculated based on the number of outstanding shares net of treasury shares.

Subject to meeting certain conditions, our common shares can be registered in our loyalty register (the "Loyalty Register") and all such common shares may qualify as qualifying common shares ("Qualifying Common Shares"). The holder of Qualifying Common Shares is entitled to receive without consideration one special voting share in respect of each such Qualifying Common Share. Pursuant to the Terms and Conditions of the Special Voting Shares ("Terms and Conditions"), and for so long as the Ferrari common shares remain in the Loyalty Register, such Ferrari common shares shall not be sold, disposed of, transferred, except in very limited circumstances - i.e., transfers to affiliates or to relatives through succession, donation or other transfers (defined in the Terms and Conditions as "Loyalty Transferee") - but a shareholder may create or permit to exist any pledge, lien, fixed or floating charge or other encumbrance over such Ferrari common shares, provided that the voting rights in respect of such Ferrari common shares and any corresponding special voting shares remain with such shareholder at all times. Ferrari's shareholders who want to directly or indirectly sell, dispose of, trade or transfer such Ferrari common shares or otherwise grant any right or interest therein, or create or permit to exist any pledge, lien, fixed or floating charge or other encumbrance over such Ferrari common shares with a potential transfer of voting rights relating to such encumbrances will need to submit a de-registration request as referred to in the Terms and Conditions, in order to transfer the relevant Ferrari common shares to the regular trading system (the "Regular Trading System") except that a Ferrari shareholder may transfer Ferrari common shares included in the Loyalty Register to a Loyalty Transferee (as defined in the Terms and Conditions) of such Ferrari shareholder without transferring such shares from the Loyalty Register to the Regular Trading System.

Ferrari's shareholders who seek to qualify to receive special voting shares can also request to have their Ferrari common shares registered in the Loyalty Register. Upon registration in the Loyalty Register such shares will be eligible to be treated as Qualifying Common Shares, provided they meet the conditions.

Notwithstanding the fact that Article 13 of the Ferrari Articles of Association permits the Board of Directors of Ferrari to approve transfers of special voting shares, the special voting shares cannot be traded and are transferable only in very limited circumstances (i.e., to a Loyalty Transferee described above, or to Ferrari for no consideration (*om niet*)).

Pursuant to Article 23 of the Ferrari Articles of Association, Ferrari shall maintain a special capital reserve to be credited against the share premium exclusively for the purpose of facilitating any issuance or cancellation of special voting shares. The special voting shares shall be issued and paid up against this special capital reserve.

The special voting shares have immaterial economic entitlements. Such economic entitlements are designed to comply with Dutch law but are immaterial for investors. The special voting shares carry the same voting rights as Ferrari common shares.

Section 10 of the Terms and Conditions include liquidated damages provisions intended to deter any attempt by holders to circumvent the terms of the special voting shares. Such liquidated damages provisions may be enforced by Ferrari by means of a legal action brought by Ferrari before competent courts of Amsterdam, the Netherlands. In particular, a violation of the provisions of the Terms and Conditions concerning the transfer of special voting shares, Electing Common Shares (common shares registered in the Loyalty Register for the purpose of becoming Qualifying Common Shares in accordance with the Ferrari Articles of Association) and Qualifying Common Shares may lead to the imposition of liquidated damages. Because we expect the restrictions on transfers of the special voting shares to be effective in practice we do not expect the liquidated damages provisions to be used.

Pursuant to Section 12 of the Terms and Conditions, any amendment to the Terms and Conditions (other than merely technical, non-material amendments and unless such amendment is required to ensure compliance with applicable law or regulations or the listing rules of any securities exchange on which the Ferrari common shares are listed) may only be made with the approval of the general meeting of shareholders of Ferrari.

At any time, a holder of Qualifying Common Shares or Electing Common Shares may request the de-registration of such shares from the Loyalty Register to enable free trading thereof in the Regular Trading System. Upon the de-registration from the Loyalty Register, such shares will cease to be Electing Common Shares or Qualifying Common Shares as the case may be and will be freely tradable and voting rights attached to the corresponding special voting shares will be suspended with immediate effect and such special voting shares shall be transferred to Ferrari for no consideration (*om niet*).

A shareholder who is a holder of Qualifying Common Shares or Electing Common Shares must promptly notify the Agent and Ferrari upon the occurrence of a "change of control" as defined in the Ferrari Articles of Association, as described below. The change of control will trigger the de-registration of the relevant Electing Common Shares or Qualifying Common Shares or the relevant Ferrari common shares in the Loyalty Register. The voting rights attached to the special voting shares issued and allocated in respect of the relevant Qualified Common Shares will be suspended upon a direct or indirect change of control in respect of the relevant holder of such Qualifying Common Shares that are registered in the Loyalty Register.

For the purposes of this section a "change of control" shall mean, in respect of any Ferrari shareholder that is not an individual (*natuurlijk persoon*), any direct or indirect transfer in one or a series of related transactions as a result of which (i) a majority of the voting rights of such shareholder, (ii) the de facto ability to direct the casting of a majority of the votes exercisable at general meetings of shareholders of such shareholder and/or (iii) the ability to appoint or remove a majority of the directors, executive directors or board members or executive officers of such shareholder or to direct the casting of a majority or more of the voting rights at meetings of the board of directors, governing body or executive committee of such shareholder has been transferred to a new owner, provided that no change of control shall be deemed to have occurred if (a) the transfer of ownership and/or control is an intra-group transfer under the same parent company, (b) the transfer of ownership and /or control is the result of the succession or the liquidation of assets between spouses or the inheritance, *inter vivos* donation or other transfer to a spouse or a relative up to and including the fourth degree or (c) the fair market value of the Qualifying Common Shares held by such shareholder represents less than twenty percent (20 percent) of the total assets of the Transferred Group at the time of the transfer and the Qualifying Common Shares held by such shareholder, in the sole judgment of the Company, are not otherwise material to the Transferred Group or the change of control transaction. "Transferred Group" shall mean the relevant shareholder together with its affiliates, if any, over which control was transferred as part of the same change of control transaction within the meaning of the definition of change of control.

If Ferrari is dissolved and liquidated, whatever remains of Ferrari's equity after all its debts have been discharged shall first be applied to distribute the aggregate balance of share premium reserves and other reserves (other than the special dividend reserve), to holders of Ferrari common shares in proportion to the aggregate nominal value of the Ferrari common shares held by each holder; secondly, from any balance remaining, an amount equal to the aggregate amount of the nominal value of the Ferrari common shares will be distributed to the holders of Ferrari common shares in proportion to the aggregate nominal value of Ferrari common shares held by each of them; thirdly, from any balance remaining, an amount equal to the aggregate amount of the special voting shares dividend reserve will be distributed to the holders of special voting shares in proportion to the aggregate nominal value of the special voting shares held by each of them; fourthly, from any balance remaining, the aggregate amount of the nominal value of the special voting shares will be distributed to the holders of special voting shares in proportion to the aggregate nominal value of the special voting shares held by each of them; and, lastly, any balance remaining will be distributed to the holders of Ferrari common shares in proportion to the aggregate nominal value of Ferrari common shares held by each of them.

DISCLOSURES PURSUANT TO DECREE ARTICLE 10 EU-DIRECTIVE ON TAKEOVERS

In accordance with the Dutch *Besluit artikel 10 overnamerichtlijn* (the "Decree"), the Company makes the following disclosures:

a. For information on the capital structure of the Company, the composition of the issued share capital and the existence of the two classes of shares, please refer to Note 14 to the Company Financial Statements in this Annual Report. For information on the rights attached to the common shares, please refer to the Articles of Association which can be found on the Company's website. To summarize, the rights attached to common shares comprise pre-emptive rights upon issuance of common shares, the entitlement to attend to the general meeting of Shareholders and to speak and vote at that meeting and the entitlement to distributions of such amount of the Company's profit as remains after allocation to reserves. For information on the rights attached to the special voting shares, please refer to the Articles of Association and the Terms and Conditions for the Special Voting Shares which can both be found on the Company's website and more in particular to the paragraph "Loyalty Voting Structure" of this Annual Report in the chapter "Corporate Governance". As at December 31, 2021, the issued share capital of the Company consisted of 193,923,499 common shares, representing approximately 75.38 percent of the aggregate issued share capital, and 63,349,112 special voting shares, representing approximately 24.62 percent of the aggregate issued share capital.
b. The Company has imposed no limitations on the transfer of common shares. The Articles of Association provide in Article 13 for transfer restrictions for special voting shares.
c. For information on participations in the Company's capital in respect of which pursuant to Sections 5:34, 5:35 and 5:43 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) notification requirements apply, please refer to the chapter "Major Shareholders" of this Annual Report. There you will find a list of Shareholders who are known to the Company to have holdings of 3 percent or more at the stated date.
d. No special control rights or other rights accrue to shares in the capital of the Company.
e. A mechanism for verifying compliance with a scheme allowing employees to subscribe for or to acquire shares in the capital of the company or a subsidiary if the employees do not arrange for such verification directly is not applicable to the Company.
f. No restrictions apply to voting rights attached to shares in the capital of the Company, nor are there any deadlines for exercising voting rights. The Articles of Association allow the Company to cooperate in the issuance of registered depositary receipts for common shares, but only pursuant to a resolution to that effect of the Board of Directors. The Company is not aware of any depository receipts having been issued for shares in its capital.
g. The Company is not aware of the existence of any agreements with Shareholders which may result in restrictions on the transfer of shares or limitation of voting rights except for the shareholders' agreement, dated December 23, 2015 between Exor (formerly Exor S.p.A.) and Piero Ferrari, which became effective upon the completion of the Separation on January 3, 2016 (the "Shareholders' Agreement"). The Shareholders' Agreement includes certain preemption rights of Exor in the event of a proposed transfer of common shares by Piero Ferrari, and certain rights of first offer of Piero Ferrari in the event of a proposed transfer of common shares by Exor, in each case subject to the exceptions set forth in the Shareholders' Agreement. The Shareholders' Agreement will remain in force until the fifth anniversary of the Separation provided that if neither of the parties to the Shareholders' Agreement terminates the Shareholders' Agreement within six months before the end of the initial term, then the Shareholders' Agreement shall be renewed automatically for

another five year term. Since neither of the parties to the Shareholders' Agreement terminated it within six months before January 3, 2021, the Shareholders' Agreement was automatically renewed for another five year term and, therefore, until January 3, 2026.

h. The rules governing the appointment and dismissal of members of the Board of Directors are stated in the Articles of Association of the Company. All members of the Board of Directors are appointed by the general meeting of Shareholders. The term of office of all members of the Board of Directors is for a period of approximately one year after appointment, such period expiring on the day the first Annual General Meeting of Shareholders is held in the following calendar year. The general meeting of Shareholders has the power to suspend or dismiss any member of the Board of Directors at any time. The rules governing an amendment of the Articles of Association are stated in the Articles of Association and require a resolution of the general meeting of Shareholders which can only be passed pursuant to a prior proposal of the Board of Directors.

i. The general powers of the Board of Directors are stated in the Articles of Association of the Company. For a period of five (5) years from January 2, 2016, the Board of Directors has been irrevocably authorized to issue shares up to the maximum aggregate amount of shares as provided for in the Company's authorized share capital as set out in Article 4.1 of the Articles of Association, as amended from time to time. The Board of Directors has also been designated for the same period as the authorized body to limit or exclude the rights of pre-emption of shareholders in connection with the authority of the Board of Directors to issue common shares and grant rights to subscribe for common shares as referred to above. Pursuant to the resolution of the Annual General Meeting held on April 16, 2020, the Board of Directors was authorized to issue shares in the capital of the Company and to grant rights to subscribe for shares in the capital of the Company. This authorization is limited in respect of common shares to (i) 10 percent of the issued common shares for general corporate purposes as of the date of the 2020 Annual General Meeting (i.e. April 16, 2020), which can be used for any and all purposes, plus (ii) an additional 10 percent of the issued common shares as of such date if the issuance occurs on the occasion of the acquisition of an enterprise or a corporation, or, if such issuance and/or the granting of rights to subscribe for common shares is otherwise necessary in the opinion of the Board of Directors. This authorization is limited in respect of special voting shares to a maximum aggregate amount of special voting shares as provided for in the Company's authorized share capital as set out in the Company's Articles of Association. The authorization was granted for a period starting from the date on which the prior authorization expires and therefore from January 2, 2021 up to and including October 15, 2021. The Board of Directors was also designated for the same period as the authorized body to limit or exclude the rights of pre-emption of shareholders in connection with the authority of the Board of Directors to issue common shares and grant rights to subscribe for common shares as referred to above. Pursuant to the resolution of the Annual General Meeting held on April 15, 2021, the Board of Directors has been further authorized to issue shares in the capital of the Company and to grant rights to subscribe for shares in the capital of the Company. This authorization is limited in respect of common shares to 10 percent of the issued common shares for general corporate purposes as of the date of the 2021 Annual General Meeting (i.e. April 15, 2021), which can be used for any and all purposes necessary in the opinion of the Board of Directors. This authorization is limited in respect of special voting shares to up to 10% of the maximum aggregate amount of special voting shares as provided for in the Company's authorized share capital as set out in the Company's Articles of Association. The authorization has been granted for a period of 18 months starting from the date of the 2021 Annual General Meeting of Shareholders on April 15, 2021 up to and including October 14, 2022. The Board of Directors has also been designated for the same period as the authorized body to limit or exclude the rights of pre-emption of shareholders in connection with the authority of the Board of Directors to issue common shares and grant rights to subscribe for common shares as referred to above. In the event of an issuance of special voting shares, shareholders have no right of pre-emption. The Company has the authority to acquire fully paid-up shares in its own share capital, provided that such acquisition is made for no consideration. Further rules governing the acquisition of shares by the Company in its own share capital are set out in article 8 of the Articles of Association.

j. The Company is not a party to any significant agreements which will take effect, will be altered or will be terminated upon a change of control of the Company as a result of a public offer within the meaning of Section 5:70 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*), provided that certain of the loan agreements entered into by the Company contain clauses that, as is customary for financing agreements of similar type, may require early repayment or termination in the event of a change of control of the Company.

k. The Company did not enter into any agreement with a director or employee of the Company providing for a payment / distribution upon termination of employment as a result of a public offer within the meaning of article 5:70 of the Dutch Financial Supervision Act.

GENERAL MEETING OF SHAREHOLDERS

At least one general meeting of shareholders shall be held every year, which meeting shall be held within six months after the close of the financial year.

Furthermore, general meetings of shareholders shall be held in the case referred to in Section 2:108a of the Dutch Civil Code as often as the Board of Directors, the Chairman or the Chief Executive Officer deems it necessary to hold them or as otherwise required by Dutch law, without prejudice to what has been provided in the next paragraph hereof.

Shareholders solely or jointly representing at least ten percent (10 percent) of the issued share capital may request the Board of Directors, in writing, to call a general meeting of shareholders, stating the matters to be dealt with.

If the Board of Directors fails to call a meeting, then such shareholders may, on their application, be authorized by the interim provisions judge of the court (*voorzieningenrechter van de rechtbank*) to convene a general meeting of shareholders. The interim provisions judge (*voorzieningenrechter van de rechtbank*) shall reject the application if he is not satisfied that the applicants have previously requested the Board of Directors in writing, stating the exact subjects to be discussed, to convene a general meeting of shareholders.

General meetings of shareholders shall be held in Amsterdam or Haarlemmermeer (Schiphol Airport), the Netherlands, and shall be called by the Board of Directors, the Chairman or the Chief Executive Officer, in such manner as is required to comply with the law and the applicable stock exchange regulations, not later than on the forty-second day prior to the day of the meeting.

All convocations of general meetings of shareholders and all announcements, notifications and communications to shareholders shall be made by means of an announcement on the Company's corporate website and such announcement shall remain accessible until the relevant general meeting of shareholders. Any communication to be addressed to the general meeting of shareholders by virtue of Dutch law or the Articles of Association, may be either included in the notice, referred to in the preceding sentence or, to the extent provided for in such notice, on the Company's corporate website and/or in a document made available for inspection at the office of the Company and such other place(s) as the Board of Directors shall determine.

Convocations of general meetings of shareholders may be sent to Shareholders through the use of an electronic means of communication to the address provided by such Shareholders to the Company for this purpose.

The notice shall state the place, date and hour of the meeting and the agenda of the meeting as well as the other data required by law.

An item proposed in writing by such number of Shareholders who, by Dutch law, are entitled to make such proposal, shall be included in the notice or shall be announced in a manner similar to the announcement of the notice, provided that the Company has received the relevant request, including the reasons for putting the relevant item on the agenda, no later than the sixtieth day before the day of the meeting.

Pursuant to Dutch law, the board of a listed company has the power to invoke a cooling-off period of up to 250 days in the event of (i) a request by one or more shareholders for consideration of a proposal to appoint, suspend or dismiss one or more members of the board, or (ii) when an unsolicited public bid has been announced or made for the shares of the listed company. The decision by the board to invoke the cooling-off period is subject to supervisory board approval. To invoke the cooling-off period, the request under i) or the public bid under ii) must in the view of the board be substantially contrary to the interest of the listed company and its affiliated enterprises.

The agenda of the annual general meeting of shareholders shall contain, inter alia, the following items:

a. adoption of the annual report;
b. the remuneration report;

c. at least every four years after adoption of the remuneration policy, the remuneration policy;
d. the policy of the Company on additions to reserves and on dividends, if any;
e. granting of discharge to the Directors in respect of the performance of their duties in the relevant financial year;
f. the appointment of Directors;
g. if applicable, the proposal to pay a dividend;
h. if applicable, discussion of any substantial change in the corporate governance structure of the Company; and
i. any matters decided upon by the person(s) convening the meeting and any matters placed on the agenda with due observance of applicable Dutch law.

The Board of Directors shall provide the general meeting of shareholders with all requested information, unless this would be contrary to an overriding interest of the Company. If the Board of Directors invokes an overriding interest, it must give reasons.

When convening a general meeting of shareholders, the Board of Directors shall determine that, for the purpose of Article 19 and Article 20 of the Articles of Association, persons with the right to vote or attend meetings shall be considered those persons who have these rights at the twenty-eighth day prior to the day of the meeting (the "Record Date") and are registered as such in a register to be designated by the Board of Directors for such purpose, irrespective whether they will have these rights at the date of the meeting. In addition to the Record Date, the notice of the meeting shall further state the manner in which shareholders and other parties with meeting rights may have themselves registered and the manner in which those rights can be exercised.

The general meeting of shareholders shall be presided over by the Chairman or, in his absence, by the person chosen by the Board of Directors to act as chairman for such meeting.

One of the persons present designated for that purpose by the chairman of the meeting shall act as secretary and take minutes of the business transacted. The minutes shall be confirmed by the chairman of the meeting and the secretary and signed by them in witness thereof.

The minutes of the general meeting of shareholders shall be made available, on request, to the shareholders no later than three months after the end of the meeting, after which the shareholders shall have the opportunity to react to the minutes in the following three months. The minutes shall then be adopted in the manner as described in the preceding paragraph.

If an official notarial record is made of the business transacted at the meeting then minutes need not be drawn up and it shall suffice that the official notarial record be signed by the notary.

As a prerequisite to attending the meeting and, to the extent applicable, exercising voting rights, the shareholders entitled to attend the meeting shall be obliged to inform the Board of Directors in writing within the time frame mentioned in the convening notice. At the latest this notice must be received by the Board of Directors on the day mentioned in the convening notice.

Shareholders and those permitted by Dutch law to attend the general meetings of shareholders may cause themselves to be represented at any meeting by a proxy duly authorized in writing, provided they shall notify the Company in writing of their wish to be represented at such time and place as shall be stated in the notice of the meetings. For the avoidance of doubt, such attorney is also authorized in writing if the proxy is documented electronically. The Board of Directors may determine further rules concerning the deposit of the powers of attorney; these shall be mentioned in the notice of the meeting.

The Company is exempt from the proxy rules under the Exchange Act.

The chairman of the meeting shall decide on the admittance to the meeting of persons other than those who are entitled to attend.

For each general meeting of shareholders, the Board of Directors may decide that shareholders shall be entitled to attend, address and exercise voting rights at such meeting through the use of electronic means of communication, provided that shareholders who participate in the meeting are capable of being identified through the electronic means of communication and have direct cognizance of the discussions at the meeting and the exercising of voting rights (if applicable). The Board of Directors may set requirements for the use of electronic means of communication and state these in the convening notice. Furthermore, the Board of Directors may for each general meeting of shareholders decide that votes cast by the use of electronic means of communication prior to the meeting and received by the Board of Directors shall be considered to be votes cast at the meeting. Such votes may not be cast prior to the Record Date. Whether the provision of the foregoing sentence applies and the procedure for exercising the rights referred to in that sentence shall be stated in the notice.

Prior to being allowed admittance to a meeting, a shareholder and each person entitled to attend the meeting, or its attorney, shall sign an attendance list, while stating his name and, to the extent applicable, the number of votes to which he is entitled. Each shareholder and other person attending a meeting by the use of electronic means of communication and identified in accordance with the above shall be registered on the attendance list by the Board of Directors. In the event that it concerns an attorney of a shareholder or another person entitled to attend the meeting, the name(s) of the person(s) on whose behalf the attorney is acting, shall also be stated. The chairman of the meeting may decide that the attendance list must also be signed by other persons present at the meeting.

The chairman of the meeting may determine the time for which shareholders and others entitled to attend the general meeting of shareholders may speak if he considers this desirable with a view to the orderly conduct of the meeting as well as other procedures that the chairman considers desirable for the efficient and orderly conduct of the business of the meeting.

Every share (whether common or special voting) shall confer the right to cast one vote.

Shares in respect of which Dutch law determines that no votes may be cast shall be disregarded for the purposes of determining the proportion of shareholders voting, present or represented or the proportion of the share capital present or represented.

All resolutions shall be passed with an absolute majority of the votes validly cast unless otherwise specified in the Articles of Association. Blank votes shall not be counted as votes cast.

All votes shall be cast in writing or electronically. The chairman of the meeting may, however, determine that voting by raising hands or in another manner shall be permitted.

Voting by acclamation shall be permitted if none of the shareholders present or represented objects.

No voting rights shall be exercised in the general meeting of shareholders for shares owned by the Company or by a subsidiary of the Company. Pledgees and usufructuaries of shares owned by the Company and its subsidiaries shall however not be excluded from exercising their voting rights, if the right of pledge or usufruct was created before the shares were owned by the Company or a subsidiary. Neither the Company nor any of its subsidiaries may exercise voting rights for shares in respect of which it holds a right of pledge or usufruct.

Without prejudice to the Articles of Association, the Company shall determine for each resolution passed:

a. the number of shares on which valid votes have been cast;
b. the percentage that the number of shares as referred to under a. represents in the issued share capital;
c. the aggregate number of votes validly cast; and
d. the aggregate number of votes cast in favor of and against a resolution, as well as the number of abstentions.

ISSUANCE OF SHARES

The general meeting of shareholders or alternatively the Board of Directors, if it has been designated to do so by the general meeting of shareholders, shall have authority to resolve on any issuance of shares and rights to subscribe for shares. The general meeting of shareholders shall, for as long as any such designation of the Board of Directors for this purpose is in force, no longer have authority to decide on the issuance of shares and rights to subscribe for shares.

For a period of five years from January 2, 2016 the Board of Directors has been irrevocably authorized to issue shares and rights to subscribe for shares up to the maximum aggregate amount of shares as provided for in the company's authorized share capital as set out in Article 4.1 of the Articles of Association, as amended from time to time.

The general meeting of shareholders or the Board of Directors if so designated in accordance with the Articles of Association, shall decide on the price and the further terms and conditions of issuance, with due observance of what has been provided in relation thereto in Dutch law and the Articles of Association.

If the Board of Directors is designated to have authority to decide on the issuance of shares or rights to subscribe for shares, such designation shall specify the class of shares and the maximum number of shares or rights to subscribe for shares that can be issued under such designation. When making such designation the duration thereof, which shall not be for more than five years, shall be resolved upon at the same time. The designation may be extended from time to time for periods not exceeding five years. The designation may not be withdrawn unless otherwise provided in the resolution in which the designation is made.

Pursuant to the resolution of the Annual General Meeting held on April 16, 2020, the Board of Directors was authorized to issue shares in the capital of the Company and to grant rights to subscribe for shares in the capital of the Company. This authorization is limited in respect of common shares to (i) 10 percent of the issued common shares for general corporate purposes as of the date of the 2020 Annual General Meeting (i.e. April 16, 2020), which can be used for any and all purposes, plus (ii) an additional 10 percent of the issued common shares as of such date if the issuance occurs on the occasion of the acquisition of an enterprise or a corporation, or, if such issuance and/or the granting of rights to subscribe for common shares is otherwise necessary in the opinion of the Board of Directors. This authorization is limited in respect of special voting shares to a maximum aggregate amount of special voting shares as provided for in the Company's authorized share capital as set out in the Company's Articles of Association. The authorization was granted for a period starting from the date on which the prior authorization expired and therefore from January 2, 2021 up to and including October 15, 2021. Pursuant to the resolution of the Annual General Meeting held on April 15, 2021, the Board of Directors has been further authorized to issue shares in the capital of the Company and to grant rights to subscribe for shares in the capital of the Company. This authorization is limited in respect of common shares to 10 percent of the issued common shares for general corporate purposes as of the date of the 2021 Annual General Meeting (i.e. April 15, 2021), which can be used for any and all purposes necessary in the opinion of the Board of Directors. This authorization is limited in respect of special voting shares to up to 10% of the maximum aggregate amount of special voting shares as provided for in the Company's authorized share capital as set out in the Company's Articles of Association. The authorization has been granted for a period of 18 months starting from the date of the 2021 Annual General Meeting of Shareholders on April 15, 2021 up to and including October 14, 2022.

Payment for shares shall be made in cash unless another form of consideration has been agreed.

Payment in a currency other than euro may only be made with the consent of the Company.

The Board of Directors has also been designated as the authorized body to limit or exclude the rights of pre-emption of shareholders in connection with the authority of the Board of Directors to issue common shares and grant rights to subscribe for common shares as referred to above.

In the event of an issuance of common shares every holder of common shares shall have a right of pre-emption with regard to the common shares or rights to subscribe for common shares to be issued in proportion to the aggregate nominal value of his common shares, provided however that no such right of pre-emption shall exist in respect of shares or rights to subscribe for common shares to be issued to employees of the Company or of a group company pursuant to any option plan of the Company.

A shareholder shall have no right of pre-emption for shares that are issued against a non-cash contribution.

In the event of an issuance of special voting shares to qualifying shareholders, shareholders shall not have any right of pre-emption.

The general meeting of shareholders or the Board of Directors, as the case may be, shall decide when passing the resolution to issue shares or rights to subscribe for shares in which manner the shares shall be issued and, to the extent that rights of pre-emption apply, within what period those rights may be exercised.

CORPORATE OFFICES

The Company is incorporated under the laws of the Netherlands. It has its official seat in Amsterdam, the Netherlands, and the place of effective management of the Company is Via Abetone Inferiore n. 4 I-41053 Maranello (MO) Italy.

The business address of the Board of Directors and the senior managers is Via Abetone Inferiore n. 4 I-41053 Maranello (MO) Italy.

The Company is registered at the Dutch trade register under number 64060977.

The Netherlands is the Company's home member state for the purposes of the EU Transparency Directive (Directive 2004/109/EC, as amended).

INTERNAL CONTROL SYSTEM

The Company has in place an internal control system (the "System"), based on the model provided by the COSO Framework (Committee of Sponsoring Organizations of the Treadway Commission Report – Enterprise Risk Management model) and the principles of the Dutch Corporate Governance Code, which consists of a set of policies, procedures and organizational structures aimed at identifying, measuring, managing and monitoring the principal risks to which the Company is exposed. The System is integrated within the organizational and corporate governance framework adopted by the Company and contributes to the protection of corporate assets, as well as to ensuring the efficiency and effectiveness of business processes, reliability of financial information and compliance with laws, regulations, the Articles of Association and internal procedures.

The System, which has been developed on the basis of international best practices, relies on the so called "Three Levels of Controls Model" as referred to and outlined in the "Risk Management Process and Internal Control Systems" section of this Report.

PRINCIPAL CHARACTERISTICS OF THE INTERNAL CONTROL SYSTEM AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company has in place a system of risk management and internal control over financial reporting based on the model provided by the COSO Framework, according to which the internal control system is defined as a set of rules, procedures and tools designed to provide reasonable assurance of the achievement of corporate objectives.

In relation to the financial reporting process, reliability, accuracy, completeness and timeliness of the information contribute to the achievement of such corporate objectives. Risk management is an integral part of the internal control system. A periodic evaluation of the system of internal control over financial reporting is designed to ensure the overall effectiveness of the components of the COSO Framework (control environment, risk assessment, control activities, information and communication, and monitoring) in achieving those objectives.

The Company has a system of administrative and accounting procedures in place that ensure a high degree of reliability in the system of internal control over financial reporting.

The approach adopted by the Company for the evaluation, monitoring and continuous updating of the system of internal control over financial reporting, is based on a 'top-down, risk-based' process consistent with the COSO Framework. This enables focus on areas of higher risk and/or materiality, where there is risk of significant errors, including those attributable to fraud, in the elements of the financial statements and related documents. The key components of the process are:

- identification and evaluation of the source and probability of material errors in elements of financial reporting;
- assessment of the adequacy of key controls in enabling ex-ante or ex-post identification of potential misstatements in elements of financial reporting; and
- verification of the operating effectiveness of controls based on the assessment of the risk of misstatement in financial reporting, with testing focused on areas of higher risk.

Identification and evaluation of the risk of misstatements which could have material effects on financial reporting is carried out through a risk assessment process that uses a top-down approach to identify the organizational entities, processes and the related accounts, in addition to specific activities, which could potentially generate significant errors. Under the methodology adopted by the Company, risks and related controls are associated with the accounting and business processes upon which accounting information is based.

Significant risks identified through the assessment process require definition and evaluation of key controls that address those risks, thereby mitigating the possibility that financial reporting will contain any material misstatements.

In accordance with international best practices, the Group has two principal types of control in place:

- controls that operate at Group or subsidiary level, such as delegation of authorities and responsibilities, separation of duties, and assignment of access rights to IT systems; and
- controls that operate at process level, such as authorizations, reconciliations, verification of consistencies, etc. This category includes controls for operating processes, controls for financial closing processes and cross-sector controls carried out by captive service providers. These controls can be preventive (i.e., designed to prevent errors or fraud that could result in misstatements in financial reporting) or detective (i.e., designed to

reveal errors or fraud that have already occurred). They may also be classified as manual or automatic, such as application-based controls relating to the technical characteristics and configuration of IT systems supporting business activities.

An assessment of the design and operating effectiveness of key controls is carried out through tests performed by the Internal Audit department, both at group and subsidiary level, using sampling techniques recognized as best practices internationally.

The assessment of the controls may require the definition of compensating controls and plans for remediation and improvement. The results of monitoring are subject to periodic review by the manager responsible for the Company's financial reporting and communicated by him to senior management and to the Audit Committee (which in turn reports to the Board of Directors).

CODE OF CONDUCT

We have adopted a Code of Conduct which applies to all of our employees, including our principal executive, principal financial and principal accounting officers. Our Code of Conduct is posted on our website at https://corporate.ferrari.com/sites/ferrari15ipo/files/codice_condotta_ferrari_eng_def.pdf. If the provisions of our Code of Conduct that apply to our principal executive officer, principal financial officer or principal accounting officer are amended, or if a waiver is granted, we will disclose such amendment or waiver.

The Code of Conduct represents a set of values recognized, adhered to and promoted by the Company which understands that conduct based on the principles of diligence, integrity and fairness is an important driver of social and economic development.

The Code of Conduct is a pillar of the governance system which regulates the decision-making processes and operating approach of the Company and its employees in the interests of stakeholders. The Code of Conduct amplifies aspects of conduct related to the economic, social and environmental dimensions, underscoring the importance of dialog with stakeholders. Explicit reference is made to the UN's Universal Declaration on Human Rights, the principal Conventions of the International Labor Organization (ILO), the OECD Guidelines for Multinational Enterprises and the U.S. Foreign Corrupt Practices Act (FCPA). The Code of Conduct was amended to include specific guidelines relating to: the Environment, Health and Safety, Business Ethics and Anticorruption, Suppliers, Human Resource Management, Respect of Human Rights, Conflicts of Interest, Community Investment, Data Privacy, Use of IT and Communications Equipment, Antitrust and Export Controls.

The Code of Conduct applies to the Directors and all employees of the Company and its subsidiaries and other individuals or companies that act in the name and on behalf of the Company or its subsidiaries.

The Company promotes adoption of the Code of Conduct as a best practice standard of business conduct by partners, suppliers, consultants, agents, dealers and others with whom it has a long-term relationship. In fact, the Company's contracts worldwide include specific clauses relating to recognition and adherence to the principles underlying the Code of Conduct and related guidelines, as well as compliance with local regulations, particularly those related to corruption, money-laundering, terrorism and other crimes constituting liability for legal persons.

The Company closely monitors the effectiveness of and compliance with the Code of Conduct. Violations of the Code of Conduct are usually determined through, among other things: periodic activities carried out by the Internal Audit department of the Group; reports received in accordance with the whistleblowing management procedures; and checks forming part of the standard operating procedures. The Internal Audit department investigates violations of the Code of Conduct during standard periodic or specific audits. Periodic reporting is provided to the Chairman and CEO as well as to the Audit Committee. For all Code of Conduct violations, the disciplinary measures taken are commensurate with the seriousness of the case and comply with local legislation. The relevant corporate departments are notified of violations, irrespective of whether criminal action is taken by the authorities.

INSIDER TRADING POLICY

As of January 3, 2016 the Company's Board of Directors adopted an insider trading policy setting forth guidelines and recommendations to all Directors, officers and employees of the Group with respect to transactions in the Company's securities. This policy, which also applies to immediate family members and members of the households of persons covered by the policy, is designed to prevent insider trading or allegations of insider trading, and to protect the Company for integrity and ethical conduct.

DIVERSITY POLICY

The Board of Directors adopted a diversity policy for the Board of Directors (the "Diversity Policy") effective as of December 31, 2017, since the Company believes that diversity in the composition of the Board of Directors in terms of age, gender, expertise, professional background and nationality is an important mean of promoting debate, balanced decision making and independent actions of the Board of Directors.

The Diversity Policy gives weight to the following diversity factors in Board of Directors composition: age, gender, expertise, work and personal background and nationality. The Company considers each of these aspects key drivers to support the above mentioned goals and to achieve sufficient diversity of views and the expertise needed for a proper understanding of current affairs and longer-term risks and opportunities related to the Company's business. The Board of Directors and its ESG Committee consider such factors when evaluating nominees for election to the Board of Directors and during the annual performance assessment process.

The Company has achieved all the following concrete targets: (a) at least 30 percent of the seats of the Board of Directors are occupied by women and at least 30 percent by men; (b) diversity in the age of the members of the Board of Directors by having one or more members of the Board of Directors aged under 50 at the day of their nomination; provided that, in the candidate selection process, rules and generally accepted principles of non-discrimination (on grounds such as ethnic origin, race, disability or sexual orientation) will be taken into account; and (c) the nationality of the members of the Board of Directors shall be reasonably consistent with the geographic presence of the Company's business, and that no nationality should count for more than 60 percent of the members of the Board of Directors.

To ensure its correct implementation, the Diversity Policy will be taken into account in the nomination of executive Directors, and in the adoption of a profile for non-executive Directors as well as in nominating and recommending non-executive Directors. Since the financial year 2017, the targets relating to gender and age have been realized. Since 2019 also the target relating to nationality has been achieved.

PROFILE OF THE NON-EXECUTIVE

In respect of the composition of the Board of Directors, a profile of the non-executive Directors (the "Profile") has been adopted by the Company. The purpose of this profile is to provide guidance with respect to the composition and expertise of the non-executive Directors. The Profile provides that the Board of Directors shall be composed in such manner that its composition reflects an adequate mix of technical abilities, professional background and experience, both general and specific, gained in an international environment and pertaining to the dynamics of the macro-economy and globalization of markets, more generally, as well as the industrial and financial sectors, more specifically. In selecting and nominating new non-executive Directors, the Company shall ensure that such non-executive Directors complement the knowledge and experience of the other non-executive Directors. In selecting and nominating new non-executive Directors, the Company shall also ensure that the Diversity Policy is taken into account. In recommending prospective candidates for nomination to the Board of Directors, the ESG Committee shall take into account the Profile. The Profile is posted on our website at *https://corporate.ferrari.com/sites/ferrari15ipo/files/e_fnv_profile_non-executive_directors_13_09_2018_clean_final_new_0.pdf.*

COMPLIANCE WITH DUTCH CORPORATE GOVERNANCE CODE

The Company endorses the principles and best practice provisions of the Dutch Corporate Governance Code, except for the following best practice provisions which are explained below:

- *Best practice provision 2.2.4 of the Dutch Corporate Governance Code: The supervisory board should also draw up a retirement schedule in order to avoid, as much as possible, supervisory board members retiring simultaneously. The retirement schedule should be published on the company's website.*

The Company does not have a retirement schedule as referred to in best practice provision 2.2.4 of the Dutch Corporate Governance Code, because the Company's Articles of Association provide for a term of office of member of the Board of Directors for a period of approximately one year after appointment, such period expiring on the day the first annual general meeting of shareholders is held in the following calendar year. Short terms of office for board members are customary for companies listed in the U.S. As the Company is listed on the NYSE, the Company also follows certain common U.S. governance practices, one of which is the reappointment of our Directors at each annual general meeting of shareholders. In light of this term of office, the Company does not have a retirement schedule in place.

- *Best practice provision 4.1.8 of the Dutch Corporate Governance Code: Management board and supervisory board members nominated for appointment should attend the general meeting at which votes will be cast on their nomination.*

Pursuant to best practice provision 4.1.8 of the Dutch Corporate Governance Code, every executive and non-executive Director nominated for appointment should attend the general meeting at which votes will be cast on its nomination. Since, pursuant to Article 14.3 of the Articles of Association, the term of office of Directors is approximately one year, such period expiring on the day the first annual general meeting of shareholders of the Company is held in the following calendar year, all members of the Board of Directors are nominated for (re)appointment each year. By publishing the relevant biographical details and curriculum vitae of each nominee for (re)appointment, the Company ensures that the Company's general meeting of shareholders is well informed in respect of the nominees for (re) appointment and in practice only the Chairman, the Chief Executive Officer and the Vice-Chairman will therefore be present at the general meeting.

- *Best practice provision 5.1.4 of the Dutch Corporate Governance Code: Neither the audit committee nor the remuneration committee can be chaired by the chairman of the management board or by a former executive director of the company.*

Our Senior Non-Executive Director and Chair of the Board of Directors, Mr. Duca, is also the Chairperson of the Audit Committee, which is not in line with best practice provision 5.1.4 of the Dutch Corporate Governance Code. The Company believes that Mr. Duca, in light of his extensive experience with audits and his knowledge in this respect, brings a valuable contribution to the Audit Committee and therefore believes it is in Ferrari's best interest and appropriate for Mr. Duca to chair the Audit Committee.

- *Best practice provision 5.1.4 of the Dutch Corporate Governance Code: The committees referred to in best practice 2.3.2 should be comprised exclusively of non-executive directors.*

Mr. Elkann, our Executive Chairman and Executive Director, has a position on the ESG Committee, to which best practice provision 5.1.4 of the Dutch Corporate Governance Code applies. The position of Mr. Elkann as executive Director in this committee follows inter alia from the duties of the ESG Committee, which are more extensive than the duties of a selection and appointment committee and include duties that warrant participation of an executive Director in the view of the Company.

ITALIAN CORPORATE GOVERNANCE CODE

As regards the Italian framework for corporate governance, the Company is aware that a new version of the corporate governance code (the **"Italian CGC"**) has been issued by Borsa Italiana S.p.A., applicable (starting from January 2021) to all companies with shares listed on the Euronext Milan (formerly named Mercato Telematico Azionario, or MTA).

As of December 31, 2021, the Company's corporate governance structure is substantially in line with all the principles and recommendations set forth in the Italian CGC, especially due to the fact that the Company has adopted, and complies with, the Dutch Corporate Governance Code, which contains principles and best practice provisions largely similar to those highlighted in the Italian CGC, exception being made for the following:

a) *The independent Chair of the Board of Directors cannot chair the control and risk committee* (Article 2, Recommendation no. 7 of the Italian CGC).

Our Senior Non-Executive Director and Chair of the Board of Directors, Mr. Duca, is also the Chairperson of the Audit Committee, which is not in line with best practice provision under Article 2, Recommendation no. 7 of the Italian CGC. The Company believes that Mr. Duca, in light of his extensive experience with audits and his knowledge in this respect, brings a valuable contribution to the Audit Committee and therefore believes it is in Ferrari's best interest and appropriate for Mr. Duca to chair the Audit Committee.

b) *In large companies, the Board of Directors expresses its guidelines on the maximum number of offices that can be considered compatible with an effective performance and the time commitment required by the role of the directors. The relevant offices are those held in corporate bodies of other listed companies or of companies having a significant size* (Article 3, Recommendation no. 15 of the Italian CGC).

Applicable Dutch corporate law already expressly regulates the maximum number of offices that may be held by directors. Pursuant to Dutch law, persons may not be appointed as non-executive directors if such persons are non-executive director, member of the supervisory board or other similar bodies for five or more (Dutch) companies of a certain size and such persons cannot be appointed as executive directors if such persons are non-executive director at more than two other (Dutch) companies of a certain size or if such person is the chairperson of the board of supervisors or the one tier board of another (Dutch) company of a certain size. Ferrari is compliant with the above-mentioned Dutch limits.

c) *In large companies, the Board of Directors elaborates, with the support of the nomination committee, a plan for the succession of the Chief Executive Officer and executive directors by identifying, at least, the procedures to be followed in the event of an early termination of office* (Article 4, Recommendation no. 24 of the Italian CGC).

The Company's Board of Directors believes that the members of the Board of Directors itself – chosen and appointed on the basis of their respective expertise, level of professionalism and knowledge of the Company's business – would be capable to carry out (in the absence, due to early termination of the office, of the Chief Executive Officer and/or any other executive officer) the ordinary business of the Company until the appointment, by the competent corporate body, of the new Chief Executive Officer and/or other executive officer(s).

Further, the Company's Board of Directors believes that the decision whether to adopt a succession plan shall be further analysed bearing in mind the sensitivity of the topic.

Furthermore, the Company believes that the overall system of delegated powers adopted by the Company is sufficient to mitigate the risk of a vacancy for an executive director or a senior manager and ensure the continuity of the Company's business. The overall system of delegated powers adopted by the Company already includes a succession plan for the top management which in the Company is represented by the Ferrari Leadership Team. The Company believes that the above measures help the Company achieving the objective underlying the Code's principles and in any case contributes to good corporate governance. Finally, it should be noted that the Company's Board of Directors has already defined a procedure to be applied for the appointment of, at least, the Chief Executive Officer, which provides for, inter alia, the involvement of, inter alia, a specific committee (i.e., the CEO Search Committee), who will assist the ESG Committee with selecting a new candidate for this office.

REPORT OF THE NON-EXECUTIVE DIRECTORS

INTRODUCTION

This is the report of the non-executive Directors of the Company over the financial year 2021, as referred to in best practice provision 5.1.5 of the Dutch Corporate Governance Code.

It is the responsibility of the non-executive Directors to supervise the policies carried out by the executive Directors and the general affairs of the Company and its affiliated enterprise, including the implementation of the strategy of the Company regarding long-term value creation. In so doing, the non-executive Directors act solely in the interest of the Company. With a view of maintaining supervision on the Company, the non-executive Directors regularly discuss Ferrari's long-term business plans, the implementation of such plans and the risks associated with such plans with the executive Directors.

According to the Articles of Association, the Board of Directors is a single board and consists of three or more members, comprising both members having responsibility for the day-to-day management of Ferrari (executive Directors) and members not having such day-to-day responsibility (non-executive Directors). The tasks of the executive and non-executive Directors in a one-tier board such as the Company's Board of Directors may be allocated under or pursuant to the Articles of Association, provided that the general meeting of shareholders has stipulated whether such Director is appointed as executive or as non-executive Director and furthermore provided that the task to supervise the performance by the Directors of their duties can only be performed by the non-executive Directors. Regardless of an allocation of tasks, all Directors remain collectively responsible for the proper management and strategy of the Company (including supervision thereof in case of non-executive Directors).

Details of the current composition of the Board of Directors, including the non-executive Directors, and its committees are set forth in the section "Board of Directors".

SUPERVISION BY THE NON-EXECUTIVE DIRECTORS

The non-executive Directors supervise the policies carried out by the executive Directors and the general affairs of the Company and its affiliated enterprise. In so doing, the non-executive Directors have also focused on the effectiveness of the Company's internal risk management and control systems, the integrity and quality of the financial reporting and Ferrari's long-term business plans, the implementation of such plans and the risks associated.

The non-executive Directors also determine the remuneration of the executive Directors and nominate candidates for the Director appointments. Furthermore, the Board of Directors may allocate certain specific responsibilities to one or more individual Directors or to a committee comprised of eligible Directors of the Company and subsidiaries of the Company. In this respect, the Board of Directors has allocated certain specific responsibilities to the Audit Committee, the Compensation Committee and the ESG Committee. Further details on the manner in which these committees have carried out their duties, are set forth in the sections "The Audit Committee", "The Compensation Committee" and "The ESG Committee".

The non-executive Directors supervised the adoption and implementation of the strategies and policies by the Group, reviewed this annual report, including the Compensation Report and the Group's financial results, received updates on legal and compliance matters and they have been regularly involved in the review and approval of transactions entered into with related parties. The non-executive Directors have also reviewed the reports of the Board of Directors and its committees and the recommendations for the appointment of Directors.

During 2021, there were four meetings of the Board of Directors. Portions of these meetings took place without the executive Directors being present. The average attendance at those meetings was 100 percent. An overview of the attendance of the individual Directors per meeting of the Board of Directors and its committees set out against the total number of such meetings is set out below:

Name	Meeting Board of Directors	Audit Committee	ESG Committee	Compensation Committee
John Elkann	4/4		1/1	
Benedetto Vigna [(1)]	2/2			
Piero Ferrari	4/4			2/2
Sergio Duca	4/4	6/6		
Delphine Arnault	4/4			
Francesca Bellettini	4/4	5/6		
Roberto Cingolani [(2)]				
Eddy Cue	4/4		1/1	2/2
John Galantic	4/4			2/2
Maria Patrizia Grieco	4/4	5/6		
Adam Keswick	4/4			

(1) Mr. Benedetto Vigna was designated as Acting Chief Executive Officer by the Board of Directors effective as of September 16, 2021.

(2) On February 16, 2021, the Company announced that Mr. Roberto Cingolani tendered his resignation from his role as Company's non-executive.

Director and member of the ESG Committee of the Board of Directors effective as of February 13, 2021.
During these meetings, key topics discussed were, amongst others: the Group's strategy, the Group's financial results and reporting, sustainability, acquisitions and divestments, executive compensation, technological developments, risk management, updates on legal and compliance, risk management, human resources with the Head of Human Resources, implementation of the Remuneration Policy and the Compensation Report.

INDEPENDENCE OF THE NON-EXECUTIVE DIRECTORS

The non-executive Directors are required by Dutch law to act solely in the interest of the Company. The Dutch Corporate Governance Code stipulates the corporate governance rules relating to the independence of non-executive Directors and requires under most circumstances that a majority of the non-executive Directors be "independent."

Currently, eight out of eight non-executive Directors are considered to be independent under the NYSE definition while seven non-executive Directors are considered to be independent under the Dutch Corporate Governance Code. Mr. Piero Ferrari is considered not to be independent under the Dutch Corporate Governance Code, since he holds approximately 10 percent of our outstanding common shares. Mr. Sergio Duca, the Senior Non-Executive Director of the Board of Directors, is independent under the Dutch Corporate Governance Code in accordance with best practice provision 2.1.9 of the Dutch Corporate Governance Code. Ferrari is of the opinion that the independency requirements as referred to in best practice provision 2.1.10 of the Dutch Corporate Governance Code are met by the Company.

EVALUATION BY THE NON-EXECUTIVE DIRECTORS

The non-executive Directors are responsible for supervising the Board of Directors and its committees, as well as the individual executive and non-executive Directors, and are assisted by the ESG Committee in this respect.

In accordance with the ESG Committee Charter, the ESG Committee assists and advises the Board of Directors with respect to periodic assessment of the performance of individual Directors. In this respect, the ESG Committee has, amongst others, the duties and responsibilities to review annually the Board of Directors' performance and the performance of its committees and to review each Director's continuation on the Board of Directors at appropriate regular intervals as determined by the ESG Committee.

In 2021, the ESG Committee's periodic assessments took place during the meeting held on February 25. During that meeting, the ESG Committee focused on the results of the periodic assessments and the performance of the Board of Directors, its committees and the individual Directors, keeping also into account the self-assessment prepared by each Director. During such meeting the ESG Committee dealt also with the directors' nomination process, the assessment of Directors' qualifications, the size and composition of the Board of Directors and the committees, and the recommendations for Directors' election.

The non-executive Directors have been regularly informed by each committee as referred to in best practice provision 2.3.5 of the Dutch Corporate Governance Code and the conclusions of those committee were taken into account when drafting this report of the non-executive Directors.

The non-executive Directors were able to review and evaluate the performance of the Audit Committee, the ESG Committee and the Compensation Committee based on the assessments made by the ESG Committee. The self-assessment of the Committees were also discussed by the Board of Directors. The outcome of the evaluations is that there is no need to amend the size or composition of the Audit Committee, the ESG Committee and the Compensation Committee, nor is there any reason to amend their charters on this basis. Further details on the manner in which these committees have carried out their duties, are set forth in sections "The Audit Committee", "The Compensation Committee" and "The ESG Committee".

On the basis of the preparations by the ESG Committee, the non-executive Directors were able to review the Board of Director's assessments, the individual Directors' assessments and the recommendation for Directors' election. The Board of Directors concluded that each of the Directors continues to demonstrate commitment to its respective role in the Company.

Also, pursuant to the Compensation Committee Charter, the Compensation Committee implements and oversees the remuneration policy as it applies to non-executive Directors, executive Directors and senior officers reporting directly to the executive Directors. The Compensation Committee administers all the equity incentive plans and the deferred compensation benefits plans. On the basis of the assessments performed, the non-executive Directors determine the remuneration of the executive Directors and nominate candidates for the Director appointments.

The non-executive Directors have supervised the performance of the Audit Committee, the Compensation Committee and the ESG Committee.

STATEMENT BY THE BOARD OF DIRECTORS

Based on the assessment performed, the Board of Directors believes that, as of December 31, 2021, the Group's and the Company's Internal Control over Financial Reporting is considered effective and that (i) the Board Report provides sufficient insights into any material weaknesses in the effectiveness of the internal risk management and control systems (please refer to section "Principal Characteristics of the Internal Control System and Internal Control over Financial Reporting" of this Annual Report), (ii) the internal risk management and control systems are designed to provide reasonable assurance that the financial reporting does not contain any material inaccuracies (please refer to section "Principal Characteristics of the Internal Control System and Internal Control over Financial Reporting" of this Annual Report), (iii) based on the current state of affairs, it is justified that the Group's and the Company's financial reporting is prepared on a going concern basis (please refer to Note 1 to the Consolidated Financial Statements of this Annual Report and Note 2 to the Company Financial Statements of this Annual Report for additional information on the basis of preparation), and (iv) the Board Report states those material risks and uncertainties that are, in the Board of Director's judgment, relevant to the expectation of the Company's continuity for the period of twelve months after the preparation of the Board Report (please refer to the chapter "Risk Factors" of this Annual Report).

February 25, 2022

John Elkann
Executive Chairman

Benedetto Vigna
Acting Chief Executive Officer

RESPONSIBILITIES IN RESPECT TO THE ANNUAL REPORT

The Board of Directors is responsible for preparing the Annual Report, inclusive of the Consolidated and Company Financial Statements and Board Report, in accordance with Dutch law and International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the European Union (IFRS).

In accordance with Section 5:25c, paragraph 2 of the Dutch Financial Supervision Act, the Board of Directors states that, to the best of its knowledge, the Consolidated and Company Financial Statements prepared in accordance with IFRS as adopted by the European Union provide a true and fair view of the assets, liabilities, financial position and profit or loss for the year of the Company and its subsidiaries and that the Board Report provides a true and a fair view of the performance of the business during the financial year and the position at balance sheet date of the Company and its subsidiaries, together with a description of the principal risks and uncertainties that the Company and the Group face.

February 25, 2022

Board of Directors

John Elkann
Benedetto Vigna (Acting Chief Executive Officer)
Piero Ferrari
Sergio Duca
Delphine Arnault
Francesca Bellettini
Eddy Cue
John Galantic
Maria Patrizia Grieco
Adam Keswick

NON FINANCIAL STATEMENT

FERRARI GROUP

ABOUT FERRARI

Ferrari is among the world's leading luxury brands, focused on the design, engineering, production and sale of the world's most recognizable luxury performance sports cars. Our brand symbolizes exclusivity, innovation, state-of-the-art sporting performance and Italian design and engineering heritage. Our name and history and the image enjoyed by our cars are closely associated with our Formula 1 racing team, Scuderia Ferrari, the most successful racing team in the history of Formula 1. From the inaugural year of Formula 1 in 1950 through the present, Scuderia Ferrari has won 238 Grand Prix races, 16 Constructors' World titles and 15 Drivers' World titles. We are the only team which has taken part in all the editions of the Championship, racing in more than 1,000 Formula 1 Grand Prix races. We believe our history of excellence, technological innovation and defining style transcends the automotive industry, and is the foundation of the Ferrari brand and image. We design, engineer and produce our cars in Maranello, Italy, and sell them in over 60 markets worldwide through a network of 172 authorized dealers operating 191 points of sale as of the end of 2021.

OUR STRATEGY

Our strategy focuses on maintaining our leading position in the luxury performance sports car market, while enhancing and protecting the value and exclusivity of the Ferrari brand. We focus on cost-efficiencies and aim to achieve profitable growth by pursuing the following strategies.

Controlled growth

Regular new model introductions and enhancements

Pursue excellence in racing

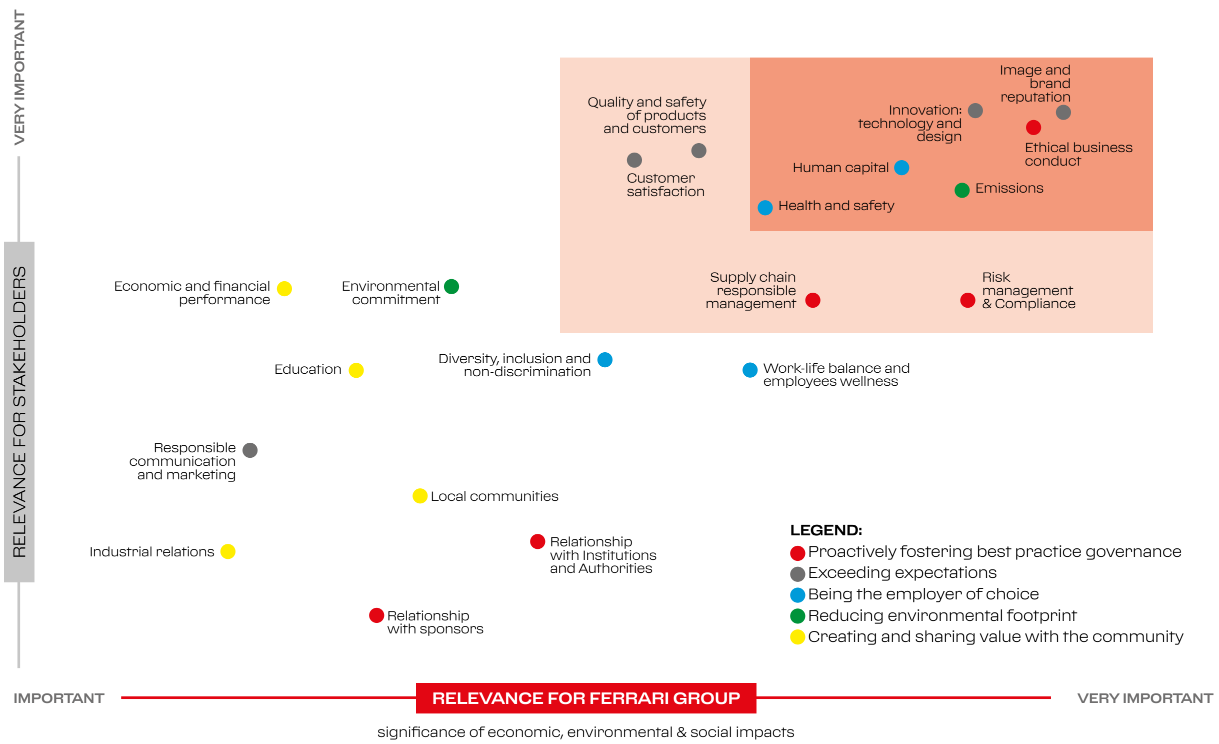
Controlled growth in adjacent luxury and lifestyle categories

MATERIALITY MATRIX AND STAKEHOLDER ENGAGEMENT

THE MATERIALITY MATRIX HIGHLIGHTS THE ASSESSED TOPICS THAT ARE MOST RELEVANT FOR THE GROUP AND OUR STAKEHOLDERS AND THEREFORE REPRESENT OUR STRATEGIC SUSTAINABILITY PRIORITIES.

In 2021, we updated the analysis of the most relevant sustainability topics[(1)] (materiality analysis) for the Group and our stakeholders to better reflect sustainability context developments, changes in our drivers and goals, as well as our 2019-2022 plan and our sustainability strategy. The materiality analysis has been implemented in line with the GRI Standards and consistently with the SASB Materiality Matrix, which highlighted those sustainability topics that may have financial impacts, in line with a double materiality perspective which will be further developed in the future. In particular, this was prepared by taking into account various stakeholder engagement initiatives carried out during the year (as described in the "Stakeholder Engagement" paragraph) and has been complemented through a qualitative analysis performed by our Ferrari Leadership Team (hereinafter also the "FLT", previously referred to as the Senior Management Team, and so renamed as a result of the organizational changes executed in January 2022), which resulted in the materiality matrix below.

MATERIALITY MATRIX OF FERRARI GROUP



(1) The potentially relevant topics are identified by taking into consideration sector benchmarking analyses, UN Sustainable Development Goals (SDGs), and relevant international studies and publications.

The materiality matrix highlights the assessed topics that are most relevant for the Group and our stakeholders and therefore represent our strategic sustainability priorities.

Specifically, the most relevant topics are related to product responsibility: *Image and brand reputation* and *Innovation: technology and design* are considered a priority and are increasingly relevant to Ferrari; *Quality and safety of products and customers*, *Customer satisfaction*, *Supply chain responsible management* and *Emissions* are also considered of the upmost importance. Special attention is paid to *Ethical business conduct* and *Risk management and compliance as well*. The analysis confirmed the importance of the development of *Human capital* and *Health and safety*. Compared to last year's materiality matrix, for our stakeholders, Environmental commitment, Diversity inclusion and non-discrimination as well as Work-life balance and employees' wellness increased their relevance, while Responsible communication and marketing slightly decreased.

This materiality matrix is directly linked with our sustainability strategy, characterized by:

EXCEEDING EXPECTATIONS

Drive technological innovation while pursuing excellence in design and craftsmanship to fuel the passion of our customers and enthusiasts.

MATERIAL TOPIC

- Image and brand reputation
- Innovation: technology and design
- Quality and safety of products and customers
- Customer satisfaction
- Responsible communication and marketing

RELEVANT UNITED NATIONS SDGs

3 GOOD HEALTH AND WELL-BEING · 8 DECENT WORK AND ECONOMIC GROWTH · 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

PROACTIVELY FOSTERING BEST PRACTICE GOVERNANCE

Maintain Ferrari's corporate governance and risk management systems aligned with best practices to ensure an ethical business conduct while providing superior and sustainable returns to our shareholders.

MATERIAL TOPIC

- Ethical business conduct
- Risk management and compliance
- Supply chain responsible management
- Relationship with Institutions and Authorities
- Relationship with sponsors

RELEVANT UNITED NATIONS SDGs

16 PEACE, JUSTICE AND STRONG INSTITUTIONS · 17 PARTNERSHIPS FOR THE GOALS

BEING THE EMPLOYER OF CHOICE

Provide an inclusive, educational and inspiring work environment to unleash everyone's passion, creativity and talent.

MATERIAL TOPIC

- Human capital
- Health and safety
- Work-life balance and employees wellness
- Diversity inclusion and non-discrimination

RELEVANT UNITED NATIONS SDGs

4 QUALITY EDUCATION · 5 GENDER EQUALITY · 8 DECENT WORK AND ECONOMIC GROWTH

REDUCING ENVIRONMENTAL FOOTPRINT

Increase our environmental awareness to continuously set and implement related programs and actions.

MATERIAL TOPIC

- Emissions
- Environmental commitment

RELEVANT UNITED NATIONS SDGs

7 AFFORDABLE AND CLEAN ENERGY · 12 RESPONSIBLE CONSUMPTION AND PRODUCTION · 13 CLIMATE ACTION

CREATING AND SHARING VALUE WITH THE COMMUNITY

Encourage strategic partnerships and the creation of positive externalities for all stakeholders.

MATERIAL TOPIC

- Economic and financial performance
- Education
- Local communities
- Industrial relations

RELEVANT UNITED NATIONS SDGs

4 QUALITY EDUCATION · 8 DECENT WORK AND ECONOMIC GROWTH · 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE · 17 PARTNERSHIPS FOR THE GOALS

The abovementioned material topics have been linked to the Sustainable Development Goals (SDGs) that are impacted by our business. Each material topic is analyzed in the subsequent chapters within this Sustainability Report and includes a qualitative description of management's approach and, where available, selected performance indicators. For the most material topics, the table below shows the pursued policies, the related key risks and risk trends and the relevant chapters within this Annual Report.

MOST SIGNIFICANT MATERIAL TOPICS	PURSUED POLICIES	KEY RISKS AND RISK TRENDS	RELEVANT CHAPTERS OF THIS ANNUAL REPORT
Image and brand reputation	• Enhancing and protecting the value and exclusivity of the Ferrari brand	• Brand image; • Climate Change	*Ferrari Group*
Ethical business conduct	• Maintaining a culture dedicated to integrity, responsibility and ethical behavior	• Non-compliance with laws, regulations, local standards (including tax) and codes	*Proactively fostering best practice governance*
Innovation: technology and design	• Being focused on developing new technologies and distinctive designs	• Brand image; • Competition; • Technological and regulatory uncertainty	*Exceeding expectations*
Human capital	• Creating an inspiring working environment, enabling the development of everyone's talent	• Attraction, development and retention of talents	*Being the employer of choice*
Emissions	• Focusing on researching technologies that further reduce emissions and preparing for a low-emission future	• Non-compliance with laws, regulations, local standards (including tax) and codes; • Technological and regulatory uncertainty; • Climate Change	*Reducing environmental footprint*
Quality and safety of products and customers	• Designing and manufacturing while keeping the safety of our customers and other road users always in mind	• Non-compliance with laws, regulations, local standards (including tax) and codes	*Exceeding expectations*
Risk management & Compliance	• Taking an integrated approach to risk management; • Acting with the highest level of integrity, complying with applicable laws.	• Non-compliance with laws, regulations, local standards (including tax) and codes; • Climate Change	*Proactively fostering best practice governance*
Customer satisfaction	• Being devoted to the highest level of customer satisfaction	• Brand image; • Competition; • Technological and regulatory uncertainty	*Exceeding expectations*
Health and safety	• Enforcing a safety-first culture	• Non-compliance with laws, regulations, local standards (including tax) and codes	*Being the employer of choice*
Supply chain responsible management	• Implementing a responsible and efficient supply chain management; • Encouraging the adoption of sustainable practices and sharing among our business partners and suppliers.	• Non-compliance with laws, regulations, local standards (including tax) and codes; • Cybersecurity including third parties vulnerabilities; • Climate Change; • Relationship with suppliers	*Proactively fostering best practice governance*

Further disclosure on key risks is presented within paragraph "*Sustainability Risks*".

STAKEHOLDER ENGAGEMENT

As an international firm with ambitious corporate objectives and a complex value chain, we need to develop forms of communication and collaboration with both our internal and external stakeholders that allow us to understand their needs, interests and expectations. Ferrari's approach to engaging stakeholders aims for honest, clear and effective communication and consultation, based on constant dialog. To fully understand the needs and perspectives of our stakeholders is a fundamental part of the value generation process we continuously strive to promote both inside and outside our organization.

This Statement is addressed to all stakeholders involved in our activities, as shown in the following image:

Ferrari believes that building and honing effective communication and collaboration with its internal and external stakeholders is a key element of sustainable and lasting growth, with a view to conciliate interests and expectations. With this in mind, over the years we set an ongoing process of stakeholder engagement carrying out initiatives with different levels of interaction and methods of involvement.

Our Stakeholder Engagement Practice, inspired by the values and principles of the Code of Conduct, seeks to give all directors, managers and employees of the Ferrari Group, and anyone else working for it or on its behalf, guidelines on the right methods and forms of interaction with different stakeholders.

In line with the Stakeholder Engagement Practice, in 2021 we carried out various specific activities to enhance the voice of our stakeholders on sustainability themes. We engaged with our employees through two face-to-face workshops that had a dual purpose: to further communicate the importance of the sustainability theme and explain what it stands for within Ferrari, as well as to collect their priorities and suggestions. In addition, we organized two meetings with our employees participating in the two Ferrari MBA courses to gather their views on the main sustainability-related risks and opportunities that Ferrari will face in the near future, in connection with the main trends we are witnessing. Moreover, we realized an ad hoc virtual workshop to engage the students of the Motorvehicle University of Emilia-Romagna (MUNER). Furthermore, we collected our dealers' expectations on ESG topics through a questionnaire. Finally, we engaged with our top investors to better understand what they consider to be the main ESG drivers for Ferrari, as well as participating every year in a variety of ESG questionnaires such as the SAM Corporate Sustainability Assessment (CSA), ranking in the top quartile of our industry in the last assessment, the CDP Climate Change and CDP Water questionnaires, obtaining a "B" and "C" rating respectively in 2021. All these activities allowed us to further strengthen our materiality analysis.

Considering the rising environmental and social changes, these engagement activities are an important part of the sustainability approach that helps us identify potential updates in our sustainability material topics, risks and opportunities, as well as supporting management in achieving the Company's objectives.

The main outcomes of the engagement activities implemented in 2021 showed an increased attention of our stakeholders toward environmental responsibility, confirming the importance of reducing emissions, and the attention to employee-related topics. Education was confirmed as a key element by the stakeholders involved.

Ferrari firmly believes that keeping a profitable dialog and collaboration with its stakeholders is essential and intends to continue the path of engagement undertaken, with a view to continuous improvement.

PROACTIVELY FOSTERING BEST PRACTICE GOVERNANCE

OUR ESG COMMITTEE

The ESG Committee (formerly the Governance and Sustainability Committee) of our Board of Directors is responsible for, among other things, assisting and advising the Board of Directors, and acting under authority delegated by the Board of Directors, with respect to: (i) drawing up the selection criteria and appointment procedures for members of the Board of Directors; (ii) periodic assessment of the size and composition of the Board of Directors and as appropriate making proposals for a composition profile of the Board of Directors; (iii) periodic assessment of the performance of individual directors and reporting this to the Board of Directors; (iv) proposals to the non-executive members of the Board of Directors for the nomination and re-nomination of directors to be elected by the shareholders; (v) supervision of the policy on the selection and appointment criteria for senior management and on succession planning; and (vi) monitoring, evaluation and reporting on the strategy, targets, achievements, disclosures and reports relating to ESG matters globally of the Company and its subsidiaries. On December 14, 2021 the Board of Directors changed the name of the former Governance and Sustainability Committee into ESG Committee and approved a new committee charter effective as of the same date.

The term "ESG" refers to the following: (1) Environmental: the Company's impact on the natural environment, its carbon footprint and its response to the relevant challenges, including pollution, efficient use of natural resources (i.e. water and energy), waste management and reduction, emissions and environmental impact of the Company's supply chain; (2) Social: the Company's role within the society and its interaction with stakeholders and communities, including workplace policies, employee engagement and well-being, diversity, nondiscrimination and equal treatment, responsible sourcing, social aspects of the supply chain and engagement with the communities in which the Company operates (charitable donations and social projects); (3) Governance: the Company's corporate governance framework and any applicable standards, codes and best practices.

In 2021, the ESG Committee consisted of Mr. Elkann (Chairperson), Mrs. Arnault and Mr. Cue.

The ESG Committee is elected by the Board of Directors and is comprised of at least three Directors. At least more than half of the members shall be independent under the Dutch Corporate Governance Code, and at most one of the members may be an executive Director.

In 2021 the ESG Committee met once with 100 percent attendance of its members. The Committee reviewed, inter alia, the Board of Directors' and Committee's assessments, the Sustainability achievement and objectives, and the recommendations for Directors' election.

OUR DECISION-MAKING PROCESS

The FLT is responsible for reviewing the operating performance of the businesses, collaborating on certain operational matters, supporting the Chief Executive Officer with his tasks and executing the decisions of the Board of Directors and the day-to-day management of the Company, primarily as it relates to operational management. The FLT is led by the Chief Executive Officer and is composed of the heads of the operating and central functions.

Starting from 2022, at management level we have defined new cross-functional committees, among which one is responsible for the strategic positioning of the Ferrari Brand and cross-functional projects to sustain excellence in every area, starting from our priority to reach carbon neutrality by 2030, addressing direct and indirect GHG emissions, focusing on energy and materials, in addition to our electrification journey.

Our Chief Financial Officer, a member of the FLT, is responsible for the sustainability function, which oversees the coordination of the sustainability activities within the Group, promoting dialog between different teams and functions, and identifying risks and opportunities.

INTEGRITY OF BUSINESS CONDUCT

At Ferrari, we seek to develop a cooperative environment in which the dignity of each individual is respected and that embodies the highest ethical standards in business conduct. We are committed to maintaining a fair, secure, productive and inclusive workplace for all members of our workforce, in which everyone is valued for their unique contribution.

The foundation of Ferrari's governance model is the Code of Conduct that embodies a set of values recognized, adhered to and promoted by the Company. Ferrari believes that a conduct based on the principles of diligence, integrity and fairness is a key driver for the social and economic development. Ferrari endorses the United Nations (**"UN"**) Declaration on Human Rights, the International Labor Organization (**"ILO"**) Conventions and the Organization for Economic Co-Operation and Development (**"OECD"**) Guidelines for Multinational Companies. Accordingly, our Code of Conduct aims to ensure that all members of Ferrari Group workforce act with the highest level of integrity and comply with applicable laws, thus contributing to build a better future for our Company and the communities in which we do business. Ferrari's Code of Conduct can be found on our corporate website at *http://corporate.ferrari.com/en/governance/code-conduct*.

Ferrari's integrity system sets the foundation for the corporate governance of Ferrari Group and includes a framework comprised of the following primary elements:

- *Principles* that capture Ferrari's commitment to important values in business and personal conduct;
- *Practices* that are the basic rules that must guide our daily behaviors in order to achieve our overarching Principles;
- *Procedures* that further articulate Ferrari's specific operational approaches for achieving compliance and that may have specific applications limited to certain geographical regions and/or businesses, as appropriate.

Our Code of Conduct is approved by the board of directors of Ferrari N.V. and is applicable to the whole Ferrari Group. It applies to all Ferrari Group board members and officers, full-time and part-time employees, as well as to all temporary, contract and all other individuals and companies that act on behalf of Ferrari Group, regardless of their location. The Group Compliance and Internal Audit departments investigate possible violations of the Code of Conduct also through the management of the Ethics Helpline, as well as during standard periodic audits and through specific Business Ethics and Compliance ("BEC") audits. In 2021, BEC surveys were conducted in order to measure employees' awareness on topics such as: Code of Conduct, Whistleblowing Procedure, Gifts and Entertainment Expenses' Management. In light of the results, dedicated actions, such as training and awareness activities, have been implemented.

HUMAN RIGHTS

Ferrari's commitment to respect, protect and promote human rights is laid down in the Human Rights Practice, which is inspired by the guiding principles set forth in the Code of Conduct and defines Ferrari's main commitments to a corporate culture dedicated to ethics and integrity. In particular, the Human Rights Practice sets out key principles such as the prohibition of child labor, compulsory labor and forced labor, the attention to a healthy and safe working environment for our employees, the rejection of any form of abuse, harassment and discrimination, the zero tolerance in respect of corruption and the protection of the rights of local communities.

The table below provides an overview of the relevant information on human rights policies regarding four of our stakeholder groups, particularly related to human rights issues.

REFERENCE TABLE ON HUMAN RIGHTS

STAKEHOLDERS PARTICULARLY RELATED TO HUMAN RIGHTS ISSUES	MATERIAL TOPICS	KEY APPLICABLE POLICIES	Section Reference of MAIN KPIs	Section Reference of RISKS, OPPORTUNITIES AND MANAGEMENT ACTIONS
Employees and trade unions	• Human capital • Health and safety • Work-life balance and employees wellness • Diversity inclusion and non-discrimination • Industrial relations • Ethical business conduct • Risk management and compliance	• Human Rights Practice • Ethics Helpline • Code of Conduct • Stakeholders' engagement practice	• Being the employer of choice/Our employees in numbers • Being the employer of choice/ Occupational Health and Safety • Being the employer of choice/Our employees in numbers • Being the employer of choice/ Training and talent development • Being the employer of choice/ Talent Recruitment and Employee Retention • Proactively fostering best practice governance/ Whistleblowing • SASB index/Labor practices	• Proactively fostering best practice governance / Sustainability Risks • Being the employer of choice
Suppliers	• Supply chain responsible management • Ethical business conduct • Risk management and compliance	• Human Rights Practice • Stakeholders' engagement practice • Ethics Helpline • Third Parties' Compliance Practice • Anticorruption Compliance Practice	• Proactively fostering best practice governance/ Responsible Supply Chain • Proactively fostering best practice governance/ Responsible Supply Chain/ Conflict minerals • Proactively fostering best practice governance/ Whistleblowing	• Proactively fostering best practice governance/ Sustainability Risks • Proactively fostering best practice governance/Responsible Supply Chain • Proactively fostering best practice governance/Responsible Supply Chain/ Conflict minerals
Community and university	• Local Communities • Education • Economic and financial performance • Ethical business conduct • Risk management and compliance	• Human Rights Practice • Stakeholders' engagement practice	• Creating and sharing value with the community/ Ferrari & Education	• Creating and sharing value with the community/Ferrari & Education
Clients	• Quality and safety of products and customers • Ethical business conduct • Risk management and compliance	• Human Rights Practice • Stakeholders' engagement practice • Ethics Helpline	• Proactively fostering best practice governance/ Cybersecurity, data protection and privacy • Exceeding expectations/ Vehicle Safety	• Proactively fostering best practice governance/ Sustainability Risks • Exceeding expectations/ Vehicle Safety

ANTI-BRIBERY AND CORRUPTION

Ferrari Group is committed to the highest standards of integrity, honesty and fairness in all internal and external affairs and does not tolerate any kind of bribery. The laws of virtually all countries in which Ferrari operates prohibit bribery and any violation of anti-bribery and anticorruption laws would entail serious consequences for both companies and individuals, which can result in significant fines, imprisonment of individuals and reputational damages.

Ferrari's policy is that no one - director, officer or other employee, consultant, agent, representative, supplier or business partner - shall, directly or indirectly, give, offer, request, promise, authorize, solicit or accept bribes or any other perquisite (including gifts or gratuities, with the exception of commercial items universally accepted in an international context of modest economic value, permitted by applicable laws and in compliance with the Code of Conduct and all applicable practices and procedures) in connection with their work for Ferrari at any time or for any reason.

In this respect, Ferrari has adopted the *Anticorruption Compliance Practice*, which is considered the document of reference for anticorruption matters by all worldwide Ferrari branches and subsidiaries and is applied in each country in accordance with local legislation. The *Anticorruption Compliance Practice* establishes the general rules of conduct that must be followed in order to prevent corruption-related crimes and ensure compliance with the anticorruption laws to which Ferrari is subject. Such rules are further enhanced in internal Procedures regulating those specific areas deemed at risk from an anticorruption perspective.

Furthermore, during 2021 dedicated trainings on Anticorruption and Conflict of Interests have been provided to our employees, with the aim to promote the consistency of their behaviors with the applicable anticorruption laws and regulations.

DEALINGS WITH THIRD PARTIES

Dealing with third parties entails inherent risks, in particular in terms of potential corporate liabilities, as well as financial and reputational damages that Ferrari may suffer as a consequence of unlawful conducts carried out by third parties with which it does business (**"Third Parties"**). Hence, Ferrari strongly believes that the capability to adequately evaluate Third Parties, as well as promptly address any threats and risk factors, represents an essential requirement for the protection of its assets, integrity and reputation in an overall and long-term vision.

Ferrari is committed to only collaborating with Third Parties that meet certain requirements both in terms of compliance with applicable laws and regulations and in relation to ethics, integrity and transparency. In this respect, Ferrari has adopted the *Third Parties Compliance Practice*, that establishes the general rules of conduct that must be followed at Group level when dealing with any Third Parties, including active and passive counterparties as well as any further Third Parties with which Ferrari may establish contractual relationships.

In particular, the *Third Parties Compliance Practice* underlines the importance of carrying out a "compliance evaluation" before establishing any business relationship with a Third Party in order to examine its ethical reliability and reputation, its involvement in a legitimate and lawful business, and its commitment to share Ferrari's values of integrity and fairness.

By adhering to the principles outlined in the *Third Parties Compliance Practice*, Third Parties are therefore expected not only to comply with applicable laws and Ferrari's ethical principles and standards, but also to become active parties towards their own employees and their respective third parties in order to disseminate a culture of compliance, integrity and transparency.

In this respect, during 2021 numerous internal Procedures governing dealings with Third Parties have been revised in order to strengthen the preventive control activities that must be carried out prior to the establishment of the respective business relationships.

ANTITRUST

Ferrari Group recognizes the paramount importance of a competitive market and is committed to fully comply with antitrust and other pro-competition legislation in force in the countries where it operates (**"Antitrust Laws"**), believing that compliance with Antitrust Laws is crucial to Ferrari Group's reputation.

Ferrari defines and pursues its commercial activities and targets in autonomy and independence with respect to any competitors, operating on the basis of its own strategic and commercial decisions, and strictly rejects any form of anticompetitive conduct. The Ferrari Group and its directors, officers, and other employees shall comply with these principles and refrain from any form of action, omission or business practices that might represent an antitrust violation.

To strengthen its commitment to a free and fair competition, Ferrari adopted the *Antitrust Compliance Practice*, which outlines - at Group level - the rules and principles that all members of Ferrari's workforce must follow, as well as the actions and controls that they shall perform in order to prevent antitrust offences and ensure compliance with Antitrust Laws.

Furthermore, during 2021 Ferrari has started the adoption of an Antitrust Compliance Program in line with the Guidelines on Antitrust Compliance developed by the Italian Competition Authority, which includes procedures, internal controls, as well as training and awareness activities.

COMPLIANCE WITH ECONOMIC SANCTIONS' REGULATIONS

Economic Sanctions are those provisions adopted by governments and institutions for managing crisis scenarios, such as resolution of conflicts and fight against terrorism, and guaranteeing respect for human rights and fundamental freedoms, in the common foreign and security policy.

Such provisions may include export license obligations, commercial restrictions, such as the so-called trade embargoes, financial restrictions and restrictions on movement, which can be targeted to states, organizations, natural and legal persons.

It follows that Ferrari Group, in carrying out its activities, is required to evaluate and respect such blocks, prohibitions and restrictive measures, in particular in relation to dealings with third parties and transactions that potentially determine the involvement of countries for which Sanctions risks apply.

In this respect, during 2021 Ferrari adopted the *Sanctions Compliance Practice*, designed to formalize the internal roles and responsibilities as well as the principles and general rules aimed at preventing conducts that may violate Economic Sanctions laws and regulations.

WHISTLEBLOWING

Ferrari Group adopts the Ethics Helpline, a channel which allows all stakeholders (employees, customers, suppliers and partners) to request advice and/or report concerns about alleged situations, events or actions which may be inconsistent with values and principles set out in the Code of Conduct, Organizational Models, laws and regulations, as well as business practices and corporate rules. The allegations are assessed by the relevant departments of Ferrari and managed in accordance with the *Whistleblowing Procedure*, that has been prepared on the basis of the international best practices as well as to the applicable laws and regulations.

The Ethics Helpline can be accessed either by phone or by web (with multiple languages available) and is an essential element of the management process, in accordance with the Code of Conduct. It is managed by an independent provider, available 24 hours a day, seven days a week. All reports are processed with the utmost confidentiality on reported subjects and facts, so that the individuals who report an alleged violation in good faith are not subject to any form of retaliation. In particular, stakeholders can also report alleged violations anonymously if permitted by local law.

Furthermore, Ferrari employees may also seek advice concerning the application and/or interpretation of the Code of Conduct by contacting the reference people included in the *Worldwide Ethics and Compliance Contact List*.

Internal Audit and Group Compliance departments, with the support of the Legal Affairs and Human Resources departments, as well as other business functions possibly involved, assess all the allegations. The results and potential disciplinary actions are then reported based on the necessary escalation process (the relevant internal functions are notified of the violations).

In addition, in order to provide maximum transparency to the entire process, a Whistleblowing Committee has been appointed, composed of the heads of Internal Audit, Group Compliance, Legal Affairs and Human Resources departments. The Whistleblowing Committee meets periodically to monitor the progress of the investigations and ensures that the concerns raised are handled appropriately. Periodic reporting on whistleblowing management is provided to the CEO as well as to the Audit Committee.

The violations are categorized according to the Principles of the Code of Conduct listed in the table below.

WHISTLEBLOWING REPORTING AS OF DECEMBER 31, 2021

Category	Reports received in 2021	Reports closed in 2021	Reports in which a violation was confirmed
Conducting business	1	1	-
Interacting with external parties	5	5	-
Managing our assets and information	3	2	1
Protecting our workforce	5	4	2
Total	**14**	**12**	**3**

In this context, the reports received are a key instrument for Internal Audit and Group Compliance departments to identify violations of the Code of Conduct. For all Code of Conduct violations, the disciplinary measures taken are commensurate with the seriousness of the case and comply with the applicable legislation.

Furthermore, in 2021 a dedicated training on whistleblowing has been provided in favor of our employees, in order to raise awareness on the importance of a company culture based on ethics and integrity, as well as detail the process by which employees can report suspected or actual misconducts.

CYBERSECURITY, DATA PROTECTION AND PRIVACY

CYBERSECURITY

As our technology continues to evolve, we anticipate to collect and store even more data in the future, and that our IT systems will improve security countermeasures against the risks of willful and unintentional security breaches. Much of our value is derived from our confidential business information, including car design, proprietary technology and trade secrets. We also collect, retain and use certain personal information, including data we gather from clients for product development and marketing purposes, and data we obtain from employees.
Any unauthorized access to our IT systems may compromise the confidentiality of Ferrari's intellectual property or the privacy of our customers' information and expose us to claims as well as reputational damage. For these reasons, Ferrari has always paid the outmost attention to cybersecurity. We have created a system of procedures, policies, services, infrastructures and training as well as awareness to address all facets of cybersecurity currently known.

The area that has been nurtured the most is information protection with a focus on preventing data breaches, which has been addressed through several tools & countermeasures, for example by providing Ferrari tested and managed PCs to all users who connect to our network, extending it to our employees as well as to third parties. The user and device authentication has strongly increased the control over the access and management of information. As experienced during the COVID-19 pandemic, allowing people to work from home with the same level of security as if they were in the office.

All employees are provided with specific training on information security and cybersecurity. Training is also offered to external workers. This training is delivered both online and in classroom, and it is part of regularly launched training campaigns. A specific session on information security and cybersecurity is also part of the two-day induction program for new employees.

On a weekly basis, the Company performs vulnerability analysis to detect areas of weakness in the information/cyber security system, both internally and externally. Penetration tests are executed periodically by an external provider.

Until the end of 2021, the Head of IT Security & Compliance was the function responsible for overseeing cybersecurity. It directly reported to the Group's CIO who, in turn, reported to the Group's CFO, who is a member of the Ferrari Leadership Team.

Starting from January 2022, the ICT department became Digital & Data department directly reporting into the CEO. The head of IT Security & Compliance changed in Head of Cybersecurity and continues to report directly into the Chief of Digital & Data Officer, formerly the CIO, who is a member of the Ferrari Leadership Team.

Cybersecurity topics are discussed in various internal Committees several times per year, as well as at the Audit Committee level at least once a year.

DATA PROTECTION AND PRIVACY

We care about processing data in a safe and transparent manner and act in accordance with the current legislative framework that governs the processing of our personal data at global scale, including but not limited to the General Data Protection Regulation "GDPR" (EU Regulation no. 2016/679) and the California Consumer Privacy Act of 2018 "CCPA". The data protection legal framework has steadily developed in the recent years and has brought a new consciousness about privacy. More than ever before, data protection and privacy have become fundamental, as they have been heavily impacted by the COVID-19 pandemic. In these specific circumstances, processing of personal data is necessary in order to take appropriate measures to contain the spread of the virus and subsequently mitigate its effects.

Data protection and privacy law requires, among others, the application of increased transparency obligations, the introduction of common records of processing activities, the appointment of a Data Protection Officer "DPO", an effective response mechanism to data subjects' privacy-related requests and - where advisable - privacy impact assessments before processing personal data.

Within this context, we have adopted a progressive approach to ensure compliance with data protection and privacy law requirements, such as the implementation of new processes (e.g. system collecting consents and privacy notices adoption of a new Governance tool in order to periodically update the records of processing activities as well as to perform privacy impact assessments), the creation of new internal procedures (e.g. Privacy Procedure, Privacy by Design , appointment and management of system administrators, management of requests from data subjects etc.), the guarantee of an effective and prompt response to requests from data subjects (e.g. implementation of an online portal which will allow consumers to make privacy requests), the update of privacy notices, the drafting of operating instructions for authorized persons within the Company, the designation of internal privacy referents within Company departments and the creation of an internal Privacy Committee. Regular e-learning courses, aimed at raising the awareness on the data privacy regulations and requirements, are organized for and addressed to the newly hired employees who are involved in the processing of personal data.

Dedicated face-to-face trainings have been delivered to the Privacy Referents and to the Customer Care.

SUSTAINABILITY RISKS

We are committed to creating a culture of sustainability. Creating such a culture requires effective risk management, responsible and proactive decision-making, and innovation. Our efforts are aimed at minimizing the negative impacts of our business. Our risk management approach is an important business driver and it is integral to the achievement of the Group's long-term business plan. We take an integrated approach to risk management, where risk and opportunity assessment are at the core of the leadership team agenda. The Board of Directors is responsible for considering the ability to control and manage risks crucial to achieving its identified business targets, and for the continuity of the Group.

Ferrari has adopted the last publication ("Enterprise Risk Management - Integrating Strategy and Performance") of the COSO Framework (Committee of Sponsoring Organizations of the Treadway Commission) as the foundation of its enterprise risk management (ERM).

In order to ensure the adequateness of its internal risk management and control systems, Ferrari has structured its risk management process and internal control systems based on the "Three Level of Controls Model". Each level of controls has different roles and responsibilities with clearly defined boundaries:

- The first level of control is composed of the functional management who is responsible for embedding risk management and internal control systems into each business process. First line of control has the ownership, responsibility and accountability for assessing and mitigating risks. It is constituted by core business Risk Owners, staff functions Risk Owners and by the FLT.

- The second level of control is composed of the functions that oversee risk management across the company processes, monitoring and facilitating the implementation of effective risk management and control activities by the first line of control. It is constituted by Compliance, Strategic, Operational and Reporting functions such as Enterprise Risk Management, Group Compliance, Sustainability, SOX, Health & Safety, Ecology & Energy, Supplier Risk Management, Financial Risk Management, Quality, Group Financial Control and IT Security.

- The third level of control is composed of Internal Audit that provides independent assurance on efficiency and effectiveness of Ferrari's risk management, governance and internal control processes.

The FLT is responsible for identifying, prioritizing and mitigating risks, and for the establishment and maintenance of a risk management system across our business functions. Our risk management framework is discussed with the Group's Audit Committee at least on an annual basis.

We have integrated the analysis and assessment of socio-environmental risks in our risk management framework and are currently integrating our risk management activities with the outcomes of the materiality analysis described in the paragraph "Materiality Matrix of Ferrari Group".

In particular, the following key risks and risk trends are the ones related to our most material topics. Further information on sustainability risks and the related management approaches put in place by Ferrari are reported throughout this Statement.

Key Risk	Material topics	Further references
Brand Image (Strategic Risk[2] and Reputational risk[3])	Image and brand reputation, Innovation: technology and design, Customer satisfaction.	*Ferrari Group, Overview of Our Business*

The preservation and enhancement of the value of the Ferrari brand is crucial in driving revenue and demand for our cars. The perception and recognition of the Ferrari brand are of strategic importance and depend on many factors such as the design, technology, performance, quality and image of our cars, as well as the appeal of our dealerships and stores, the success of our client activities, and our general profile, including our brand's image of exclusivity.

The prestige, identity and appeal of the Ferrari brand also depend on the continued success of the Scuderia Ferrari racing team in the Formula 1 World Championship.

Key Risk	Material topics	Further references
Competition (Strategic risk)	Innovation: technology and design, Customer satisfaction.	*Exceeding expectations, Overview of Our Business*

We face competition in all product categories and markets in which we operate. We believe that we compete primarily thanks to our brand image, the performance and design of our cars, our reputation for quality and the driving experience we offer our customers.

Key Risk	Material topics	Further references
Technological and regulatory uncertainty (Strategic risk)	Innovation: technology and design, Customer satisfaction, Emissions.	*Exceeding expectations*

Performance cars are characterized by leading-edge technology that is constantly evolving. In particular, advances in racing technology often lead to improved technology in road cars. As technologies change, we plan to upgrade or adapt our cars and introduce new models in order to continue to provide cars with the latest technology. However, our cars may not compete effectively with our competitors' cars if we are not able to develop, source and integrate the latest technology into our cars, also taking into consideration external factors such as the shortening of raw materials and components, faster obsolescence of components and the evolution of regulations on (for example) safety, noise, environmental and sustainability.

(2) Strategic risks: risks which affect or are created by Ferrari's business strategy and could affect Ferrari's long-term positioning and performance.
(3) Reputational risks: risks which affect Ferrari's Brand image, credibility and/or integrity.

Key Risk	Material topics	Further references
Relationship with suppliers (Operational risk [4])	Supply chain responsible management.	*Responsible Supply Chain, Integrity of Business Conduct.*

Our business depends on a significant number of suppliers that provide raw materials, parts and systems we require to manufacture cars and parts to run our business. We source materials from a limited number of suppliers. In addition, similar to other small volume car manufacturers, most of the key components we use in our cars are purchased from single source suppliers.

We work with strategic partners in various areas of our business such as manufacturing and since their approach might differ from our own standards, Ferrari is exposed to performance, operational, financial and reputational risks regarding its suppliers. The COVID-19 pandemic could contribute to the financial distress for our suppliers leading to reduction or termination of their operations.

In addition, potential unethical or improper business practices by suppliers could have a negative effect on the company's reputation considering the high exposure of the Ferrari brand and image.

Furthermore, the increase of components and products' complexity and the increase of car volumes produced could result in further pressure on suppliers' activities.

Key Risk	Material topics	Further references
Attraction, development and retention of talents (Operational risk)	Human Capital.	*Talent Recruitment and Employee Retention, Training and talent development.*

Our success depends on the ability of our senior executives and other members of management to effectively manage individual areas of the business and our business as a whole. If we are unable to attract, retain and incentivize senior executives, drivers, team managers and key employees to succeed in international competitions or devote the capital necessary to fund successful racing activities, new models and innovative technology, this may adversely affect the level of enthusiasm of Ferrari clients for the brand and their perception of our cars, which could have an adverse effect on our business, results of operations and financial condition. The fast technology evolution that automotive industry is experiencing requires us to always reinforce and update our competences in new and emerging skill areas in order to guarantee a continuous alignment with market and technology trends.

Key Risk	Material topics	Further references
Cybersecurity including third parties vulnerabilities (Operational risk)	Supply chain responsible management.	*Cybersecurity, data protection and privacy.*

Our IT systems architecture and industrial machinery are exposed to external cyber-attacks. In addition, we have to consider also that our third parties could be subjected to external cyber-attacks. In case the third party is connected to our system, the cyber attacker could also penetrate our IT systems.

Also in the next years, we expect to increase the connectivity features of our cars. These new features may increase the cyber security risk of our cars with the chance that an external attack may occur.

Moreover, in consideration of the UN-ECE regulations we will be required to adopt a Cyber Security Management System in order to obtain a certification to continue to register and sell our cars and to demonstrate that we are able and aware to deal with potential cyber risk, both at car level and enterprise level.

(4) Operational risks: risks impacting the internal processes, people, systems and/or external resources of the organization and affect Ferrari's ability to execute its business plan.

Key Risk	Material topics	Further references
Climate Change (Strategic risk and Health, Safety and Environmental risk [5])	Emissions, Image and brand reputation, Innovation: technology and design, Risk management and Compliance, Supply chain responsible management.	Further Climate-related Disclosures (TCFD)

As relevant factors for long-term value creation, Ferrari considers pivotal to manage risks related to climate change. The fight against climate change and the preservation of the environment are becoming crucial around the world and these concerns have resulted in rapidly evolving climate and environmental regulations emitted across international markets.

Ferrari aims to increase the environmental awareness to continuously set and implement new programs and actions. We are conscious that these goals require an effort both from us and from our third parties and the Company is working on adapting internal processes, developing components, studying materials and sharing this perspective with our partners.

Key Risk	Material topics	Further references
Non-compliance with laws, regulations, local standards (including tax) and codes (Compliance risk [6])	Ethical business conduct, Emissions, Risk management and Compliance, Quality and safety of products and customers, Supply chain responsible management, Health and safety.	Integrity of Business Conduct, Reducing environmental footprint

We are subject to comprehensive and constantly evolving laws, regulations and policies throughout the world. In Europe, United States and China, for example, significant governmental regulation is driven by environmental, fuel economy, vehicle safety and noise emission concerns, and regulatory enforcement has become more active in recent years.

A detailed description of how we respond to these risks can be found in the section *"Risk Management Process and Internal Control Systems"*.

RESPONSIBLE SUPPLY CHAIN

Our focus on excellence, in terms of luxury, quality, aesthetics and performance, requires us to implement a responsible and efficient supply chain management in order to select suppliers and partners that are able to meet our high standards. Notwithstanding the low volume of cars manufactured, our production process requires a great variety of inputs entailing a complex supply chain management to ensure continuity of production. We source a variety of components (among which transmissions, brakes, driving-safety systems and others), raw materials (such as aluminum or special steel), supplies, utilities, logistics and other services from numerous suppliers.

Ferrari encourages the adoption and sharing of sustainable practices among our business partners, suppliers and dealers. All suppliers must respect the Ferrari Code of Conduct, which includes the set of values recognized, adhered to and promoted by our Company. The Code of Conduct was updated to include specific guidelines relating to the respect of human rights and conflicts of interest. The Group made its best effort to ensure that the Code of Conduct is regarded as a best practice of business conduct and followed by third parties, including long lasting relationships and business partners such as suppliers, dealers, advisors and agents. The selection of suppliers is based not only on the quality and competitiveness of their products and services, but also their adherence to social, ethical and environmental principles.

Strategic suppliers are assessed through a risk analysis that aims at identifying critical suppliers, thanks to a mix of financial-compliance and industrial assessments. Their growth capability is analyzed to identify where we need to support the development of our business partners to help them meet the requests of the Group. Starting from 2020, we

(5) Health, Safety and Environmental risks: risks which affect health and safety and the environment.

(6) Compliance risks: risks of non-compliance with laws, regulations, local standards, code of conduct, internal policies and procedures.

are strengthening our suppliers' qualification and selection processes in order to verify not only their technical capability and financial solidity, but also - through a screening methodology - their reliability in terms of ethics, integrity and reputation (the so-called "Compliance Evaluation"). Moreover, a pilot project was launched in 2021 to assess suppliers according to sustainability criteria. A considerable part of our relevant suppliers have been engaged and assessed through a questionnaire that covered the following topics: ethics, human rights, health and safety and environmental impact. Based on the results of the assessment, different action plans will be undertaken. In the next few years, we aim to progressively extend the scope of this activity. In addition, we identified and engaged 91 suppliers who were among the most impactful in terms of GHG emissions in relation to our activities through CDP Supply Chain questionnaire. All of this aims at reducing supply chain emissions and driving the low-carbon transition.

Before engaging a new supplier[7], the competent departments of Ferrari Group conduct an adequate Compliance Evaluation on the potential supplier in order to examine its ethical reliability and reputation, its involvement in a legitimate and lawful business, and its commitment to share Ferrari's values of integrity, fairness and compliance. The Compliance Evaluation is capable of identifying potential risks for Ferrari under different perspectives, such as: anticorruption, trade sanctions, money-laundering, conflict of interests, ethics and reputation.

CONFLICT MINERALS

Ferrari supports the goal of preventing the exploitation of minerals violating human rights, with specific reference to tantalum, tin, tungsten and gold (collectively, **"3TG"** or **"Conflict Minerals"**) originated from high-risk or conflict affected countries (**"Covered Countries"**), that may be included in our cars. As part of Ferrari's commitment to respect and promote human rights and the sustainability of its operations, Ferrari selects suppliers based not only on the quality and competitiveness of their products and services, but also on their adherence to social, ethical and environmental principles, as outlined in Ferrari's Code of Conduct.

Therefore, we place a high priority on responsible sourcing and the integrity of our suppliers and we strive to ensure that the livelihoods of individuals in Covered Countries are not harmed by our efforts. In particular, Ferrari has developed actions and strategies aimed at complying with the applicable Conflict Minerals provisions, with specific reference to those established by Section 1502 of the Dodd-Frank Act and the subsequent rules promulgated by the U.S. Securities and Exchange Commission, requiring companies to determine whether 3TG in their supply chain originated from the Democratic Republic of the Congo and its adjoining countries, and whether the procurement of those minerals supported the armed conflict.

Due to the complexity of our supply chain, we are dependent upon suppliers to provide the information necessary to correctly identify the smelters and refiners that produce the 3TG contained in our products and take appropriate action to determine that these smelters and refiners source responsibly. In accordance with the *Organization for Economic Co-operation and Development* ("OECD") Due Diligence *Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*, we have established an internal management system in relation to the supply of Conflict Minerals with the objective, *inter alia*, of: (1) minimizing the trade in Conflict Minerals that directly or indirectly finance or benefit armed groups anywhere in the world; and (2) enabling legitimate minerals from conflict and high-risk regions to enter Ferrari's global supply chain, thereby supporting the economies and the local communities that depend on the export of such minerals.

Specifically, we:

- expect our suppliers to assure that the 3TG in their products do not directly or indirectly finance or benefit armed groups in the Covered Countries; and
- require all of our 3TG suppliers to conduct the necessary due diligence and provide us with adequate information on the country of origin and source of the materials used in the products they supply to us.

In 2020, 94% of Ferrari's direct suppliers by purchased value submitted responses to our survey. We are strongly committed to increasing the coverage of our analysis and the response rate through targeted actions.

(7) In 2021, 100% of Ferrari S.p.A. new suppliers were evaluated with this screening methodology.

EXCEEDING EXPECTATIONS

Innovation is in our DNA and we will continue pushing boundaries to respond to customers' desires, always setting new standards in the "Ferrari way".

RESEARCH, INNOVATION AND TECHNOLOGY

Innovation drives products and processes, which represents one of our key differentiating factors. This is why we are focused on developing new technologies and distinctive designs.

Participation in the Formula 1 World Championship with Scuderia Ferrari is an important source of technological innovation, which is then transferred or adapted into our road cars, such as the hybrid configuration of the SF90 Stradale. Moreover, our development efforts take into account the three defining dimensions of Ferrari cars: performance, versatility and comfort, as well as driving emotions. In addition to these internally driven factors, regulation is key in determining the direction of technical innovation.

One of our other main focuses is on innovating our working methods, which involves stimulating the creativity of our employees. With this in mind, we have implemented programs designed to encourage the development of ideas and solutions that will improve products, methods and the working environment. Pole Position Evo, for instance, rewards ideas put forward by individual staff members. In 2021, we received around 8,200 suggestions from employees.

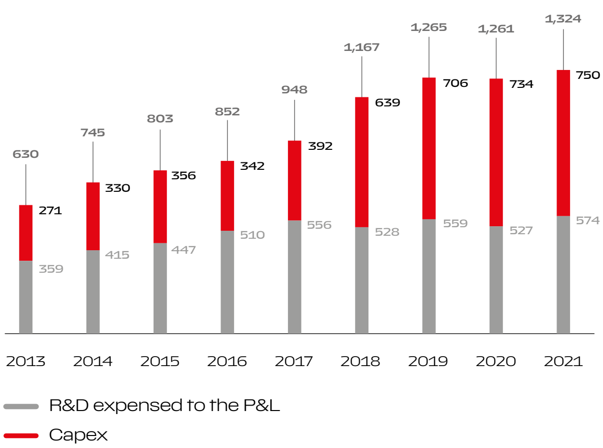
Our focus on excellence requires a strong collaboration with our suppliers, and a handful of them are considered "key strategic innovation partners". Collaborations with leading universities are also in place to foster the development of new ideas.

Technological breakthroughs are further enhanced through design. In 2010, the Ferrari Design Center was established as a best-in-class in-house design department to improve control over the design process and to ensure long-term continuity of the Ferrari style. A guiding principle of the Ferrari style is that each new model represents a clear departure from prior models and introduces new and distinctive aesthetic elements, delivering constant innovation within the furrow of tradition. Our designers, modelers and engineers work together to create car bodies that incorporate the most innovative aerodynamic solutions within the elegant and powerful lines typical of Ferrari cars.

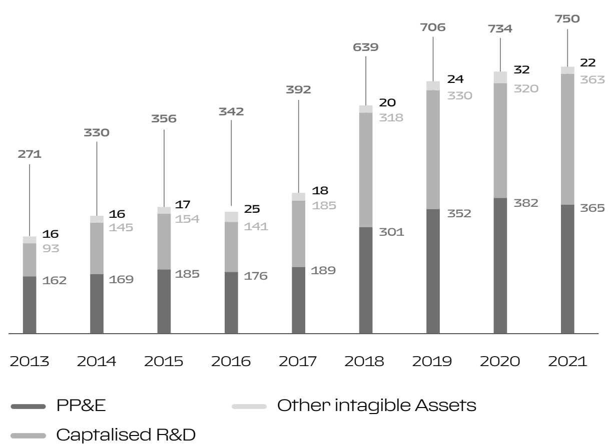
The R&D investments and expenses to fuel the growth of the Group, as described above, are represented in the charts below[8].

R&D and CAPEX (€m)

EXPENSED R&D AND CAPEX



GROSS CAPEX



(8) Capital expenditures (Capex) include right-of-use assets recognized in accordance with IFRS 16 - Leases within PP&E, for approx. Euro 13 million in 2021, for approx. Euro 25 million in 2020 and for approx. Euro 13 million in 2019.

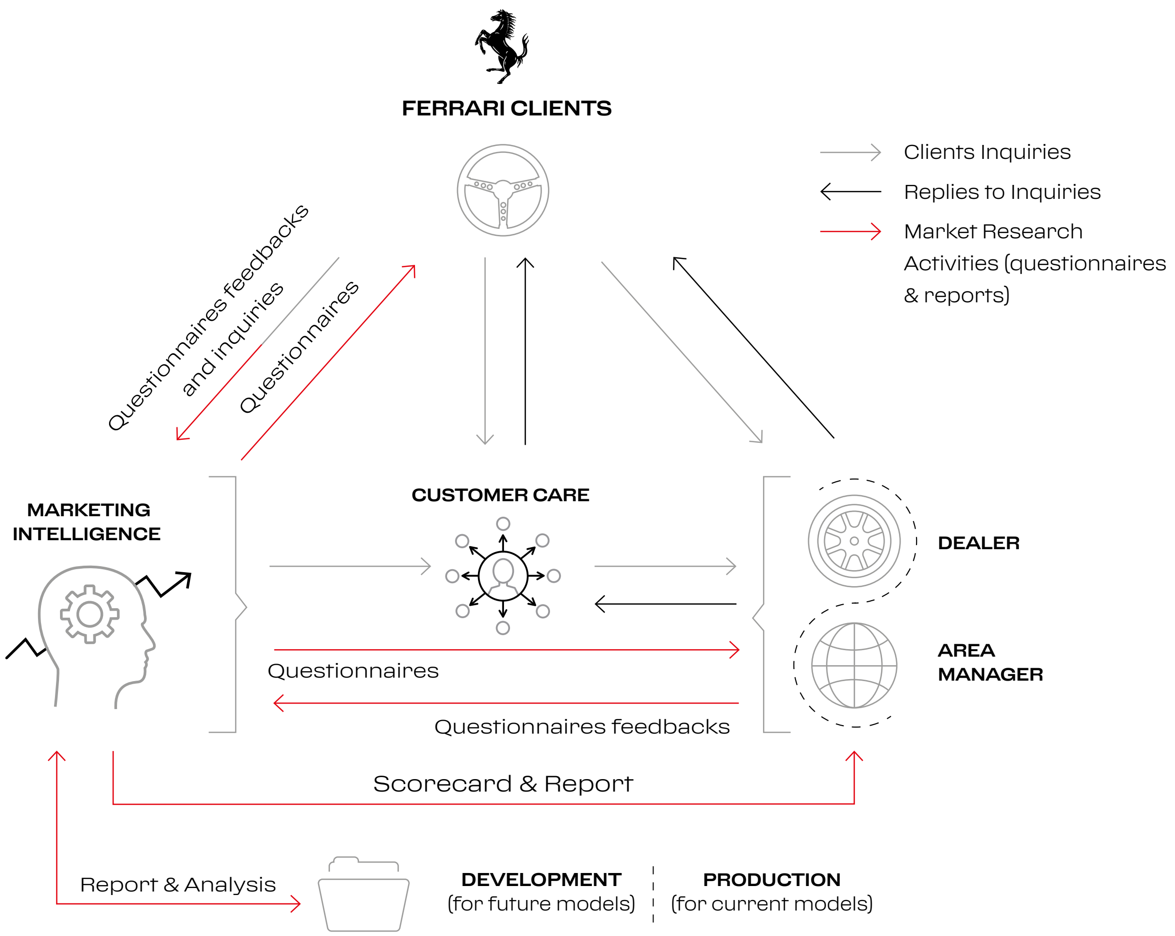
CUSTOMER SATISFACTION

We are devoted to the highest level of customer satisfaction. We have a structured process to assess the overall customer satisfaction on product, service provided, events organized by us and the overall customer experience with the car. Specific KPIs are constantly monitored and analyzed by the Marketing Intelligence department. The KPIs are measured through bespoke surveys for each car launch and collected for every new model, from range vehicles to special and limited editions. A similar approach is adopted for evaluating the quality of service and satisfaction of our events.

The results of the product and service satisfaction analyses are used to outline any necessary action plans for current models and, additionally, to identify potential features to be added to the next generation of vehicles. Recent surveys show that customer satisfaction for Ferrari products and services has constantly stayed at a very high level.

The chart below shows the flow between clients, dealers and Ferrari.

We have developed an integrated system between our customer care, dealers, marketing department and area managers to track all contacts with clients, manage inquiries and share the results of customer and dealer satisfaction analysis.



VEHICLE SAFETY

Vehicle safety is among our top priorities and Ferrari cars are always designed and manufactured with the safety of our customers and other road users in mind. Given the nature of our cars, the electronic equipment is developed with an integrated approach, ensuring the best balance between safety, control and best-in-class performance, to further enhance the Ferrari driving emotions.

All of our range models are subject to a series of tests to obtain approval from the relevant authorities. Moreover, we start assessing all our new models at an early stage of planning and design to identify areas of improvement.

To guarantee the highest level of passenger safety, we develop both passive and active safety systems. Passive safety requirements are the initial guidelines assigned to the engineers in order to define the design of every component, from car framework to all the retain components (airbags, seat belts, etc.). Moreover, specific devices are installed in racing cars to obtain FIA (Federation International de l'Automobile) approval.

With the aim of solving issues beforehand and reducing the environmental impact of these activities, all tests are reproduced in a state-of-the-art virtual environment before conducting them with real cars.

Regarding active safety, we believe that the future developments of vehicle safety will be linked to Advanced Driver Assistance Systems (ADAS) and Human-Machine Interface (HMI), capable of preventing or mitigating crash occurrences. We are currently assessing the implementation of the most recent trends and developments in terms of simplifying and easing the interaction between the car and the driver to avoid any distraction. ADAS are included into our entire fleet and we are working to implement new solutions for our upcoming models, such as lane keeping assist, intelligent speed assist and driving drowsiness.

The SF90 Stradale, the first hybrid series-production car in Ferrari's history, encapsulates the most advanced technologies developed in Maranello, including the HMI which, with its track-derived "eyes on the road, hands on the steering wheel" philosophy, takes on a truly central role. The result is an HMI (Human-Machine Interface) that is a complete departure from previous models. The "hands-on-the-steering-wheel" philosophy has consistently driven the development of the human-machine interface in every Ferrari F1 car and its subsequent gradual transfer to our road-going sports cars. The SF90 Stradale's steering wheel completes the transfer process from racing and also ushers in a new era by introducing a series of touch commands that allow the driver to control the most important performance-related aspect of the car without ever taking their hands off the wheel. The Head Up Display is another part of the innovative HMI and allows various data to be projected onto the windshield within the driver's field of vision so that their attention is not distracted from driving. We extended this innovative HMI to the Ferrari Roma and 296 GTB.

Regarding further aspects of vehicle safety, please refer to See *"Overview of Our Business - Regulatory Matters – Vehicle safety"*.

BEING THE EMPLOYER OF CHOICE

The high attention and care for our products is the foundation upon which Ferrari's success is built and this is feasible thanks to the efforts of the people working in Ferrari. One of the many strengths is the ability to attract, retain and develop talents. Since 1997, we have developed the "Formula Uomo" initiative, with the intention of developing a high quality working life for our employees. In 2021, we carried out all the initiatives for our people, always in accordance with the most stringent COVID-19 pandemic related laws and protocols. Over the years, the project has become a pillar of our culture, based on redesigning the working environment, enforcing a safety-first culture, enabling individual development, enhancing teamwork and building a community now comprising 57 different nationalities.

In 2021, we started the program "Formula Insieme", whose aim is to pursue the continuous development of Ferrari through a "plan, do, check, act" approach, starting from our employees' opinions, gaining awareness of their points of view and identifying opportunities for continuous improvement. The starting point was an online survey, which took place between April and May, through which we collected the opinions of our employees on different topics concerning the working environment like safety, change readiness, open culture and many others. This survey reached an exceptional participation rate of about 90%. Following this, Ferrari shared the survey results with all employees and structured an action plan based on the employees' proposals.

WORKING ENVIRONMENT

We know that the best individual and team performance is only achieved if employees feel they are in the right environment. We also believe that the quality of our products cannot be separated from the lives of the people working in Ferrari.

This is why the working environment and wellbeing of the Company's employees are among our most important priorities, representing the key focus of our "Formula Uomo" initiatives.

Our complex in Maranello, a state-of-the-art work environment, was designed to reinforce the synergistic relationship between work and results. With the needs of our employees firmly in mind, our manufacturing facilities are specifically created to combine carefully designed lighting systems, projected to maximize the amount of natural light, and several external and internal green areas. Thermal comfort throughout the factory is also a crucial requirement and, since 2013, the in-plant foundry is equipped with a cooling system that makes it air-conditioned and climate controlled. Special measures aimed at reducing the environmental impact and noise through the use of advanced technologies are also in place. As an example, the design of our Machining department is aimed at providing the workplace with maximum acoustic comfort thanks to noise reduction solutions (source and reverberation).

To promote an active lifestyle among our employees, we rely on our "Formula Benessere" program, aimed at providing preventative healthcare to employees and their children. A gym is available for all the employees at Maranello, while employees at the Modena plant have free membership in one of the city gyms. Initially provided to the F1 racing team as part of their training program for the Grand Prix activities, the initiative was subsequently rolled out to all employees. While waiting for the reopening of the gym, virtual training classes are available on demand for all employees with the dedicated App. As part of the "Formula Benessere" benefits, preventative healthcare is provided to all employees and their children. Medical specialists are available for consultation in areas such as ophthalmic, cardiology, osteopathy and dermatology, among others. A free annual check-up focusing on general health and fitness is also provided to managers and children of all employees aged 5 to 15. For our people involved in F1 World Championship we developed the "Health Pit Stop". This program aims to foster people's health by enhancing their psycho/physical performance through annual medical check-ups and nutritional, performance and medical programs. Moreover, people can access medical and physiotherapeutic support during trips related to the Formula 1 World Championship.

Our attention to the promotion of health and safety among our employees goes beyond what is required by law and, to this effect, special workshops are organized for employees to raise awareness on the importance of these topics.

To foster a sense of belonging among employees and their families and to offer concrete support to working parents with the demanding duties of childcare during school holidays, we have launched the program "Formula Estate Junior". This initiative consists of a free day camp for employees' children aged 3 to 13, with various programs including sports, outdoor activities, excursions and workshops. The program, which has reached its 13th edition, allows children to enjoy an exciting experience with a didactic purpose: each edition of the "Formula Estate Junior" camp has an educational theme developed by professional educators (136 in 2021) and is organized in collaboration with the local community. The 2021 edition was still affected by COVID-19 restrictions but showed a participation of over 600 children, an increase compared to the previous one, even if the number of educators was the same as in 2020, as the legislation changed.

Education is also the focus of a series of different initiatives that provide scholarships to talented junior high, high school and university students. In 2021, our scholarship program, named after our founder "Enzo Ferrari", was awarded to 85 talented students with the awards handed out by our Chairman during an outdoor event. Moreover, in 2021 we reimbursed about 800 employees for the cost of their children's textbooks (reimbursement is offered to all employees' children until high school and, in certain cases, we reimburse the cost of school textbooks for employees in continued education).

In compliance with the anti-COVID regulations, more than 1,850 Ferrari children aged 0 to 10 were able to enjoy the collection of a Christmas gift dedicated to every age group.

We offer additional benefits to our employees in five different areas - food, free time, wellness, travel and personal services - including personalized loans at competitive rates within the internal branch of a local bank, special rates for housing needs and discounts at the Ferrari Museums, Ferrari Stores and at the

Ferrari Company Outlet, as well as a service that gives the opportunity to Ferrari employees to delegate their own bureaucratic practices.

Regarding sustainable mobility, we offered our employees the possibility of long-term rental of electric cars and bicycles. In addition, Ferrari has launched a new project in collaboration with local authorities to encourage the use of bicycles to reach the workplace.

To foster the sense of belonging, the Company usually organizes multiple events, most of which were paused in 2021 as in 2020 due to the COVID-19 pandemic. For the first time since the beginning of the pandemic, in 2021 we hosted, at the Mugello Circuit, the Ferrari Challenge championship World Finals, an event attended by a large number of our employees together with their guests, adopting the highest COVID-19 precautionary measures.

Over the last years, several culture and sport associations have been created: employees and former employees that share a common interest have the opportunity to cultivate their passions and organize sport and recreational activities together.

All these benefits are provided to all of our employees.

TRAINING AND TALENT DEVELOPMENT

Along with the need to hire, develop and retain talents, we are aware that we must manage human capital as a critical resource to achieve the best possible results.

The success, prestige and appeal of our brand depends on the ability to attract talents and retain them. In particular, top drivers, racing management, engineering talent and all the employees that make Ferrari unique have to be rewarded based on their ability, determination, and expectations. This is why we offer career progression opportunities tailored to each individual's strengths, ambitions and our Company's requirements, underpinned by substantial investments in training. A total of over 70,100 hours (up 11% vs. 2020) of training have been provided to the Company's employees in 2021. This result was achieved mostly thanks to the high-quality volunteering training we provide to our employees, through internally developed activities, among which the two MBA programs and the technical training projects such as "La Scuola dei Mestieri" and the training course dedicated to all members of the purchasing department. What makes Ferrari's craftsmanship unique is the direct transfer of knowledge and expertise from senior to junior workers, which in our manufacturing process takes place directly on the job because we believe in constantly maintaining excellence through "learning by doing".

Human capital development ensures that our Company has the appropriate skill set to execute the business strategy and improve employee attraction, retention, as well as motivation, and, as a result, enhance productivity and the quest for innovation. Training requests for employees who receive a regular performance and career development review, are identified during this review process in order to address the needs of both parties.

A Training Plan with three specific objectives is in place:

- To protect and pass on the strategic and specific know-how of Ferrari
  - Among all the training initiatives in Ferrari, we are very proud of our "Scuola dei mestieri", started in 2009. It is a unique, in-house, technical training project for both white collars and workers, which increases the professionalism of junior talents and motivates senior employees, recognizing their competencies by asking them to become Maestri and to pass on Ferrari's unique heritage to the next generation. The initiative combines different didactic methodologies, including on the job sessions and in-classroom training, both focused on the consolidation of competencies and skills, with a particular focus on innovation. Being a Maestro is an aspirational position and key to the Company's success.

    In 2021, we further consolidated the activities of the previous years, with the three main areas of focus being: product innovation (mainly with regard to hybridization, HMI and new components, in a cross-functional training), process innovation (as in the case of low bake painting and additive manufacturing) as well as support and induction of new colleagues. Moreover a new course on the new V6 engine was added.

    As in the previous year, also in 2021, to ensure effective training opportunities to employees during the COVID-19 pandemic, all the courses have been implemented through e-learning platforms and webinars. A dedicated virtual library containing all the courses was created while a number of tablets were distributed among participants to guarantee accessibility. Such an effort guaranteed all the 2021 scheduled course.

Furthermore, within "Scuola dei mestieri" we have implemented an activity called "Scuola delle professioni", dedicated to young engineers and all employees of the Purchasing department, in order to provide them with an overview of all the phases of product development and to pass on the Ferrari DNA. In 2021, a new class provided participants with "technical" visits to all production departments to show the unique manufacturing process in Ferrari.

- To shape and prepare the future managerial class for the business, innovation, management and human capital development challenges.

  – In 2021, despite the permanence of the COVID-19 pandemic, the activities concerning the Ferrari Corporate Executive MBA were confirmed. The objective of the master's program is to improve the management skills of the attendees, to let them gain experience on the most recent innovation trends and to convey the Ferrari leadership model. This master's degree offers a unique tailor-made program to form a critical mass within the management class that will be able to grasp the challenges of the future, while at the same time preserving the tradition of Ferrari. During the course of study, innovation talks, leadership scrums and site visits to production plants are carried out. This master's degree will help to develop a group of managers with a shared approach to leadership, while respecting and valuing individual differences. A group on which Ferrari can rely on to tackle future challenges. In 2021, in addition to the third edition of this master's degree, a new program was launched for employees aged between 27 and 35. The Ferrari Global Corporate MBA, in addition to providing participants with managerial skills, pays special attention to the three main disruptive trends of our time: technological innovation, digital transformation and sustainable transition.

  In 2021, we completed the second edition of the managerial growth program called "Fly the Flag", that involved all managers of Direzione Tecnica with individual and group activities. The objective of this program is to strengthen the peculiar characteristics of a manager: assuming responsibility, increasing accountability and enhancing teamwork. Cross-functional groups worked on integration objectives, with many proposals emerging at the end of the course on how to improve working activities. Moreover, we implemented training courses for Scuderia Ferrari managers to address their specific needs, covering Ferrari's leadership model and other topics.

- To foster and support the inclusion, growth and development of our people.

  – In line with business and Company requirements, and consistent with the needs expressed in the Performance & Leadership Management system, training activities were provided with respect to managerial, technical and language skills.

  Launched in 2019, we continue to offer our employees the possibility to access the Harvard Manage Mentor e-learning platform. The training provided through this platform has been customized according to our needs and the following three lines of development: to integrate this platform with the Performance and Leadership Management system; to give employees, especially newcomers, the basic managerial skills that we consider essential requirements; and to adapt professional development paths based on employees' career levels. Soft skills and language courses are included in this platform, as well as several training activities on diversity topics sustaining our Equal Salary Certification.

  In addition, an online training campaign is launched twice a year and includes all the corporate mandatory trainings dedicated to new employees. These kind of campaigns are repeated periodically to provide a training update to all employees. Among the mandatory courses, a session is dedicated to our Code of Conduct that covers also anticorruption and human rights topics. In 2021, a mandatory online campaign was launched on Anticorruption, Conflicts of interest, Whistleblowing and Italian Legislative Decree 231/2001, regarding the principle of corporate administrative responsibility for certain types of crimes committed by qualified representatives of the Company in the interest or to the advantage of the Company itself. In 2021, the training course dedicated to all members of the purchasing department, realized in partnership with the European Institute of Purchasing Management, was concluded and the participants were provided with a certification of completion.

In 2021, we made additional progress regarding the activities started the previous years to ensure know-how continuity and we promoted the strengthening of employee skills to meet our ambitions for the future. Collaboration, innovation, focus and learning, together with agility at all levels, represent some of the key values we pursue to thrive in a rapidly changing world.

All these training activities, delivered both in presence and online, resulted in an increase in the overall number of training hours provided compared to the previous year.

AVERAGE HOURS OF TRAINING

	2021	2020	2019
Total	15.2	13.9	13.5

TALENT RECRUITMENT AND EMPLOYEE RETENTION

The excellence that our products and our brand embody is what attracts and retains the best talents worldwide.

At Ferrari, recruitment and selection is about sourcing the right qualities and skills that will represent the backbone of our future success. Our recruitment process provides a platform to engage with future employees, to assess competencies through a structured selection process and to prepare for post-recruitment integration and development.

The mission of the recruitment team is to identify, evaluate and bring onboard the individuals which are aligned with our requirements and values. We received in excess of 46,000 applications during 2021, including specific as well as spontaneous applications from around the world for engineering, technical, marketing and financial positions.

We also undertake partnership programs with top universities around the world to engage with students, professors, career offices and a network of professionals in order to identify talents for the future. In 2021, we organized 53 events, attended by almost 4,500 students. We offer Company insight presentations, testimonials by Ferrari staff, selected case studies at university campus and, for partner universities such as the Motorvehicle University of Emilia-Romagna (MUNER), we also offer the selected opportunity to visit the Ferrari facilities. These activities allow us to transmit the key values of the Company, and therefore to engage directly, or indirectly through communications and social media, nourishing our recruitment pipeline. Our program includes different graduate projects: "Ferrari GT Academy" is dedicated to the recruitment of engineering, production and commercial personnel, with the aim of attracting, evaluating and hiring future talents and establishing and consolidating partnerships with leading engineering universities and companies. Within this project, for the third edition we also included our Brand Diversification team with the goal to attract the best fashion and luxury management and master's graduates. "Ferrari F1 Engineering Academy", active since 2015, is dedicated to the recruitment of talented engineers to be introduced to our F1 team. We regularly perform dedicated communication activities at universities, integrating on-line testing as well as dedicated assessment centers managed in Maranello to ensure that the most suitable applicants have the opportunity to join the Ferrari team. We have now reached the 7th edition of this program; retention rates continue to be high. Moreover in 2021, we took part to an onboarding program together with three companies, also members of MUNER, to share knowledge with students around: vehicle setup, electronics and homologations.

To ease employees into their new jobs, Ferrari provides a two-day induction program. The first day is dedicated to introducing the Company culture and mission, as well as guiding new employees through the corporate offices and production plants. The following day is focused on health and safety training.

To promote a responsible behavior during the assembling phase of cars and engines, we launched many years ago the "Pit Stop" and "Fiorano Race" initiatives, where colleagues on the same shift are assigned to "teams", with key performance indicators in place for the improvement of quality, efficiency and environmental sustainability. The teams are then ranked based on the data, with the best performers being rewarded. Furthermore, we organize the "Pole Position Evo" program to evaluate individual performances.

We reward our employees, excluding senior management, through a productivity bonus called

"Premio di Competitività", based on yearly shipments and adj. EBITDA results, as well as a product quality index adjusted for individual absenteeism rates. In 2021, each employee received around Euro 5,500 on top of the additional Euro 2,100, as provided for in a specific agreement signed with the trade unions.

All employees, excluding workers, receive a regular performance review based on performance and leadership behaviors, which ends with a final evaluation from their assessors at the end of the year. Workers undergo a different review, which is based on regular assessments, aimed at developing their career path.

In 2021, more than 2,200 employees received a performance evaluation through our specific online tool, covering almost 100% of white collars and managers. This online tool allows us to track and share with employees and management the results of the assessment, including strengths and improvement areas as well as their professional aspirations and the final evaluation. Starting from 2021, the training on our Performance Management process was transformed in online training video courses that are always available to all of our employees, besides delivering in-person training. On the side, Ferrari organizes assessment classes with external psychologists and HR experts with the aim of evaluating employee potential. Due to COVID 19 restrictions, these assessments of potential were carried out in an online format for white-collar employees, while individual development interviews were organized for workers. In addition, for the first time in 2021, we started for our Managers and Senior Managers the leadership development project, an individual assessment of leadership behaviors aimed at continuous improvement and professional development, which also includes a 360 degree feedback. The results of these assessments are a fundamental asset for succession plans in key positions, identifying career development opportunities and defining consistent retention actions.

EMPLOYEES WHO RECEIVED A REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEW BY EMPLOYEE CATEGORY

Employee category	2021	2020	2019
Managers and Senior Managers	98%	97%	86%
Middle Managers	96%	99%	73%
White Collars	90%	92%	66%
Workers	0%	0%	0%

Thanks to our career development program, Ferrari encourages the professional growth of its employees and tries to fill key positions with talented internal candidates before tapping into the external market. The results of the analysis carried out on our key positions covered by our employees are used to develop specific succession plans, with a timeframe of 2-4 years, to ensure the competitiveness of Ferrari over time and to take advantage of our employees' talents.

In 2021, Ferrari S.p.A. and Ferrari North America Inc. confirmed the Equal Salary Certificate for providing equal pay to men and women with the same qualifications and positions in the Company. This accreditation attested the Company's commitment to creating an inclusive and diverse working environment while fostering career development for everybody. In 2020, Ferrari was the first Italian Company to receive this specific certification. The certification process included a detailed statistical analysis of compensation levels, which revealed that the Prancing Horse is one of Europe's companies having successfully eliminated the gender pay gap. Ferrari sees this certification not as an end point but as a further stage of growth and an opportunity to implement tangible actions to ensure that everyone can pursue their professional growth.

In 2021, Ferrari took advantage of all the training courses offered by Valore D, the association with over 240 member companies in Italy, whose commitment is to promote gender balance and an inclusive culture in organizations and across the country: 32 Ferrari women employees were selected to get access to discussions on diversity, inclusive leadership, language and soft skills. Moreover, on Ferrari intranet all employees can access several "open talks" on these topics.

For the third year in a row, our effort to guarantee employee attraction and retention was also recognized by the Top Employers Institute in 2022.

OCCUPATIONAL HEALTH AND SAFETY

We are particularly focused on the safety of our people and we are dedicated to the prevention of accidents at work[9]. Our hazard identification, risk assessment and incident investigation processes are developed in accordance with the highest international and national voluntary standards and normative requirements on health and safety. In addition to formal meetings being held with employee representatives, periodic meetings are also held with management to review safety issues. Periodic internal health and safety audits are performed to ensure compliance with our health and safety management system, current laws and best practices. Ferrari S.p.A. and Mugello Circuit S.p.A. health and safety management systems are certified ISO 45001:2018[10], a voluntary international standard, which specifies the requirements of an occupational health and safety management system with reference to the activities performed within the premises of the organization by its employees or external workers.

HOURS OF HEALTH AND SAFETY TRAINING PER YEAR AND NUMBER OF PARTICIPANTS[11]

	2021	2020	2019
Training hours	22,044	18,169	22,313
Number of participants	3,957	3,089	2,927

We continue to make significant investments in safety at work: improvements in the existing structures and specific training have allowed us to achieve significant results. Mandatory health and safety training is provided to all new hires during the second day of the induction program, while periodic sessions are developed for all employees. We provide employees who test our cars with specific on-track driving training to make sure they have all the skills required to perform emergency maneuvers, if necessary. As shown in the table above, in 2021, the number of training hours increased and returned in line with pre COVID-19 pandemic level. In addition, a constantly updated dynamic health protocol is in place and a specific health and safety section is part of the training program of the "Department Team Leaders".

Particularly effective has been the program to highlight the so-called "near misses": events that could have caused injuries but did not. Moreover, most of the buildings are provided with a defibrillator along with the standard health and safety equipment.

The table below shows a substantially stable trend in the lost time injuries rate over the last three years. In 2021, the injury rate was 1.2, with 9 occurrences (6 in 2020) and no fatalities occurring. The types of work-related injuries include bruises and one case of a collision with a vehicle, occurred during an exhibition of the single-seaters at the Motor Valley Fest in Modena, that resulted in high-consequence injury. Each work-related injury is analyzed to determine the cause and appropriate measures to avoid recurrence are then implemented.

(9) In this section, we refer to Ferrari S.p.A., which operates primarily in the Maranello and Modena plants and to Mugello Circuit S.p.A., which operates the Mugello racing circuit.

(10) Ferrari S.p.A. and Mugello Circuit S.p.A. include 94% of all Ferrari Group employees.

(11) The figures provided refer to all employees and external staff of Ferrari S.p.A. and Mugello Circuit S.p.A.

NUMBER OF INJURIES AND INJURY RATE[12]

	2021	2020	2019
Total number of lost time injuries	**9**	**6**	**10**
of which causing more than 3 days of absence (excl. high-consequence injury and fatalities)[13]	5	4	7
of which high-consequence injury	1	0	0
of which fatalities	0	0	0
Total lost time injury rate[14]	**1.2**	**1.0**	**1.5**
of which causing more than 3 days of absence (excl. high-consequence injury and fatalities)[15]	0.7	0.6	1.1
of which high-consequence injury	0.1	0	0
of which fatalities	0	0	0
Hours worked	**7,263,995**	**6,280,881[16]**	**6,471,529**

During the course of 2021, three injuries have been recorded for agency workers, two resulting in more than 3 days of absence and one resulting in less than 3 days of absence.

During the last year, no cases of diseases arising from a work situation or activity, or from a work-related injury have been recorded. Due to the nature of the activity conducted in Ferrari plants, workers are not considered exposed to high risks relating to specific diseases. Every employee undergoes a regular work-related medical examination, as prescribed by law.

Health and safety contents are covered by the CCSL (Contratto Collettivo Specifico di Lavoro), signed on March 11, 2019, and also by the Accordo Premio di Competitività Ferrari, signed on September 25, 2019, providing a specific health and safety Commission involving, on a monthly basis, both the Company and the workers' representatives for health and safety. CCSL and Accordo Premio di Competitività Ferrari cover 100% of Ferrari employees in Italy.

OUR EMPLOYEES IN NUMBERS

As of December 31, 2021, Group[17] employees were 4,609, an increase of 1.2% compared to December 31, 2020 (4,556). We expect to continue growing over the next few years in order to meet our key priorities.

Number of employees	December 31, 2021	December 31, 2020	December 31, 2019
Total	**4,609**	**4,556**	**4,285**
of which women	15.2%	14.8%	14.0%

We also rely on external collaborators such as contractors, self-employed persons, workers hired through external agencies and interns.

(12) The figures provided are referred to all the employees of Ferrari S.p.A. and Mugello Circuit S.p.A., with the exception of Managers and Senior Managers; this category of employees did not incur any injuries in 2021. All data does not include first aid medical treatments.

(13) Injuries that must be reported to INAIL (Italian National Institute for Insurance against Accidents at Work), according to Italian legislation.

(14) The injury rate is the ratio of the number of injuries reported to the number of hours worked (including overtime), multiplied by 1,000,000, excluding commuting accidents.

(15) Injuries that must be reported to INAIL (Italian National Institute for Insurance against Accidents at Work), according to Italian legislation.

(16) In 2020, total hours worked decreased mainly due to the seven-week production suspension caused by the COVID-19 pandemic.

(17) In this chapter, "The Group" refers to all the legal entities indicated as consolidated line by line by Ferrari N.V. in 2021 Annual Report.

/ OCCUPATIONAL HEALTH AND SAFETY

PERCENTAGE OF EMPLOYEES PER EMPLOYEE CATEGORY BY GENDER

Employee category	December 31, 2021			December 31, 2020		
	Male	Female	Total	Male	Female	Total
Managers and Senior Managers	86.0%	14.0%	143	85.4%	14.6%	137
Middle Managers	84.0%	16.0%	639	84.1%	15.9%	603
White Collars	75.3%	24.7%	1,637	75.8%	24.2%	1,583
Workers	92.1%	7.9%	2,190	92.2%	7.8%	2,233
Total	**84.8%**	**15.2%**	**4,609**	**85.2%**	**14.8%**	**4,556**

As indicated in the table above, compared to the previous year in 2020, the percentage of female employees slightly grew from 14.8% to 15.2%. This was mainly due to an increase in the "Middle Managers" and "White Collars" categories.

PERCENTAGE OF EMPLOYEES BY AGE GROUP

	December 31, 2021				December 31, 2020			
	<30	30-50	>50	Total	<30	30-50	>50	Total
Total	**13.0%**	**68.5%**	**18.6%**	**4,609**	**15.2%**	**66.8%**	**18.0%**	**4,556**

The majority of the workforce is between the age of 30 and 50 (68.5%).

NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER

	2021 Total Group	2020 Total Group
New Hires	240	405
Departures	187	134
New Hires (%)	5.2%	8.9%
Departures (%)	4.1%	2.9%

All the employees of the Group in Italy (representing 94.1% of the total workforce) are subject to collective agreements (CCSL, Contratto Collettivo Specifico di Lavoro and Accordo Premio di Competitività Ferrari). Ferrari pays salaries that are in line with industry standards. In addition to the statutory minimum wages, salaries are often determined by collective bargaining agreements.

ABSENTEEISM RATE IN ITALY[18]

	2021	2020
Employees	1.64%	1.53%

(18) The absenteeism rate is calculated as a ratio of hours lost for sickness divided the number of hours to be worked. The perimeter considered relates only to Ferrari N.V., Ferrari S.p.A. and Mugello Circuit S.p.A. employees.

REDUCING ENVIRONMENTAL FOOTPRINT

OUR ENVIRONMENTAL RESPONSIBILITY

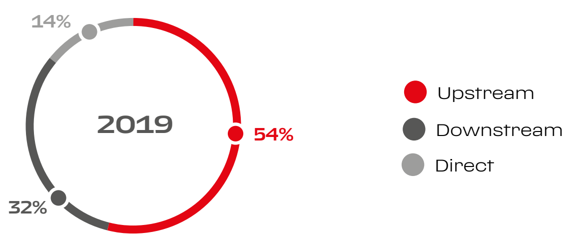
We assemble all of our cars and manufacture all the engines used in our cars or sold to Maserati at our production facility in Maranello[19] (Italy). The Carrozzeria Scaglietti plant, located in Modena (Italy), is where we manufacture aluminum bodyworks and chassis. The two plants cover a cumulative area of approximately 850,000 m^2. We also own the Mugello racing circuit in Scarperia, near Florence (Italy), which covers an area of 1,700,000 m^2 (of which approximately 1,200,000 m^2 of green or tree-covered areas).

We directly operate 16 retail stores and maintain offices for our foreign subsidiaries and other smaller facilities in Italy, such as the Museo Enzo Ferrari (MEF) in Modena and the Ferrari Museum in Maranello. The environmental impact of these additional facilities is deemed negligible and is excluded in this chapter's data.

The monitoring and management of the environmental performance of our productive plants is assigned to a team that reports to our Chief Technologies & Infrastructures Officer. Their effort is aimed at minimizing the impact of our activities on the environment, particularly in relation to the energy consumption of the production facilities. A different team is in charge of overseeing regulatory developments while monitoring the emissions of Ferrari cars reporting to our Chief Research & Development Officer.

In 2021, we calculated our 2019 and 2020 carbon footprint considering the GHG emissions related to all the Group activities over our entire value chain, including both direct and indirect GHG emissions. Our carbon footprint calculation, based on GHG protocol methodology, has been verified by a certification entity according to ISO 14064-1:2018 requirements. This analysis enhanced our awareness on our overall environmental impact, allowing us to determine priority areas for action. Our 2019 base year carbon footprint is approximately 600 ktons CO_2eq. Direct GHG emissions account for 14% of the total, while indirect upstream GHG emissions accounts for 54%, the majority referring to "Purchased goods and services" category and indirect downstream for 32% of the total, mainly due to "Use of sold products" category.

Group Carbon Footprint



We are committing to achieve carbon neutrality by 2030 on our entire value chain, addressing direct and indirect GHG emissions, focusing on energy and materials, in addition to our electrification journey.

PLANTS AND CIRCUITS

ENVIRONMENTAL MANAGEMENT SYSTEMS

We have invested heavily to minimize our environmental impact since 2001, when the Company reached the ISO 14001:2015 certification for our plants in Maranello and Modena. In 2019, we obtained the renewal of the certification of our environmental management system according to the new standard ISO 14001:2015. In addition, in 2007, we obtained and renewed the Integrated Environmental Authorization. As mentioned in our Environmental Policy, our effort is to minimize the negative impact of our activities on natural resources and the global environment.

(19) Maranello production facility is composed of the main offices and production buildings, the "Nuova Gestione Sportiva" building and the adjacent Fiorano track (of approximately 3,000 meters).

In addition, Ferrari S.p.A. has obtained the three stars of the FIA Environmental Accreditation Program. The program development by the Fédération Internationale de l'Automobile aims at helping key players in the motorsport and automotive sector measure and enhance their environmental performance by means of an independent certification process.

To further reflect our sustainability commitment, in 2021 we obtained the ISO 20121 certification, the international standard for sustainable event management, for the Ferrari Challenge Europe, becoming the first European one-make championship for combustion-powered cars to receive this certification. The standard applies to the planning and realization of the 2021 Championship. In the same year, the ISO 20121 certification was obtained also by Passione Ferrari, for SPA-Francorchamps event. Passione Ferrari is the official program of track events for Ferrari owners and sports car lovers, hosted by the Ferrari European Challenge series.

During 2021, we also obtained the ISO 20121 certification for Ferrari Factory Tour, a unique experience for customers, prospects and guests of sponsors, where ad-hoc guided tours are organized to the "Cittadella Ferrari" and the iconic places of the "Cavallino Rampante".

The Mugello Circuit S.p.A. obtained and renewed the certification for the environmental management system with ISO 14001:2015 and EMAS (Eco-Management and Audit Scheme). Moreover, in 2020, Mugello Circuit S.p.A. obtained the ISO 20121 certification, confirmed also in 2021. Mugello Circuit has been the first circuit in the world to obtain this certification. This standard applies to the activities related to the events hosted and is evidence of the commitment of Mugello Circuit to implement a responsible and sustainable management system.

EFFICIENT ENERGY USE

Our culture embraces a rational use of energy, which is mainly utilized for the manufacturing of cars and engines. Over the years, the Group has strived to lower its energy consumption and to minimize its environmental impact, adopting innovative solutions and using renewable energy sources for its manufacturing facilities. In 2008, we installed our first solar panels and subsequently increased capacity in 2011 and 2015. Since 2014, Ferrari has been purchasing electricity with Guarantee of Origin certificates.

In addition, from 2009, we started using electricity along with hot and cold water generated by the trigeneration plant[20], allowing us to optimize our energy needs. In 2021, the trigeneration plant produced 78% of the electricity needed for the Maranello plant, while the renewable sources[21] cover the remaining 22%.

ENERGY CONSUMPTION WITHIN THE ORGANIZATION

Unit of measurement: TJ	2021	2020
Non-renewable fuel consumption	**1,638**	**1,515**
Natural Gas (used for trigenerator)	1,117	1,079
Natural Gas (for other uses)	452	376
Gasoline	56	47
Diesel[22]	13	13
Total electricity bought for consumption	**142**	**108**
From renewable sources	142	107
From non-renewable sources	—	1
Electricity self-produced for consumption[23]	**3**	**4**
Electricity sold	**(9)**	**(8)**
Total	**1,774**	**1,619**

(20) Even if the trigenerator plant was bought by Ferrari in September 2016, data referring to energy consumption and GHG emissions consolidate trigenerator plant data for the whole 2016 for comparative reasons.

(21) Thanks to our photovoltaic system and the purchase of Guarantee of Origin certificates.

(22) Data also include Ferrari's trucks and power generator related to F1 activities.

(23) From photovoltaic.

The total energy consumption within the Group for 2021 was 1,774 TJ, with an increase of 9.6% from 2020 (1,619 TJ). In 2021 we returned to pre COVID-19 level.

We are constantly implementing actions such as the replacement of traditional illumination systems to LED technology and the use of high efficiency engine with inverter technology in pumps for the industrial water distribution system. As of today, all our new buildings in Maranello are Class A-ranked and the Formula 1 team headquarters comply with the net zero energy building protocol (NetZeb), meaning that the total amount of energy used by the building is approximately equal to the amount of renewable energy it generates. In 2021, we completed the new building related to new GT sport activities, the new building for Formula 1 simulator and the renovation of the offices of Marketing and Commercial Direction, all of them built with high standard of energy efficiency.

AIR EMISSIONS

The emissions of CO_2eq deriving from the Maranello and Modena plants and from the Mugello racing circuit (Scope 1 and Scope 2 market-based) are equal to 95,514 tCO_2eq in 2021, compared to 88,380 tCO_2eq in 2020, 94,615 tCO_2eq in 2019, 91,773 tCO_2eq in 2018, 92,609 tCO_2eq in 2017 and 93,086 tCO_2eq in 2016.

DIRECT AND ENERGY INDIRECT GHG EMISSIONS

Unit of measurement: tCO_2eq	2021	2020	2019	2018	2017	2016
Scope 1[24]	95,514	88,242	93,789	91,001	91,789	92,319
Scope 2 (market-based method)[25]	—	138	826	772	820	767
Scope 2 (location-based method)[26]	12,423	10,095	11,603	9,219	9,822	9,105

In 2021, our Scope 1 GHG emissions increased by 8% compared to 2020. In 2021 we managed to reduce to zero our Scope 2 market based GHG emissions, thanks to the purchase of renewable energy by Ferrari S.p.A. and Mugello Circuit S.p.A. If we had not purchased Guarantee of Origin certificates these emissions would have been higher by 18,102 tons CO_2eq.

Other significant air emissions are mainly related to volatile organic compounds (VOCs) released during vehicle manufacturing. In addition, NO_x, SO_x and dust emissions are constantly monitored.

OTHER SIGNIFICANT AIR EMISSIONS

Unit of measurement: tons	2021	2020
NO_x	63	59
SO_x	1	1
Volatile Organic Compounds (VOCs)	62	46
Dusts	5	3

(24) Direct greenhouse gas emissions, measured in tons of CO_2 equivalent, were calculated using emission factors indicated in "Emission Factors from Cross-Sector Tools; March 2017" and "Global Warming Potential Values Guidance; May 2015", published by The Greenhouse Gas Protocol. Gases included in the calculation of the Scope 1 GHG emissions: CO_2, CH_4, N_2O, HFCs and other refrigerant gases.

(25) Market-based indirect greenhouse gas emissions, measured in tons of CO_2, were calculated using the Residual Mix emission factors indicated in "2020 European Residual Mixes, V.1.0", published by AIB. The Group purchases Guarantee of Origin (GO) certificates in order to reduce the impact of CO_2 emissions in the atmosphere.

(26) Location-based indirect greenhouse gas emissions, measured in tons of CO_2, were calculated using the emission factor indicated in "Confronti internazionali; 2019", published by Terna.

WASTE MANAGEMENT

We acknowledge that rational use of raw materials, together with careful waste management, helps reduce the environmental impact of the manufacturing process. In addition, innovative solutions and advanced technical processes minimize waste and negative environmental impact. The reuse of production scraps in our manufacturing process also has the objective of reducing waste.

To achieve this target, a series of initiatives in the different phases of the manufacturing process have been implemented. As an example, aluminum scraps are melted in the foundry to avoid waste, this is particularly important considering that aluminum is the first raw material (by weight) used in our manufacturing process. Other projects aimed at reducing waste are undergoing a feasibility analysis. In particular, according to the concept of the circular economy, in some cases our production scraps can be used for our manufacturing processes (e.g. processed sand used in the foundry, aluminum that cannot be smelted).

Total waste for[27] 2021 was equal to 9,992 tons, with an increase of 2% compared to 2020 (9,785 tons), entirely treated offsite, increasing at a lesser pace than our production growth, also thanks to new washing water treatment that allowed us to avoid the generation of more than 600 tons of waste.

WASTE DIVERTED FROM DISPOSAL

Unit of measurement: tons	2021		2020	
	Weight	Percentage	Weight	Percentage
Total Hazardous Waste	630.7	13.2%	587.6	13.1%
Total Non-Hazardous Waste	4,165.5	86.8%	3,902.8	86.9%
Total Waste Diverted From Disposal	**4,796.2**	**100.0%**	**4,490.4**	**100.0%**

WASTE DIRECTED TO DISPOSAL

Unit of measurement: tons	2021		2020	
	Weight	Percentage	Weight	Percentage
Total Hazardous Waste	1,240.3	23.9%	1,533.4	29.0%
Total Non-Hazardous Waste	3,955.6	76.1%	3,761.3	71.0%
Total Waste Directed To Disposal	**5,195.9**	**100.0%**	**5,294.7**	**100.0%**

LOGISTICS

We produce all of our vehicles and spare parts in our Maranello and Modena plants, however, our network of third-party dealers comprises 191 point of sales around the world. A meticulous work is constantly carried out to optimize logistical operations with the aim of reducing the environmental impact and associated air emissions.

WATER MANAGEMENT

We are well aware of the importance of a responsible management of water and, even if our plants are not located in areas exposed to high or extremely high overall water risks, nor our production process can be considered water intensive, we have developed a series of initiatives to reduce water consumption in our manufacturing processes. This commitment was reinforced by introducing the adiabatic cooling system in our New Technical Center, a new technology which allows us to save more water compared to traditional methods. Moreover, we collect and reuse rainwater and condensation for sanitary facilities.

All the water sourced comes from municipal water supplies and wells: as of today, no water bodies are directly affected by the withdrawal of water.

(27) 2021 and 2020 data includes waste generated by Ferrari S.p.A. in the plants of Maranello and Modena and warehouses and Mugello Circuit S.p.A.

WATER WITHDRAWAL BY SOURCE[28]

Unit of measurement: ML	2021		2020	
	All areas	of which areas with water stress[29]	All areas	of which areas with water stress[30]
Groundwater	537.0	25.1	496.0	18.4
Third-party water	198.7	0.0	205.4	0.0
Total[31]	**735.7**	**25.1**	**701.4**	**18.4**

We treat our wastewater in accordance with all applicable laws and regulations. All the wastewater of our plants is always monitored and channeled in the public sewage system and not directly into water bodies. The water used in some of the industrial processes (such as washing solutions or paint washing), before its discharge in the public sewer system, is treated by an industrial water treatment plant where it undergoes the necessary chemical, physical, and biological treatments.

WATER DISCHARGE BY DESTINATION

Unit of measurement: ML	2021	2020
Effluents / Water bodies	0	0
Public sewer system	404.6	371.0
Total	**404.6**	**371.0**

BIODIVERSITY AND NOISE POLLUTION

Our plants and racing circuits, as of December 2021, are not located in any protected or highly biodiverse areas and, to our best knowledge, they do not have a significant environmental impact on such areas. Moreover, our plants and racing circuits are not adjacent to any protected or highly biodiverse areas. This analysis is conducted annually and is based on the World Database on Protected Areas.

However, the Mugello racing circuit is located in an extremely important natural landscaping area. Therefore, the main tribune has been constructed using eco-active materials with zero impact on the surrounding zone to help reduce both pollutants and bacteria.

With regard to the noise produced in proximity of the Fiorano and Mugello circuits, the acoustic monitoring of the plant perimeter is regularly carried out and the Mugello Circuit complies with the authorization received by the appropriate authorities.

VEHICLE ENVIRONMENTAL IMPACT

Part of the environmental impact of our activities is related to our product lifecycle, including both downstream and upstream GHG emissions. Ferrari cars are perceived as collectibles and therefore the number of cars demolished each year is very scarce. In addition, our cars are generally not considered means of transportation.

(28) Water stress analysis performed with 2019 Aqueduct Water Risk Atlas(World Resources Institute).
(29) 2021 data refers to Mugello racing circuit.
(30) 2020 data refers to Mugello racing circuit.
(31) Total water withdrawal refers to freshwater (≤1,000 mg/L Total Dissolved Solids).

VEHICLE EMISSIONS

We are subject to a variety of laws and regulations that, among others, are related to car emissions and fuel consumption. Ferrari vehicles must comply with extensive regional, national and local laws and regulations, as well as industry self-regulations (including those that regulate vehicle safety). However, we currently benefit from certain regulatory exemptions because we qualify as a Small Volume Manufacturer or similar designation in most of the jurisdictions where we sell our cars (for more details refer to the "Regulatory Matters" paragraph of 2021 Annual Report).

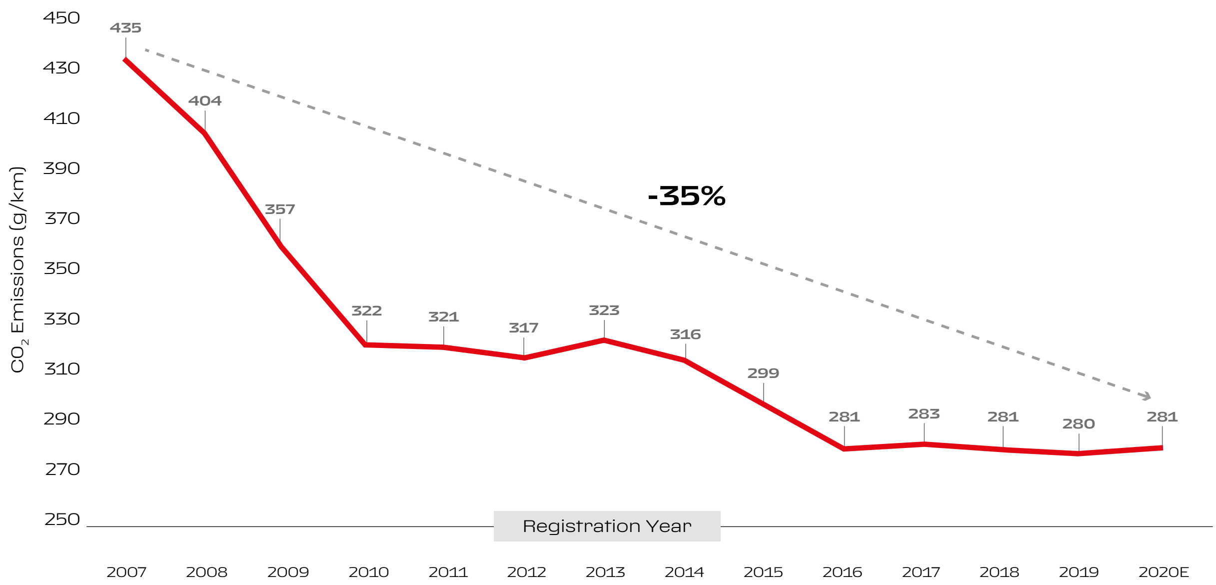
We continue focusing on researching technologies that further reduce emissions in the use phase, such as hybrid and electric engines. We started working with hybrid technology back in 2011, when we introduced the HY-KERS (Kinetic Energy Recovery System) technology in our F1 cars, which was transferred in 2013 to LaFerrari, our first road car to use hybrid technology. Further enhancing the hybrid technology, in 2014, we introduced hybrid power units in our F1 cars and, in 2019, we launched the SF90 Stradale, our first hybrid series-production car.

Through innovations in areas such as turbochargers, engine downsizing, transmission, electric steering and hybrid technology we constantly reduced our emissions on our entire fleet. Consistent with our mission to develop cutting edge sports and GT cars, product development efforts continually focus on improving core components such as the powertrain, car dynamics and the use of materials such as special aluminum alloys and carbon fiber. The expertise acquired in these fields has recently enhanced our efforts to combine improved performance with reductions in CO_2 emissions.

We have undertaken an important program to develop hybrid and electric technology. One of the more relevant topics of this generation, the concept of the car in an era of climate change, will likely be an opportunity for us. Innovation runs within Ferrari, so the challenge of building a Ferrari for a low-emissions future is one that we are already embracing. To this effect, we have already started our journey towards carbon neutrality by 2030, addressing direct and indirect GHG emissions, focusing on energy and materials, in addition to our electrification journey. The SF90 Stradale, our first hybrid series-production car in Ferrari history, launched in 2019, the SF90 Spider, launched in 2020, and the 296 GTB launched in 2021, perfectly reflect our commitment to this approach. The increased offering of hybrid powertrains will allow us to meet both specific regulatory requirements but also to satisfy customers' desires for significantly improved emissions, while enhancing the driving emotions that render Ferrari cars simply unique.

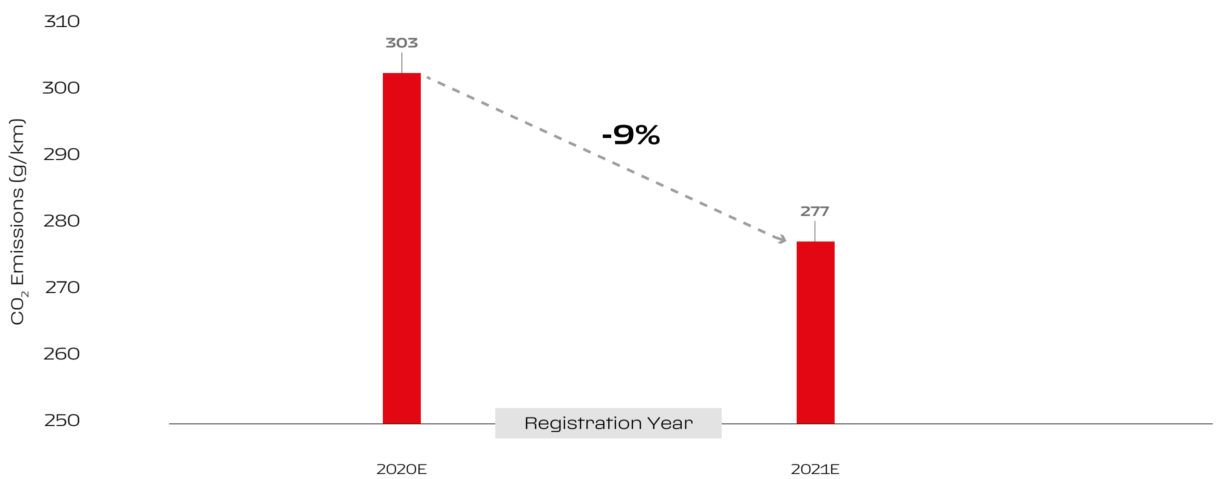
In 2020, we achieved a 35% reduction in CO_2 emissions (compared to 2007) for our European fleet through improvements in the car's energy efficiency.

AVERAGE SPECIFIC NEDC BASED CO_2 EMISSIONS 2007-2020 (FERRARI EU FLEET[32])



In 2021 we saw an important decrease of 9% versus prior year in our EU fleet average CO_2 emissions also thanks to the SF90 family. For the purpose of the graph below, 100% of the Ferrari fleet in EU has been taken into account to determine the average specific WLTP based emissions of CO_2, despite the phase-in criteria granted in 2020, while the previous graph considered average specific NEDC based emissions of CO_2. As part of the implementation of Regulation (EC) No. 715/2007 of the European Parliament and of the Council, a new test procedure for measuring CO_2 emissions from, and fuel consumption of, passenger cars and light commercial vehicles, the Worldwide Harmonised Light Vehicles Test procedure ('WLTP'), set out in Commission Regulation (EU) 2017/1151, started to apply in 2017. However, as defined by Regulation (EU) 2019/631, WLTP based CO_2 emissions are considered for CO_2 target compliance purposes from 2021.

AVERAGE SPECIFIC WLTP BASED CO_2 EMISSIONS 2020-2021 (FERRARI EU FLEET[33])



(32) For the purpose of this graph, 100% of the Ferrari fleet in EU has been taken into account to determine the average specific NEDC based emissions of CO_2, despite the phase-in criteria granted in the years 2010-2014 and 2020. 2020: provisional fleet average emissions of CO_2.

(33) 2020: provisional fleet average emissions of CO_2, 2021: provisional fleet average emissions of CO_2.

RAW MATERIALS

Car makers consume large amounts of raw materials and a conscientious planning of the manufacturing process is essential to the management of scarce resources.

Among the most used materials in our cars are light alloys, such as aluminum: to reduce the sourcing of aluminum specific initiatives to reuse scraps have been developed (see "*Our Environmental Responsibility - Waste management*").

We measure and monitor the presence of hazardous substances in our homologated vehicles, as required by local regulations. Every Ferrari homologated vehicle, therefore, every component installed, follows the REACH prescriptions. Every Ferrari vehicle is compliant to 2000/53/EC (End-of-life Directive), as applicable.

Our suppliers are requested to comply with 2011/65/UE (RoHS Directive) and 2000/53/EC (End-of-life Directive), and to provide, through the International Material Data System, all the information related to the composition of substances used in the manufacturing process. Our internal systems automatically reject non-compliant components.

VEHICLE'S END OF LIFE

We are not directly involved in product take back programs due to the nature of our business: the number of Ferrari cars demolished each year is very scarce as Ferrari cars are perceived as collectibles, which the Group also supports through its "Ferrari Classiche" services and the active preowned market.

FURTHER CLIMATE-RELATED DISCLOSURES (TCFD)

Ferrari is conscious of the risks and opportunities related to climate change, as one of the more relevant defining factors for long-term value creation. The following section aims at providing a transparent disclosure on climate change-related matters, in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"). The following paragraphs summarize how Ferrari is tackling climate-change risks and opportunities in the areas of Governance, Strategy, Risk, Management as well as Metrics and Targets. For further details, please see the TCFD correspondence table at the end of this section. We are committed to progressively develop our environmental governance, strategy, metrics and goals, in line with best practices and TCFD guidelines.

GOVERNANCE:

The Board of Directors as a whole is responsible for the overall strategy of the Company, including in relation to sustainability and climate change topics.

On these matters, within the Board of Directors, the ESG Committee, is responsible for, among other things, assisting and advising the Board of Directors, and acting under authority delegated by the Board of Directors, with respect to: monitoring, evaluation and reporting on the strategy, targets, achievements, disclosures and reports relating to ESG matters globally of the Company and its subsidiaries. The FLT is responsible for reviewing the operating performance of the businesses, collaborating on certain operational matters, supporting the Chief Executive Officer with his tasks and executing the decisions of the Board of Directors and the day-to-day management of the Company, primarily as it relates to operational management. The FLT is led by the Chief Executive Officer and composed of the heads of the operating segments and certain central functions. Starting from 2022, at management level we have defined new cross- functional committees, among which one is responsible for the strategic positioning of the Ferrari Brand and cross-functional projects to sustain excellence in every area, starting from our priority to reach sustainability journey towards carbon neutrality by 2030, addressing direct and indirect GHG emissions, focusing on energy and materials, in addition to our electrification journey.

Our Chief Financial Officer, a member of the FLT, is responsible for the Sustainability function that is involved in coordinating the activities within the Group with regard to sustainability, promoting the discussion between different teams and functions, and aiming at identifying risks and opportunities regarding sustainability and climate change. The monitoring and management of the environmental performance of our productive plants is assigned to a team that reports to our Chief Technologies & Infrastructures Officer. Their effort is aimed at minimizing the impact of our activities on the environment, particularly in relation to the energy consumption of the production facilities. A different team is in charge of overseeing regulatory developments while monitoring the emissions of Ferrari cars reporting to our Chief Research & Development Officer.

STRATEGY:

Ferrari is aware of the challenges and opportunities posed by climate change for sustainable business development. Recently, Ferrari made significant and substantial strides on its journey to sustainability.

This progress was driven by a sustainability strategy designed around five pillars. One of the pillars of our sustainability strategy is "Reducing environmental footprint: increase our environmental awareness to continuously set and implement related programs and actions". In particular, we are committing to achieve carbon neutrality by 2030 on our entire value chain. Our business strategy is also influenced by climate change-related commitments and developments at the international, regional and national level, such as the Paris Agreement and Sustainable Development Goals (SDGs). In particular, we take into consideration GHG-related normative requirements, as in many parts of the world, significant governmental regulation is driven by environmental, fuel economy and GHG emissions concerns. In this context, our most significant environmental efforts are deployed through a program for the reduction of polluting and GHG emissions, both direct and indirect. In particular, we are currently working on developing hybrid powertrains and other innovations also to meet specific regulatory requirements and preparing for a low-emission future, thanks to our DNA based on innovation. Climate change is a key megatrend for Ferrari. In the coming years, we are planning to carry out the scenario analysis as well as setting targets accordingly.

RISK MANAGEMENT:

Our risk management approach is an important business driver and it is integral to the achievement of the Group's long-term business plan. We take an integrated approach to risk management, where risk and opportunity assessment are at the core of the leadership team agenda. Ferrari has adopted the last publication of the COSO Framework as the foundation of its enterprise risk management (ERM) which also integrates the analysis and assessment of socio-environmental risks, including climate related risks, in our risk management framework.

In order to ensure the adequateness of its internal risk management and control systems, Ferrari has structured its risk management process and internal control systems based on the "Three Level of Controls Model". The Board of Directors is responsible for considering the ability to control and manage risks crucial to achieving its identified business targets, and for the continuity of the Group.

The FLT is responsible for identifying, prioritizing and mitigating risks and for the establishment and maintenance of a risk management system across our business functions. Our risk management framework is discussed with the Group's Audit Committee at least on an annual basis.

Our CFO, who directly reports to the CEO, is responsible for the risk management function that is involved, among the other risks, in the assessment, monitoring and management of climate related risks. Operating areas represent the first line of defense, they identify and assess climate-related risks and in collaboration with the central function of risk management those risks are assessed, monitored and managed at corporate level. In particular, this year we have further implemented the reporting of our climate-related risk & opportunities, included in the paragraph "Sustainability Risks" of this document.

As relevant factors for long-term value creation, Ferrari considers pivotal to manage risks related to climate change. The fight against climate change and the preservation of the environment are becoming crucial around the world and these concerns have resulted in rapidly evolving climate and environmental regulations emitted across international markets.

METRICS AND TARGETS:

We are committing to achieve carbon neutrality by 2030 on our entire value chain looking at both direct and indirect GHG emissions. All our functions are involved in reaching this strategic objective and we have started identifying actions to reduce our carbon footprint, with a focus on energy consumption and materials, in addition to our electrification journey.

In 2021, we calculated our carbon footprint considering the GHG emissions related to all the Group activities over our entire value chain, including both direct and indirect GHG emissions. Our carbon footprint calculation, based on GHG protocol methodology, has been certified according ISO 14064-1:2018 requirements. This analysis enhanced our awareness on our overall environmental impact, allowing us to determine priority areas for action. Our base year carbon footprint is approximately 600 ktons CO_2eq. Direct GHG emissions account for 14% of the total, while indirect upstream GHG emissions accounts for 54%, the majority referring to "Purchased goods and services" category and indirect downstream for 32% of the total, mainly due to "Use of sold products" category.

In this Statement we disclose our impacts and performance according to the requirements of the GRI Standards, GHG protocol and SASB. Moreover, we report two indicators to monitor our economic growth and its climate impact: the Carbon on net revenues ratio and the Carbon on Adj. EBITDA ratio. These two indicators show that Ferrari managed to decouple its economic growth from its environmental impact. In other words, we keep on growing our business activities while at the same time maintaining almost stable our CO_2 emissions.

TCFD REFERENCE TABLE

For further details, please refer to the documents mentioned in the table below.

TCFD AREA	RECOMMENDED TCFD DISCLOSURE	FURTHER REFERENCES
Governance: Disclose the organization's governance around climate-related risks and opportunities.	a) Describe the board's oversight of climate-related risks and opportunities.	• Annual Report: Board Report/ Corporate Governance. • Annual Report_Board Report_Non Financial Statement: Proactively fostering best practice governance/ Our ESG Committee – Our Decision making process. • CDP Climate Change Questionnaire: C1 – Governance.
	b) Describe management's role in assessing and managing climate-related risks and opportunities.	• Annual Report: Board Report/ Corporate Governance. • Annual Report_Board Report_Non Financial Statement: Proactively fostering best practice governance/ Our ESG Committee – Our Decision making process. • CDP Climate Change Questionnaire: C1 – Governance.
Strategy: Disclose the actual and potential impacts of climate related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long-term.	• Annual Report: Board Report/Risk Factors; Risk Management Process and Internal Control Systems. • Annual Report_Board Report_Non Financial Statement: Materiality matrix and stakeholder engagement/ Materiality matrix of Ferrari Group; Proactively fostering best practice governance/ Our Governance. • CDP Climate Change Questionnaire: C2 - Risks and Opportunities; C3 -Business strategy.
	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	• Annual Report: Board Report/Risk Factors; Risk Management Process and Internal Control Systems. • Annual Report_ Board Report _Non Financial Statement: Materiality matrix and stakeholder engagement/ Materiality matrix of Ferrari Group; Proactively fostering best practice governance/ Our ESG Committee – Our Decision making process; Reducing environmental footprint/ Vehicle environmental impact. • CDP Climate Change Questionnaire: C2 - Risks and Opportunities; C3 -Business strategy.
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	• CDP Climate Change Questionnaire: C3 -Business strategy.

TCFD AREA	RECOMMENDED TCFD DISCLOSURE	FURTHER REFERENCES
Risk Management: Disclose how the organization identifies, assesses, and manages climate-related risks.	a) Describe the organization's processes for identifying and assessing climate-related risks.	• Annual Report: Board Report/ Risk Management Process and Internal Control Systems. • Annual Report_Board Report_Non Financial Statement: Proactively fostering best practice governance. • CDP Climate Change Questionnaire: C2 - Risks and Opportunities.
	b) Describe the organization's processes for managing climate-related risks.	• Annual Report: Board Report/Risk Factors; Risk Management Process and Internal Control Systems. • Annual Report_ Board Report _Non Financial Statement: Proactively fostering best practice governance/ Our ESG Committee – Our Decision making process/ Sustainability Risks; Reducing environmental footprint/ Our environmental responsibility, Plants and circuits, Vehicle environmental impact. • CDP Climate Change Questionnaire: C2 - Risks and Opportunities.
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	• Annual Report: Board Report/ Risk Management Process and Internal Control Systems. • Annual Report_ Board Report _Non Financial Statement: Proactively fostering best practice governance/ Our ESG Committee – Our Decision making process. • CDP Climate Change Questionnaire: C2 - Risks and Opportunities.
Metrics & Targets: Disclose the metrics and targets used to assess and manage relevant climate related risks and opportunities where such information is material.	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	• Annual Report: Board Report/ Non financial statement. • Annual Report_ Board Report _Non Financial Statement: Reducing environmental footprint/ Plants and circuits, Vehicle environmental impact. • CDP Climate Change Questionnaire: C4 - Targets and performance; C6 -Emissions data; C7 – Emissions breakdowns; C8 – Energy.
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	• Annual Report: Board Report/ Non financial statement. • Annual Report_Board Report_Non Financial Statement: Reducing environmental footprint/ Plants and circuits. • CDP Climate Change Questionnaire: C6 -Emissions data; C7 – Emissions breakdowns.
	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	• Annual Report: Board Report/ Non financial statement. • Annual Report_Board Report_Non Financial Statement: Reducing environmental footprint/ Plants and circuits, Vehicle environmental impact. • CDP Climate Change Questionnaire: C4 - Targets and performance.

EU TAXONOMY

The Regulation (EU) 2020/852 (hereinafter the "Regulation") introduced the EU Taxonomy, a classification system that translates the EU's climate and environmental objectives into criteria related to specific economic activities for investment purposes. Starting from the 2021 financial year, we disclose to what extent our activities and operations are considered in line with the criteria defined by the Regulation and related documentation, with particular reference to the available technical annexes regarding two out of six environmental objectives (Climate Change Mitigation and Adaptation) set out in article 9 of the same Regulation. Accordingly, Ferrari has been developing specific analysis to respond to such new disclosure requirements. A study was performed in accordance with the following methodological steps, briefly described below:

1) **General understanding of the requirements established by the Regulation and analysis of the list of economic activities of Ferrari eligible[34] for the EU Taxonomy.**

- We thoroughly analyzed the requirements established by the Regulation and related documentation.

- We identified the economic activity 3.3 "Manufacture of low carbon technologies for transport" as the one that correlates the most with Ferrari's core activities and operations. Further linkages can be found with the economic activity 6.5 "Transport by motorbikes, passenger cars and light commercial vehicles", with particular reference to our financial services activities. Such a process was conducted by analyzing both formal Ferrari-related NACE codes as well as its substantial business activities and operations in comparison to the list provided by the EU Taxonomy. Further residual Ferrari activities and operations are currently considered not pertinent to other Taxonomy-related economic activities and/or not significant for the purpose of this disclosure.

2) **Analysis of 2021 Ferrari Turnover, CapEx and OpEx, in line with the previously mentioned points and calculation of EU Taxonomy-related KPIs.**

- We analyzed our turnover, capital and operating expenditure for the calculation of the KPIs requested pursuant to the Regulation and related documentation, according to our current interpretation of the applicable requirements[35]:

  Turnover[36] KPI:

  a) Regarding the denominator, we based it on our consolidated net turnover in accordance with IAS 1.82(a). For further details on our accounting policies regarding our consolidated net turnover please refer to the Consolidated Financial Statements of our Annual Report.

  b) Regarding the numerator, we analyzed our potential turnover derived from products or services in line with the previous mentioned assumptions:

  › we considered as "eligible": the revenues related to the shipments of our cars and to financial services activities;

  › we considered as "not eligible": the revenues generated from the sales of spare parts as well as of engines to Maserati for the use in their cars and from the rental of engines to other Formula 1 racing teams; the revenues earned by our Formula 1 racing team through sponsorship agreements and our share of the Formula 1 World Championship commercial revenues; the net revenues generated through the Ferrari

(34) Taxonomy-eligible economic activity means an economic activity that is described in the delegated acts supplementing the Taxonomy Regulation irrespective of whether that economic activity meets any or all of the technical screening criteria laid down in those delegated acts.

(35) The analysis was made also taking into consideration the "Draft Commission notice on the interpretation of certain legal provisions of the Disclosures Delegated Act under Article 8 of the EU Taxonomy Regulation on the reporting of eligible economic activities and assets" published on February 2, 2022.

(36) The financial data included in these KPIs are a portion of group net revenues included in our 2021 Annual Report: Consolidated Financial Statements, note 4 and Financial Overview _Results of Operations.

brand, including merchandising, licensing and royalty income; any other revenue, primarily related to the management of the Mugello racetrack and other sports-related activities.

CapEx[37] KPI:

c) Regarding the denominator, it consists of additions to tangible and intangible fixed assets during the financial year, before depreciation, amortization and any re-measurements, including those resulting from revaluations and impairments, as well as excluding changes in fair value. It includes acquisitions of tangible fixed assets (IAS 16), intangible fixed assets (IAS 38) and right-of-use assets (IFRS 16). Additions resulting from business combinations are also included. Goodwill and Borrowing costs are not included in denominator, as it is not defined as a tangible or intangible asset in accordance with IAS 16 and IAS 38 . For further details on our accounting policies regarding our Capex, please refer to the Consolidated Financial Statements of our Annual Report.

d) Regarding the numerator, we analyzed our capital expenditures in line with the previous mentioned assumptions:

› we considered as "eligible":

- the additions of tangible assets related to our production facilities in Maranello and Modena, plus our subsidiaries (excluding racetrack management and retail business) as well as financial services activities;

- the additions of intangible assets related to externally acquired and internally generated development costs for our cars as well as patents, concessions and licenses and other intangible assets mainly related to the registration of trademarks.

› we considered as "not eligible": the remaining additions of tangible and intangible assets.

OpEx[38] KPI:

e) Regarding the denominator, it consists of direct non-capitalized costs that relate to research and development, building renovation measures, short-term lease, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment.

f) Regarding the numerator, we analyzed our direct non-capitalized costs in line with the previous mentioned assumptions:

› we considered as "eligible":

- the direct non-capitalized costs that relate to research and development, mainly including Formula 1 activities and research and development activities to support the innovation of our product range and components, in particular, in relation to hybrid and electric technology;

- the maintenance expenditures related to the manufacturing of our vehicles, and our subsidiaries (excluding racetrack management and retail business) as well as those related to financial services activities;

› we considered as "not eligible": the remaining direct non-capitalized costs.

(37) The financial data included in these KPIs are a portion of group Capital Expenditures included in our 2021 Annual Report, Consolidated Financial Statements, notes 14 and 15.

(38) The financial data included in these KPIs are a portion of group Operating Expenditures included in our 2021 Annual Report, Consolidated Financial Statements.

- According to the analysis performed, we calculated the share of Ferrari turnover, capital expenditures and operating expenditures that we currently consider to be taxonomy "eligible" and "not eligible".

	2021	
	EU Taxonomy - Eligible	**EU Taxonomy – Not Eligible**
Turnover	81%	19%
Capital expenditures	98%	2%
Operating expenditures	100%	-%

- Potential double counting in the allocation in the numerator of Turnover, CapEx and OpEx has been avoided through the use of the financial information which are at the base of the Consolidated Financial Statements as of 31 December 2021.

Further analysis will be made over time according to the progressive evolution of the Regulation (EU) 2020/852, with particular reference to the second delegated act for the remaining objectives, and its concrete interpretation/application for reporting purposes in accordance with Ferrari's strategic approach.

In order to truly understand the importance and actions that Ferrari is putting in place to achieve the climate mitigation objective, it should be noted our unwavering pursuit of reaching carbon neutrality by 2030, addressing both direct and indirect emissions with a focus on energy and materials. As a further step forward in this process, in 2021 we calculated our carbon footprint considering the emissions related to all the Group activities over our entire value chain. Our calculation, based on GHG protocol methodology, has been certified according ISO 14064-1:2018 requirements by a third-party player and allowed us to determine priority areas for action.

CREATING AND SHARING VALUE WITH THE COMMUNITY

Our goal is to create and share long-term value with our stakeholders. On the one side, the economic value generated and distributed provides an indication on how we created wealth, on the other, there are plenty of intangible resources and initiatives that contribute to the value creation processes. In this context, community engagement and involvement with the local territory are of fundamental importance to us, with particular reference to Maranello and Modena, where all our cars are manufactured. To maintain alive the spirit of Ferrari and the story of its founder Enzo Ferrari, two different museums have been established, attracting every year thousands of visitors from all over the world to the heart of the Italian "Motor Valley".

FERRARI & EDUCATION

We are aware of our responsibility towards the community and our efforts are directed to support its development, mainly through collaborations with local universities and schools and thanks to the industry network in the Emilia-Romagna region. We believe that promoting the education of young talents is an essential step to reinforce the connection with local communities. Shaping brilliant engineers with a specific academic background that focuses on new technologies within the automotive industry, and in particular innovative solutions for state-of-the-art performance in luxury cars, is also a prerequisite for the Group to seize future opportunities.

Ferrari aims to promote education in the local community at high school level by establishing long-term relationships with technical schools in Maranello, such as the istituti tecnici superiori, and other towns nearby. In 2021, Ferrari promoted orientation activities towards STEM disciplines for students in a secondary school, by setting up a technological lab.

Ferrari is partner of the Motorvehicle University of Emilia-Romagna (MUNER), an association which was strongly advocated by the Emilia-Romagna region. It was created thanks to a synergistic connection between the universities of Modena and Reggio Emilia, Bologna, Ferrara and Parma along with car companies (Lamborghini, Dallara, Ducati, HaasF1Team, HPE COXA, Marelli, Maserati, Pagani, Scuderia AlphaTauri) in the region that represent the excellence of Italian brands, which of course includes Ferrari.

Furthermore, in 2021, Ferrari Group around the world promoted educational and charity activities for their local communities, in collaboration with different partners.

FERRARI MUSEUM MARANELLO & MUSEO ENZO FERRARI (MEF)

The Ferrari Museum Maranello invites visitors to experience the Prancing Horse dream first-hand, offering them a journey through the Group's history, values and automotive world.

The Museo Enzo Ferrari is built around the house in which Enzo Ferrari was born in 1898. The MEF tells the story of Enzo Ferrari as a young boy discovering the irresistible allure of the world of motor racing, his career as a driver in 1920s, as the driving force behind the Scuderia Ferrari in the 1930s, and then as Ferrari, the Constructor, from 1947 onwards.

SCUDERIA FERRARI CLUB

We strive to maintain and enhance the power and passion we inspire in customers and the broader community of automotive enthusiasts by continuing our rigorous production and distribution model, promoting hard-to-satisfy demand and scarcity value in our cars. We also support our brand value by enabling a strong connection between Ferrari and our community of enthusiasts.

Scuderia Ferrari Club is a non-profit consortium company founded in 2006 by Ferrari S.p.A. to coordinate the activities of the Scuderia's many fans who have founded clubs around the world. Today the Company has nearly 200 officially-recognised Clubs in over 20 countries. An incredible mix of different nationalities, cultures and lifestyles is united by one enduring passion for Ferrari. Scuderia Ferrari Club also works with the Clubs to support the organization of their events. Before joining Scuderia Ferrari Club, an organisation must demonstrate a significant track record and engage in a conduct in line with Ferrari's values.

METHODOLOGY AND SCOPE

Through this Non-Financial Statement, we aim to provide our stakeholders with non-financial information, illustrate our sustainability strategy and our corporate social responsibility initiatives in 2021 (from January 1st, 2021 to December 31st, 2021) to ensure transparent and structured communication with our stakeholders.

This Statement was prepared in accordance with the Dutch Civil Code, and with the Dutch Decree on Non-Financial Information (Besluit bekendmaking niet-financiële informatie), which is a transposition of Directive 2014/95/EU 'Disclosure of non-financial and diversity information' into Dutch law. The table below shows the internal references to the chapter(s) or paragraph(s) of this Annual Report where the relevant aspects of the Dutch Decree are discussed in particular.

DUTCH DECREE ASPECTS	INTERNAL REFERENCE – CHAPTER / PARAGRAPH
Business model	• Our Business
Policies and due diligence	• Corporate Governance • Proactively fostering best practice governance / Integrity of Business Conduct • Being the employer of choice / Working environment • Being the employer of choice / Training and talent development • Being the employer of choice / Occupational health and safety • Reducing environmental footprint / Environmental management systems
Principal risks and their management	• Risk Factors • Proactively fostering best practice governance / Sustainability Risks • Risk, Risk Management and Control Systems
Thematic aspects	
Environmental matters	• Reducing environmental footprint / Plants and circuits; • Reducing environmental footprint / Vehicles environmental impact • Reducing environmental footprint /Further Climate-related Disclosures (TCFD)
Social matters	• Our Business • Proactively fostering best practice governance / Integrity of Business Conduct • Proactively fostering best practice governance / Responsible supply chain • Exceeding expectations / Research innovation technology • Exceeding expectations / Customer Satisfaction • Exceeding expectations / Vehicle safety • Creating and sharing value with the community / Ferrari & education
Employee matters	• Being the employer of choice / Working environment • Being the employer of choice / Training and talent development • Being the employer of choice / Talent recruitment and Employee Retention • Being the employer of choice / Occupational Health and Safety • Being the employer of choice / Our employees in numbers
Respect for human rights	• Proactively fostering best practice governance / Integrity of Business Conduct • Proactively fostering best practice governance / Responsible supply chain • Being the employer of choice / Talent recruitment and Employee Retention • Being the employer of choice / Occupational Health and Safety • Being the employer of choice / Our employees in numbers
Fight against corruption and bribery	• Proactively fostering best practice governance / Integrity of Business Conduct
Supply Chain	• Proactively fostering best practice governance / Integrity of Business Conduct • Proactively fostering best practice governance /Responsible Supply Chain
Conflict minerals	• Proactively fostering best practice governance / Integrity of Business Conduct • Proactively fostering best practice governance / Responsible Supply Chain

This Statement is an extract of our Sustainability Report, that is prepared in accordance with the GRI Standards: Core option. This Statement also includes further disclosures in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), the Automobiles Sustainability Accounting Standards, prepared by the Sustainability Accounting Standards Board (SASB), and the EU Taxonomy Regulation 2020/852. This has been shared with the Executive Officers of the Group and with the ESG Committee of the Board of Directors.

With regard to the financial data, the scope of reporting corresponds to that of Ferrari N.V.'s Consolidated Financial Statements.

Regarding the qualitative and quantitative data on social and environmental aspects, the scope of reporting corresponds to Ferrari N.V. and our subsidiaries consolidated on a line-by-line basis (as indicated in the note 3 "Scope of consolidation"). Environmental data and information is reported for our principal manufacturing facility in Maranello, for our second plant in Modena and for our Mugello racing circuit. Any exceptions, with regard to the scope of this data, are clearly indicated throughout this Statement.

Directly measurable quantities have been included, while limiting, as far as possible, the use of estimates. Any estimated data is indicated accordingly, additionally certain totals in the tables included in this document may not add due to rounding.

During the reporting period, we did not face any significant change concerning the organization's size, structure, ownership or supply chain.

SASB INDEX

FERRARI – AUTOMOBILES ACCOUNTING STANDARD
SUSTAINABILITY ACCOUNTING STANDARDS BOARD RESPONSE (SASB) INDEX 2021

TOPIC	METRIC	CODE	UNIT OF M.	Response/Comment
Activity Metrics	Number of vehicles manufactured	TR-AU-000.A	N°	11,831
	Number of vehicles sold	TR-AU-000.B	N°	11,155
Product Safety	Percentage of vehicle models rated by NCAP programs with an overall 5-star safety rating, by region	TR-AU-250a.1.	%	N/A[39]
	Number of safety-related defect complaints, percentage investigated	TR-AU-250a.2.	N°	1 100%
	Number of vehicles recalled	TR-AU-250a.3.	N°	Mandatory recalls: 37,962 Voluntary recalls: 6,207
Labor Practices	Percentage of active workforce covered under collective bargaining agreements	TR-AU-310a.1	%	94.1%
	(1) Number of work stoppages and (2) total days idle	TR-AU-310a.2.	N°	0
Fuel Economy and Use-phase Emissions	Sales-weighted average passenger fleet fuel economy, by region	TR-AU-410a.1.	Avg	EU: 277 gCO_2/km (provisional data) USA: 416 g/mi (GHG emissions) China: 10.91 l/100 km
	Number of (1) zero emission vehicles (ZEV), (2) hybrid vehicles, and (3) plug-in hybrid vehicles sold	TR-AU-410a.2.	N°	1,722 (plug-in hybrid)
	Discussion of strategy for managing fleet fuel economy and emissions risks and opportunities	TR-AU-410a.3		• Annual Report: Board Report/ Overview of Our Business/ Regulatory Matters; • Annual Report: Board Report/Non Financial Statement/ Reducing environmental footprint/ Vehicle environmental impact; • Annual : Board Report/Non Financial Statement/ Reducing environmental footprint/Further Climate-related Disclosures ("TCFD");

(39) N/A non applicable. We do not take part to NCAP (New Car Assessment Program) programs.

TOPIC	METRIC	CODE	UNIT OF M.	Response/Comment
Materials Sourcing	Description of the management of risks associated with the use of critical materials	TR-AU-440a.1		• Annual:Board Report/Non Financial Statement/ Reducing environmental footprint/Vehicle environmental impact/ Raw materials; • Annual Report: Board Report/ Non Financial Statement/ Proactively fostering best practice governance/Responsible Supply Chain; • Annual Report:Board Report/ Non Financial Statement/ Proactively fostering best practice governance/Responsible Supply Chain/ Conflict minerals; • Annual Report: Board Report/Risk Management Process and Internal Control System
Materials Efficiency & Recycling	Total amount of waste from manufacturing, percentage recycled	TR-AU-440b.1	Tons	9,992.0 tons 48% recycled • Annual Report: Board Report/Non Financial Statement/Reducing environmental footprint/ Plants and circuits/Waste management;
	Weight of end-of-life material recovered, percentage recycled	TR-AU-440b.2	Tons; %	• Annual Report: Board Report/Non Financial Statement/Reducing environmental footprint/Vehicle environmental impact/ Vehicle's end of life; 85% (recycled) - 95% (recovered)_ These values refer to the minimum percentage by mass guaranteed on our European fleet and determined in accordance with EU Directive 2005/64/EC
	Average recyclability of vehicles sold	TR-AU-440b.3	%	85% This value refers to the minimum percentage by mass guaranteed on our European fleet and determined in accordance with EU Directive 2005/64/EC

RISK MANAGEMENT PROCESS AND INTERNAL CONTROL SYSTEMS

Our risk management approach is an important business driver and it is integral to the achievement of the Group's long-term business plan. We take an integrated approach to risk management, where risk and opportunity assessment are at the core of the leadership team agenda. The Board of Directors is responsible for considering the ability to control and manage risks crucial to achieving its identified business targets, and for the continuity of the Group. For this reason, Ferrari has developed varying appetites to achieve different strategic objectives, focusing attention at all relevant risk levels, from risk management to internal control.

Ferrari has adopted the last publication ("Enterprise Risk Management - Integrating Strategy and Performance") of the COSO Framework (Committee of Sponsoring Organizations of the Treadway Commission) as the foundation of its enterprise risk management (ERM).

In order to ensure the adequateness of its internal risk management and control systems, Ferrari has structured its risk management process and internal control systems based on the "Three Level of Controls Model". Each level of controls has different roles and responsibilities with clearly defined boundaries:

- **The first level of control** is composed of the functional management who is responsible for embedding risk management and internal control systems into each business process. First line of control has the ownership, responsibility and accountability for assessing and mitigating risks. It is constituted by core business Risk Owners, staff functions Risk Owners and by the FLT.
- **The second level of control** is composed of the functions that oversee risk management across the Company processes, monitoring and facilitating the implementation of effective risk management and control activities by the first line of control. It is constituted by Compliance, Strategic, Operational and Reporting functions such as Enterprise Risk Management, Group Compliance, Sustainability, SOX, Health & Safety, Ecology & Energy, Supplier Risk Management, Quality, Financial Risk Management, Group Financial Control and IT Security.
- **The third level of control** is composed of Internal Audit that provides independent assurance on efficiency and effectiveness of Ferrari's risk management, governance and internal control processes.

The FLT is responsible for identifying, prioritizing and mitigating risks and for the establishment and maintenance of a risk management system across our business functions. As the decision making body led by the CEO and composed of the heads of the operating segments and certain central functions, the FLT reviews the risk management framework and the Company's key global risks on a regular basis. For those risks deemed to be significant, comprehensive risk response plans are developed and reviewed on a regular basis to ensure the actions are relevant and sufficient. Our risk management framework is discussed with the Group's Audit Committee at least on an annual basis.

FERRARI'S ENTERPRISE RISK MANAGEMENT PROCESS

The Ferrari Enterprise Risk Management system is oriented by and structured in six different components:

1. **Risk Governance:** A structure through which our organization directs, manages and reports its risk management activities. The Risk Governance structure encompasses clearly defined roles and responsibilities, decision-making powers, a risk operating model and reporting lines.
2. **Risk Culture:** The values and the attitude consistent with our risk management culture are communicated to and understood at all levels of the organization.
3. **Risk Strategy & Appetite:** Our risk management principles are intended to enable the achievement of our business plan, goals and strategic objectives. Our risk appetite is balanced by risk tolerance, limits and associated protocols in case of a breach to control risk levels within our organization.

4. **Risk Assessment & Measurement:** Established activities that allow Ferrari to identify, assess and quantify potential risks on regular basis. This activity allows Ferrari to consider the potential impact that events may have on the achievement of the Company's objectives.
5. **Risk Management & Monitoring:** Management's response to manage, mitigate or accept risk. Risk management efforts create value through the use of information on risks and controls, in order to improve business performance. Systematically monitoring the identified risks and management activities against established metrics permits timely proactive response where warranted.
6. **Risk Reporting:** Reporting of risk and related information (e.g. mitigation activities) provide genuine insight into the strengths and weaknesses of the risk management activity. Disclosure of risk management information to key internal and external stakeholders, also supporting the decision-making processes.

RISK APPETITE

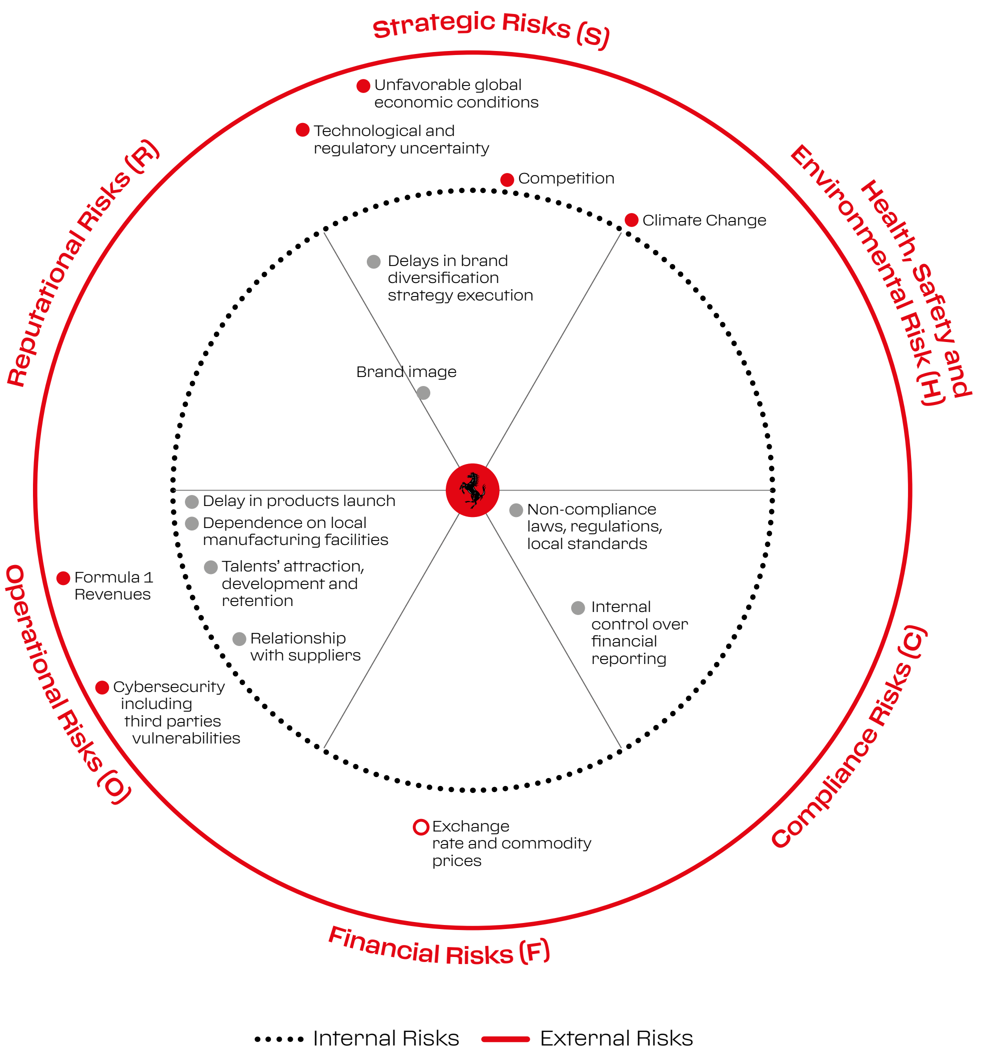
The risk appetite of Ferrari, (i.e. the level of risk that Ferrari is willing to accept to achieve its objectives), has been defined based on the parameters identified below and will be applied to our strategy, Code of Conduct, Company values and policies. Ferrari does not rank by importance the individual types of risk reported in this section because it believes such ranking would be an arbitrary exercise as all risks mentioned have relevance for the Group and the business. The types of risk identified are as follows:

Risk category	Risk description		Risk appetite statement
Strategic risks (S)	Risks which affect or are created by Ferrari's business strategy and could affect Ferrari's long-term positioning and performance.	**Moderate**	Ferrari is willing to accept moderate risks in order to achieve its strategic objectives. Ferrari recognizes the need of continuing to invest in research and development to design and build technically innovative, aesthetically iconic and highly performing cars able to deliver the most "fun to drive" experience and feature design excellence. Strategic risks are taken in a responsible way considering all stakeholders' interests in order to preserve its brand exclusivity, an extraordinary level of demand and the unique customer experience and the current technological and regulatory trends.
Operational risks (O)	Risks impacting the internal processes, people, systems and/or external resources of the organization and affect Ferrari's ability to execute its business plan.	**Moderate**	Ferrari seeks to minimize execution risks on its plans by implementing a manufacturing system capable of flexibly meeting expected targets, maintaining a quality of products and services in line with Ferrari's customers' expectations, developing and retaining talents within the organization, securing business continuity as well as production line performances and ensuring the adequacy of our business partners.
Financial risks (F)	Risks including areas such as valuation, currency, liquidity, commodity and impairment risks.	**Low**	Ferrari has a cautious approach with respect to financial risks. Ferrari continuously seeks to improve and strengthen its financial position to generate the required cash to finance its operations and reward its stakeholders.
Compliance risks (C)	Risks of non-compliance with laws, regulations, local standards, code of conduct, internal policies and procedures.	**Zero tolerance**	Ferrari does not tolerate infringements and abides to all applicable laws and regulations through the implementation of preventive measures, the rigorous enforcement of its internal Code of Conduct to ensure that ethics and integrity are respected and the promotion of its values.
Reputational risks (R)	Risks which affect Ferrari's Brand image, credibility and/ or integrity	**Zero tolerance**	Ferrari strives to protect and enhance its reputation by mitigating all the potential threats that could impact the organization's reputation, credibility and the operational integrity, while constantly increasing its brand awareness.
Health, Safety and Environmental risk (H)	Risks which affect health and safety and the environment	**Zero tolerance**	Ferrari does not tolerate risks that could have effect on its employees or clients as well as on the environment of the surrounding world.

RISK TRENDS AND KEY RISKS

Ferrari assesses risks according to their potential impact, likelihood and the entity's preparedness, which, properly combined, determine an overall risk exposure to prioritize risks and focus the efforts on the most important ones. Ferrari expects that the risk responses which have been implemented or that will be deployed when activated by ad-hoc triggers, will mitigate the risks up to the level defined within the risk appetite.

Below we identify and discuss our key Company-specific risks. The risks listed and the response plans are not exhaustive and may be adjusted from time to time. The image below shows the listed risks divided by risk category.



BRAND IMAGE (S/R)

The preservation and enhancement of the value of the Ferrari brand is crucial in driving revenue and demand for our cars. The perception and recognition of the Ferrari brand are of strategic importance and depend on many factors such as the design, technology, performance, quality and image of our cars, as well as the appeal of our dealerships and stores, the success of our client activities, and our general profile, including our brand's image of exclusivity.

The prestige, identity and appeal of the Ferrari brand also depend on the continued success of the Scuderia Ferrari racing team in the Formula 1 World Championship.

Key aspects	Response plans:
Preserving brand value **Success of the Formula 1 team** **Social Media management**	Selective licensing of the Ferrari brand
	Internal function dedicated to monitoring and maximizing residual value of Ferrari cars, monitoring of pre-owned market and estimating evolution of residual values
	Selective choice of franchising partners
	Dealer score cards
	Ferrari Academy (in-house training center for dealers)
	Close monitoring of social media and Ferrari perception
	Adoption of a Ferrari Social Media Practice

UNFAVORABLE GLOBAL ECONOMIC CONDITIONS (S)

Deteriorating general economic conditions may affect disposable income and reduce consumer wealth, which in turn may impact client demand, particularly for luxury goods, which may negatively impact our profitability and put downward pressure on our prices and volumes. Furthermore, during recessionary periods, social acceptability of luxury purchases may decrease and higher taxes may be more likely to be imposed on certain luxury goods including our cars.

In general, although our sales have historically been comparatively resilient in periods of economic turmoil, sales of luxury goods tend to decline during recessionary periods when the level of disposable income tends to be lower or when consumer confidence is low.

Key aspects	Response plans:
Dependency on mature economies, particularly in EMEA and the United States **Global economic development**	Expanding in emerging markets, diversifying and monitoring economic trends; developing growth plans in line with growth in number of High Net Worth Individuals and Ultra High Net Worth Individuals
	Closely monitoring all market developments and continuously reviewing the countries in which we do business and their geo-political events
	Monitoring budget and timing of capital expenditures
	Monitoring customers' orders and waiting lists
	Planning car volumes to optimise dealer network stock levels
	Incorporation of economic trends in financial forecasts

COMPETITION (S)

We face competition in all product categories and markets in which we operate. We compete with other international luxury performance car manufacturers which own and operate well-known brands of high-quality cars. Some of them are part of larger automotive groups and may have greater financial resources and bargaining power with suppliers than us, particularly in light of our policy to maintain low volumes in order to preserve and enhance the exclusivity of our cars. We believe that we compete primarily thanks to our brand image, the performance and design of our cars, our reputation for quality and the driving experience we offer our customers.

Several global luxury automotive manufacturers have increased competitive pressure for luxury cars particularly in EMEA and the United States. Considering that these are mature markets, we anticipate that existing market participants will try to aggressively protect or increase their market share. Increased competition may result in pricing pressure, reduction of marginality and our inability to meet our shipment targets, which could have a material adverse effect on our results of operations and financial condition.

Key aspects	Response plans:
Order book and residual value management Margin pressure Shipments Customer base renewal	Focus on client relationships, including Maranello Experience, selected participation for new model launches and Ferrari clubs
	Close contact with dealers and client programs
	Indirectly support residual values through financial services products for pre-owned cars
	Definition and monitoring of waiting list targets
	Internal department dedicated to monitor customer base renewal
	Definition and monitoring of a customer satisfaction index
	Personalization services (Atelier and Tailor Made)
	Protection of our intellectual property through patents

TECHNOLOGICAL AND REGULATORY UNCERTAINTY (S)

Performance cars are characterized by leading-edge technology that is constantly evolving. In particular, advances in racing technology often lead to improved technology in road cars. Although we invest heavily in research and development, we may be unable to maintain our leading position in high performance car technology and, as a result, our competitive position may suffer. As technologies change, we plan to upgrade or adapt our cars and introduce new models in order to continue to provide cars with the latest technology. However, our cars may not compete effectively with our competitors' cars if we are not able to develop, source and integrate the latest technology into our cars.

Developing and applying new automotive technologies is costly, and may become even more costly in the future as available technology advances and competition in the industry increases. If our research and development efforts do not lead to improvements in car performance relative to the competition, or if we are required to spend more to achieve comparable results, sales of our cars or our profitability may suffer.

External factors such as the shortages of raw materials and components, faster obsolescence of components and the evolution or introduction of new regulations on (for example) safety, noise, environmental and sustainability require us to further focus on defining new strategies on products and components. A failure in defining and establishing this strategy could prejudice the preservation of individual initiatives' profitability, our capacity to develop new attractive products and to guarantee alignment between products' features and customers' preferences.

We are gradually but rapidly introducing hybrid and electric-electronic technology in our cars. In accordance with our strategy, we believe hybrid and electric technology will be key to providing continuing performance upgrades to our sports car customers, and will also help us capture the preferences of the urban, affluent GT cars purchasers whom we are increasingly targeting, while helping us meet increasingly stricter emissions requirements.

We expect to increase R&D spending in the medium term particularly on hybrid and electric technology-related projects. This transformation of our car technology creates risks and uncertainties such as the impact on driver experience, and the impact on the cars' residual value over time, both of which may be met with an unfavorable market reaction. Finally, other luxury sports cars manufacturers may be more successful in implementing hybrid and electric technology.

Key aspects	Response plans:
Increase of complexity of products and components	Close monitoring of luxury car markets, technological evolution, social trends and customer experiences change
Misalignment between product features & customer preferences	Continuous alignment between R&D department and Product Marketing department
	Preparation of product briefs to provide effective guidance to all relevant functions during the new products development phase
Shortening of components' and technologies life-cycle	Monitoring of new market entrants and possible new actions adopted by existing competitors
	Structured dealership network in order to offer a close after sales services to the clients
New dominant design/ technologies **Increase of complexity in after sales activity**	Global RRR (Retain-Recruit-Reward) project dedicated to dealerships in order to increase the efficiency and effectiveness of dealership network

DELAYS IN BRAND DIVERSIFICATION STRATEGY EXECUTION (S)

The COVID-19 pandemic conditions could influence our capacity to correctly and timely execute our Brand Diversification strategy announced in 2019, which is centered on the strengthening the deployment of our brand in non-car products and experiences.

Our Brand Diversification activities across different jurisdictions have been, and may continue to be, adversely impacted, due to the temporary closure of the Ferrari stores, museums and theme parks to comply with government orders, with an adverse impact on the our revenues originating from such activities.

Furthermore, our capacity to recruit new business partners, in the current pandemic and consequent economic conditions, may be impacted resulting in a potential delay of our new Brand Diversification strategy expansion.

If we are unable to manage the current conditions, to monitor on a regular basis the achievement of the milestones, to introduce new branded products that meet customers' expectation, to monitor the potential misalignment between results and milestones and to put in place promptly the necessary corrective actions, this may adversely affect our ability to achieve our strategy and prevent our investments from generating the volumes and revenues estimated. In addition, if our strategy is not successful, our brand image may be weakened or tainted.

Key aspects	Response plans:
	Close monitoring of business strategy, its results and adoption of timely corrective actions
	Definition of product development's milestones and the related approval flow
Brand diversification strategies	Dedicated resources focused on business development activities and definition of procedures to identify, select and evaluate business partners
Selection of new potential business partners	Assessment, qualification and monitoring of business partners
Relationship with business partners (e.g. licensees, franchisees, theme parks, etc.)	IT/digital tools and activities to engage customers and potential new partners
	Development of sections dedicated to Health & Safety in new contracts and regular collection from Business Partners of all Health & Safety certifications
	Social Audit procedures and supporting tools for conducting risk assessments and social audits to check compliance to the Minimum Required Ethical Standards

DELAY IN PRODUCTS LAUNCH (O)

Our growth depends on the continued success of our existing cars, as well as the successful and timely introduction of new cars. Our ability to create new cars and to sustain existing car models is affected by whether we can successfully anticipate and respond to consumer preferences and car trends. The failure to develop successful new cars or delays in their launch that could result in others bringing new products and leading-edge technologies to the market first, could compromise our competitive position and hinder the growth of our business.

Our growth strategy may expose us to new business risks that we may not have the expertise, capability or the systems to manage. This strategy will also place significant demands on us by requiring us to continuously evolve and improve our operational, financial and internal controls. Continued expansion and continuous increasing of complexity of our car models also could increases the challenges involved in maintaining high levels of quality, management and client satisfaction, recruiting, training and retaining sufficient skilled management, technical and marketing personnel, supplying new components from our suppliers.

If we are unable to manage these risks or meet these demands, our growth prospects and our business, results of operations and financial condition could be adversely affected. In detail, we may have potential delay in new products launch resulting in lower revenues volumes than planned.

Key aspects	Response plans:
Delay in product launch	Close monitoring of business strategy, its results and adoption of timely corrective actions
	Structured internal process with assigned roles and responsibilities and defined activities for every product development project
	Project Management team in charge to define timing and monitoring every product development project
	Monitoring of issues on quality and timing both at manufacturing level and at suppliers level to promptly take corrective actions

DEPENDENCE ON MANUFACTURING FACILITIES IN MARANELLO AND MODENA AND PRODUCTION COSTS (O)

All cars sold and assembled by us and all engines we use for our cars or we sell to Maserati are manufactured at our production facility in Maranello, Italy, where we also have our corporate headquarters and Formula 1 activities. We manufacture all our car chassis in a nearby facility in Modena, Italy.

In the event that we are unable to continue production at either of these two facilities, we would need to seek alternative manufacturing arrangements which would take time and reduce our ability to produce sufficient cars to meet demand.

Our Maranello or Modena plants could become unavailable either permanently or temporarily for a number of reasons, including contamination, power shortage or labor unrest. In addition, Maranello and Modena are located in the Emilia-Romagna region of Italy, which has the potential for seismic activity. If major disasters such as earthquakes, fires, floods, hurricanes, wars, terrorist attacks, pandemics or other events occur, our headquarters, Formula 1 activities and production facilities may be seriously damaged, or we may have to stop or delay the production and shipment of our cars.

Furthermore, we face risks related to supply chain disruption and to shortages of raw materials, parts, components and systems used in our cars. Our ability to manage costs related to production activities could be impacted by general market conditions and by the fluctuation of prices for raw materials, parts and components. If we are unable to manage a relevant increase in our operating costs through new mitigations activities, such as hedging activities, increase in productivity or higher cars prices, this could result in a reduction of or profitability.

Key aspects	Response plans:
Dependence on two manufacturing facilities located in close proximity to each other	Investments in the last 15 years to reduce the extent of possible damage from earthquakes
	IT disaster recovery plans
	Insurance coverage
Production and operations suspension	Safety Stock for critical components
Shortage of critical production inputs (e.g., raw-materials)	Identification of an internal task force that monitors, identifies and address possible raw materials, parts and components shortages

RELATIONSHIP WITH SUPPLIERS (O)

Our business depends on a significant number of suppliers that provide raw materials, parts and systems we require to manufacture cars and parts to run our business. We source materials from a limited number of suppliers. In addition, similar to other small volume car manufacturers, most of the key components we use in our cars are purchased from single source suppliers.

We work with strategic partners in various areas of our business, such as manufacturing, and since our strategic partners' approach might differ from our own standards, Ferrari is exposed to performance, operational, financial and reputational risks regarding its suppliers. The COVID-19 pandemic could contribute to the financial distress for our suppliers leading to reduction or termination of their operations. Suppliers' default could have a negative effect on Ferrari's business activities resulting in additional costs, liabilities and leading to not having access to components/products supplied by the business partner. Furthermore, potential unethical or improper business practices by suppliers could have a negative effect on the Company's reputation considering the high exposure of the Ferrari brand and image.

Furthermore, the increase of components and products' complexity and the increase of car volumes produced could result in further pressure on suppliers' activities. If suppliers are unable to strengthen their operation or are unable to work on multiple projects, this could lead to critical issues and lack of respect of requirements. In addition, if we are unable to monitor suppliers' activities, ensuring the respect of the highest standards in terms of technology, quality and timing, we could face a potential increase of reworks, delay in car deliveries and recall/services campaigns.

Key aspects	Response plans:
Single source suppliers for components	High quality reputable suppliers assessed by the Supplier Risk Management function
Dependence on limited number of suppliers for raw materials, parts and components	Identifying alternative suppliers for critical components
Critical issues from suppliers and lack of respect of requirements	KPIs' definition for a continuous monitoring of supplier issues
Difficulties in accessing and building long-term relationships with critical suppliers	A dedicated Supplier Development function with the mandate to monitor the suppliers' conditions and encourage a continuous improvement of their activities

ATTRACTION, DEVELOPMENT AND RETENTION OF TALENTS (O)

Our success and our innovation capacity depend on the ability of our senior executives and other members of management to effectively manage individual areas of our business and our business as a whole.

The prestige, identity, and appeal of the Ferrari brand depend on the continued success of the Scuderia Ferrari racing team in the Formula 1 World Championship, which depends on our ability to attract and retain top drivers, racing management and engineering talent.

The fast technology evolution that automotive industry is experiencing requires us to always reinforce and update our competences in new and emerging skill areas in order to guarantee a continuous alignment with market and technology trends. Mapping current and comprehend future necessary competences has become pivotal and whenever a gap is identified, the transition to new capabilities is pursued either through internal capabilities development or through talent acquisition on the external market. Being unable to be ahead of technology trends or to develop new capabilities could increase the risks of both not meeting expectations of existing and new customers and not maintaining our current competitive advantage.

If we are unable to attract, retain and incentivize senior executives, drivers, team managers and key employees to succeed in international competitions or devote the capital necessary to fund successful racing activities, new models and innovative technology, this may adversely affect the level of enthusiasm of Ferrari clients for the brand and their perception of our cars, which could have an adverse effect on our business, results of operations and financial condition.

Key aspects	Response plans:
	Preparing current successful employees for future key positions
Requirement for skilled engineers	Improving talent development program for key resources
	Talent reviews and succession plans
Requirement to attract and retain the best drivers	Retention plans
Management potential	Implementation of "Scuola dei mestieri" initiative where skills are transferred to the new generations to retain highly specific skills and knowledge over time, as well as the Ferrari Corporate Executive MBA and the new Ferrari Global Corporate MBA
Labor unions	People survey to periodically evaluate employees' engagement, retention and potential issues
	Training and development

FORMULA 1 REVENUES (O)

Revenues from our Formula 1 activities depend principally on the income from our sponsorship agreements and on our share of Formula 1 revenues from broadcasting and other sources.

If we are unable to renew our existing sponsorship agreements or if we enter into new or renewed sponsorship agreements with less favorable terms, our revenues would decline. Our capacity to renew our existing sponsorship agreements and to have other more competitive sponsorship agreements also depends on our performance in Formula 1 activities and our ability to win Formula 1 championships, both drivers and constructors. Furthermore, the COVID-19 pandemic has impacted the 2021 Formula 1 season, resulting in a reduced number of Formula 1 races with spectators' participation and corresponding lower revenues.

In addition, our share of profits related to Formula 1 activities may decline if either our team's performance worsens compared to other competing teams, or if the overall Formula 1 business suffers, including potentially as a result of increasing popularity of the FIA Formula E championship.

Moreover, in order to compete effectively on track we have been investing significant resources in research and development and competitively to compensate the best available drivers and other racing team members. These expenses also vary based on changes in Formula 1 regulations that require modification to our racing engines and cars. These expenses are expected to continue, and may grow further, including as a result of any changes in Formula 1 regulations, which would negatively affect our results of operations and consequently our capacity to attract new business sponsorships.

Key aspects	Response plans:
F1 sponsorship revenues F1 financial regulation	Internal organizational unit dedicated to F1 business partners
	Definition of Branding Guidelines
	Negotiation of new sponsorship contracts or renewal of current sponsorship contracts
	Defining new services and custom experience and different activities to provide to our sponsors
	Participation in Formula 1 Strategic Group
	Continuous monitoring and implementation of required changes in the F1 regulations and identification of early remediation plans

CYBERSECURITY INCLUDING THIRD PARTIES VULNERABILITIES (O)

Our IT systems architecture and industrial machinery are exposed to external cyber-attacks. The number and sophistication of attacks have dramatically increased in recent years. Furthermore, external cyber organizations are currently better structured and organized than in the past and can more effectively perform cyber-attacks.

Also in the next years, we expect to increase the connectivity features of our cars. These new features may increase the cyber security risk of our cars with the chance that an external attack may occur. In this case, potential impact may occur on road users in term of safety, operational conditions of cars, financial impact and privacy damage. Furthermore, the reputation and the integrity and value of our brand may be damaged and our business, operating results and financial condition may be materially and adversely affected.

In addition, we have to consider also that our third parties could be subjected to external cyber-attacks. In case the third party is connected to our system, the cyber attacker could penetrate also our IT systems.

If we are unable to protect our system IT systems architecture and industrial machinery, to design a well-functioning security architecture for our cars and to promote good practices with our third parties, we are exposed to the risk that both our internal sensitive data and customers' data stored in the cars can be stolen and disseminated externally. Alternatively, the data can be encrypted and a ransom could be requested *(ransomware practices)*.

Moreover, we have to consider that UN-ECE regulations has been introduced and we will be required to adopt a Cyber Security Management System ("CSMS") in order to obtain a certification to continue to register and sell our cars and to demonstrate that we are able and aware to deal with potential cyber risk, both at car level and enterprise level. Failing in obtaining the Cyber Security Management System Certification could result, for the countries where the regulation is applicable, in impossibility to homologate and sell new types vehicle from July 2022 and to register and sell existing types from July 2024.

Key aspects	Response plans:
Increased sophistication of Cyber Attacks Third Parties cybersecurity Remote working impact on IT Security Cars connectivity CSMS Program	Increasing our employees' awareness on phishing activities and other ways to perform an external cyber attacks
	Continuous monitoring of potential external cyber-attacks and remediation plans
	Assessment of internal vulnerability level (vulnerability assessment) and implementation of further technical actions where necessary
	Assessment and monitoring the cyber security maturity level of third parties (suppliers and dealers) and promotion of good practices
	Ferrari started gathering insights in Cyber Security and Connected Experience with different streams and internal projects
	Roll-out of a specific project to allow the Company to obtain and maintain over the time cyber security management system certification
	Appointment of a CSMS Committee to coordinate activities related to CSMS

CLIMATE CHANGE (H/S)

As relevant factors for long-term value creation, Ferrari considers pivotal to manage risks related to climate change. The fight against climate change and the preservation of the environment are becoming crucial around the world and these concerns have resulted in rapidly evolving climate and environmental regulations emitted across international markets.

Any difficulty or delay in implementing actions to become Carbon neutral by 2030, could negatively affect our revenues, profits, image and our capacity to work with new and existing third parties that ask more attention on climate change matters.

Ferrari, by 2030, aims to address direct and indirect GHG emissions, focusing on energy and materials, in addition to its electrification journey.

Ferrari aims to increase the environmental awareness to continuously set and implement new programs and actions. We are conscious that these goals require an effort both from us and from our third parties and the Company is working on adapting internal processes, developing components, studying materials and sharing this perspective with our partners.

Climate Change topic is also strongly connected to environmental laws' changes and tightening. Please refer to paragraph dedicated to *"Technological and regulatory uncertainty"* risk for further details on Ferrari's view on this aspect.

Key aspects	Response plans:
Climate Change	Complete mapping of direct and indirect emissions, including an estimation of indirect emissions by suppliers and materials
	Mapping specific suppliers carbon footprint and raising awareness to improve bottom up information sharing
	Monitoring fleet emissions over time
	Activities on going to identify new co-designer and new innovation / product development activities, also considering CO_2 potential impacts
	Starting activities for analysing and defining plan to use renewable energy sources in Company activities (photovoltaic, hydrogen and geothermal)

NON-COMPLIANCE WITH LAWS, REGULATIONS, LOCAL STANDARDS (INCLUDING TAX) AND CODES (C)

We are subject to comprehensive and constantly evolving laws, regulations and policies throughout the world. We expect the legal and regulatory requirements affecting our business and our costs of compliance to keep increasing significantly in scope and complexity in the future. In Europe, United States and China, for example, significant governmental regulation is driven by environmental, fuel economy, vehicle safety and noise emission concerns, and regulatory enforcement has become more active in recent years. Evolving regulatory requirements could significantly affect our product development plans and may limit the number and types of cars we sell and where we sell them, which may adversely affect our revenue and operating results.

Our compliance controls, policies, and procedures may not protect us in every instance from acts committed by our employees, agents, contractors or collaborators that would violate the laws or regulations of the jurisdictions in which we operate, including employment, foreign corrupt practices, environmental, competition, and other laws and regulations. In particular, our business activities may be subject to anticorruption laws, regulations or rules of other countries in which we operate. If we fail to comply with any of these regulations, it could adversely impact our operating results, financial condition and reputation.

Key aspects	Response plans:
Technical regulatory requirements regarding our cars	Increasing knowledge and awareness of laws, regulations, standards and codes
HSE (Health, Safety and Environment)	Monitoring, reviewing, reporting and adapting to relevant changes in rules and regulations
Tax	Specific project teams activated in case of new requirements to put in place the required organizational and process changes
Human Resources	Implement and update global HSE system
Legal	Risk-based reviews of operations by HSE professionals
Anti-Bribery & Corruption	Strengthening IT infrastructure for standard operational procedures
Code of Conduct	Increasing internal compliance awareness and effective communication between central compliance team and managers working at the subsidiary level
	Communicating and implementing business conduct standards internally
	Maintaining a global whistle blower procedure

EXCHANGE RATE FLUCTUATIONS, INTEREST RATE CHANGES, COMMODITY PRICES, CREDIT RISK AND OTHER MARKET RISKS (F)

Ferrari operates in numerous markets worldwide and is exposed to market risks stemming from fluctuations in currency and to a lesser extent interest rates and commodity prices. The exposure to currency risk is mainly linked to our cash flows from sales which are denominated in currencies different from those connected to purchases or production activities. We incur a large portion of our capital and operating expenses in Euro while we receive the majority of our revenues in currencies other than Euro.

The main foreign currency exchange rate to which Ferrari is exposed is the Euro/U.S. Dollar for sales in U.S. Dollars in the United States and other markets where the U.S. Dollar is the reference currency. In 2021, the value of commercial activity exposed to changes in the Euro/U.S. Dollar exchange rate accounted for about 51 percent of the total currency risk from commercial activity. Ferrari uses derivative financial instruments (primarily forward currency contracts and currency options) to hedge up to 90 percent of the principal exposures to foreign currency exchange risk, typically for a period of up to twelve months. Derivatives financial instruments are executed for hedging purposes only.

Several subsidiaries are located in countries that are outside the Eurozone exposing Ferrari to translational exchange risk, in particular the United States, China, Japan, Australia and Singapore. The Group monitors its principal exposure to translational exchange risk, although there was no specific hedging in this respect at the reporting date because the relative exposure is not material.

In addition, foreign exchange movements might also negatively affect the relative purchasing power of our clients, which could also have an adverse effect on our revenues and results of operations.

Ferrari generally has a positive cash flow that almost offsets the exposure to liquidity risk. The Group uses various forms of financing to cover the funding requirements of its industrial activity and for financing offered to customers and dealers. The terms of these financings, which include bank facilities (committed and uncommitted), access to capital markets and private placements, are intended to limit the Group exposure to interest rate fluctuation. Approximately 37 percent of the Group's total debt bears floating interest rates and Ferrari enters into interest rate caps as requested by certain of its asset-backed financing agreements for its financial services activities. Considering the current capital structure of the Group, Ferrari has not entered into any interest rate derivatives other than the interest rate caps mentioned, however, the exposure is regularly monitored.

Ferrari's most important financial asset is cash. It is held on bank and deposit accounts with primary financial institutions and money market funds. Our group policy requires us to continuously monitor counterparty risk and limit concentration of financial assets to a maximum of 25% of the total with a single financial counterpart. Ferrari owns a financial services portfolio secured on the titles of cars or other guarantees, spread over more than 4,400 clients that are mainly in the US. Impairment risk mainly relates to the financial services portfolio which is evaluated on an individual basis for material or overdue credit positions. The amount of any write-down is based on an estimate of the recoverable cash flows, their timing, recovery costs and the fair value of any guarantees received.

In addition, an increase of certain commodity prices can have a negative impact on Ferrari's results. Ferrari uses derivative financial instruments (primarily commodity swaps) to hedge a portion of certain exposure to commodity price risk.

Further information is included in Note 30 to the Consolidated Financial Statements.

Key aspects	Response plans:
Exposure to foreign exchange movements from non-Euro related sales	Foreign exchange hedging instruments authorized within the Company's foreign exchange risk management policy
Exposure to interest rate movements on financial assets and liabilities	Monitoring interest rate movements for hedging purposes and execution of the foreseen interest rate caps
Exposure to commodity price	Commodity hedging instruments defined and authorized for specific commodities' price exposure risk
Credit risk of default or insolvency	Credit approval policies applied to dealers and retail clients
	Bank guarantees, pre-payments (also title of the vehicle for the financial services business)

INTERNAL CONTROL OVER FINANCIAL

Starting from October 2015 Ferrari N.V. is listed on the New York Stock Exchange (NYSE), while from January 2016 Ferrari N.V. is also listed on the Euronext Milan (previously named Mercato Telematico Azionario).

Our shares' listing on regulated markets involves being compliant with the related securities regulations and listing rules. In particular, publicly traded companies filing financial statements with the US Securities and Exchange Commission are required to comply with the Sarbanes Oxley Act requirements, in particular sections 302, 404 and 906 that involve a periodical management assessment of internal controls and CEO and CFO Certifications of Periodic Financial Reports and SEC Filings. In addition, our independent registered public accounting firm is also required to report on the effectiveness of the internal control over financial reporting.

Under the COSO Internal Control-Integrated Framework, according to which the internal control system is defined as a set of rules, procedures and tools designed to provide reasonable assurance of the achievement of corporate objectives, Ferrari has developed an Internal Control System over the Financial Reporting in order to assure completeness, accuracy and reliability of the group financial reporting.

Within the above mentioned context, identification and evaluation of the risk of misstatements which could have material effects on financial reporting is carried out through a risk assessment process that uses a top-down approach to identify the organizational entities, processes and the related accounts, in addition to specific activities that could potentially generate significant errors. Under the methodology adopted by the Company, risks and related controls are associated with the accounting and business processes upon which accounting information is based.

Significant risks identified through the assessment process require definition and evaluation of key controls that address those risks, thereby mitigating the possibility that financial reporting will contain any material misstatements.

In accordance with international best practices, the Group has two principal types of control in place:

- controls that operate at Group or subsidiary level, such as delegation of authorities and responsibilities, separation of duties, and assignment of access rights to IT systems; and

- controls that operate at process level, such as authorizations, reconciliations, verification of consistencies, etc. This category includes controls for operating processes, controls for financial closing processes and controls carried out by specific service providers. These controls can be preventive (i.e., designed to prevent errors or fraud that could result in misstatements in financial reporting) or detective (i.e., designed to reveal errors or fraud that have already occurred). These controls may also be classified as manual or automatic, such as application-based controls relating to the technical characteristics and configuration of IT systems supporting business activities.

An assessment of the design and operating effectiveness of key controls is carried out through tests performed periodically during the year, both at Group and subsidiary level, using sampling techniques recognized as best practices internationally.

The assessment of the controls may require the definition of compensating controls and plans for remediation and improvement. The results of monitoring are subject to periodic review by the manager responsible for the Company's financial reporting and communicated by him to senior management and to the Audit Committee.

REMUNERATION OF DIRECTORS

INTRODUCTION

The description below summarizes the guidelines and the principles followed by Ferrari in order to define and implement the remuneration policy applicable to the executive directors and non-executive directors of the Company, as well as members of the Ferrari Leadership Team (FLT). In addition, this section provides the remuneration paid to these individuals for the year ended December 31, 2021. The form and amount of compensation received by the directors of Ferrari for the year ended December 31, 2021 was determined in accordance with the remuneration policy. The Compensation Committee oversees the remuneration policy, remuneration plans and practices of Ferrari and recommends changes when appropriate. The Committee is solely comprised of non-executive directors from the Board of Directors who are independent pursuant to the Dutch Corporate Governance Code. Through this document, Ferrari aims to provide its stakeholders with a high level of transparency and disclosure in order to strengthen the trust they and the market place in Ferrari, as well as provide them with the information they need to assess the Company's remuneration principles and exercise shareholders' rights in an informed manner. The Company may from time to time amend the remuneration policy, subject to our shareholders' approval when necessary.

This Compensation Report consists of two sections:

1. Remuneration strategy: our current remuneration policy (which is available on our corporate website) governs compensation for both executive and non-executive directors. In 2020, Ferrari confirmed these remuneration features through the positive vote expressed by shareholders in the Annual General Meeting held on April 16, 2020 (the "2020 AGM").
   Our current remuneration strategy further strengthens the alignment with shareholders' interests and long-term sustainability of our business, adopting certain updates to reflect developing best practices in the Dutch Corporate Governance Code.
2. Implementation of remuneration strategy: details how remuneration features have been implemented during the 2021 financial year and actual remuneration received by each executive and non-executive director. In 2021, there was no deviation from the remuneration policy.

1. REMUNERATION STRATEGY FOR THE 2021 FINANCIAL YEAR

REMUNERATION PRINCIPLES

The main goal of Ferrari's remuneration strategy is to develop a system which consistently supports the business strategy and value creation for all shareholders, establishing a compensation structure that allows us to attract and retain the most highly qualified executive talent and motivate such executives to achieve business and financial goals that create long-term value for shareholders in a manner consistent with our core business and leadership values and taking into account the social context around the Company.

In defining the remuneration strategy, the Compensation Committee has taken into account certain principles which characterize Ferrari's remuneration policy, such as:

1. The identity, mission and values of the Company, to attract, retain and reward skilled women and men who constitute the soul of the Company. Their passion, courage, creativity, ambition and pride constitute the essence of Ferrari and fuel its legend to ever greater heights. Being Ferrari means being part of a unique future-focused team in which people are the most valuable resource. Together with all our employees we have crafted the vision, mission and values that are the very essence of being part of Ferrari and which guide our employees as we tackle our day-to-day challenges;
2. The provision of statutory requirements, with specific focus on the Shareholder Rights Directive (Directive (EU) 2017/828) and the implementation thereof into Dutch law;

3. International competitive remuneration market trends, based on the idea that it is becoming increasingly challenging to attract and retain employees in today's competitive labor market. For our executive directors and members of the FLT, fixed remuneration, short-term incentive opportunities and long-term incentive opportunities are calculated based on the position and responsibilities assigned to each, taking into account average remuneration levels on the market for positions with similar levels of responsibility and managerial complexity in large international companies, in order to maintain high levels of competitiveness and engagement;

4. Corporate governance and executive remuneration best practices as expressed by institutional investor guidelines, developing a remuneration policy compliant with the Dutch Corporate Governance Code and the interest of Ferrari's shareholders. We analyze any gaps in each of our remuneration components in order to provide a high level of alignment with the main guidelines of our stakeholders;

5. The societal context around and social support in respect of the Company, developing a specific focus on trends in sustainability among our employees. We are committed to provide a healthy and safe workplace for all employees and stakeholders by implementing a high level of safety standards to avoid potential risks to people, assets or the environment, in order to guarantee an optimal working environment for all employees and attract the best talents. Our results in this field reflect, once again, our strategic commitment to protecting the environment and ensuring personal safety;

6. The views of the Board of Directors, members of the FLT, other senior leaders and all employees, in order to make the health and safety of the Company's employees essential to the successful conduct and future growth of the Company. In this respect and in line with the Dutch Corporate Governance Code, the internal pay ratio is an important input for determining the remuneration for the Board of Directors; and

7. The centrality for Ferrari of value creation and the interest of our shareholders, the importance of which is recognized through the use of Total Shareholder Return (TSR) as a performance metric in the Company's long-term incentive plans. The Compensation Committee considers that the use of relative TSR remains one of the most appropriate measures of long-term performance for Ferrari. The structure of our PSU awards demonstrates the centrality of this factor and helps to promote a strong correlation between pay and performance for our Executives.

The main principles of Ferrari's remuneration policy are outlined in the chart below:

1	**ALIGNMENT WITH FERRARI'S STRATEGY**	>	Compensation is strongly linked to the achievement of targets aligned with the Company's publicly disclosed strategic objectives
2	**PAY FOR PERFORMANCE**	>	Compensation must reinforce our performance driven culture and meritocracy
3	**COMPETITIVENESS**	>	Compensation is set with the objective of attracting, retaining and motivating highly qualified executives and effective leaders
4	**LONG-TERM SHAREHOLDER VALUE CREATION**	>	Targets triggering any variable compensation are aligned to the long-term interests of shareholders
5	**COMPLIANCE**	>	Ferrari compensation policies and plans are designed to comply with applicable laws and corporate governance requirements

OVERVIEW OF REMUNERATION ELEMENTS

As anticipated above, Ferrari's current remuneration policy was approved by shareholders at the 2020 AGM and will be resubmitted to a vote by the Company's General Meeting at least every four years. The structure of the remuneration applicable to our executive directors, non-executive directors and other key management under Ferrari's remuneration policy has not changed in 2021 and consists of the following elements:

(i) **fixed remuneration** linked to the third pillar of Ferrari's remuneration policy (*Competitiveness*) with the objective of attracting, retaining and motivating our qualified executives and effective leaders. For this reason, we periodically benchmark comparable salaries paid to executives with similar experience by comparable companies;

(ii) **short-term incentives** linked to the first and second pillars of Ferrari's remuneration policy (*Alignment with Ferrari's Strategy* and *Pay for Performance*) and tied to specific financial targets which are set at challenging levels; short-term incentives are also linked to the contribution of the individual member (*Individual Performance Factor*) in order to motivate its beneficiaries to achieve challenging targets. In particular, Ferrari's 2021 achievements, success and developments were driven by organization-wide alignment with the Company's strategy and values, through incentives that reward the achievement of those goals;

(iii) **long-term incentives** linked to the first and fourth pillars of Ferrari's remuneration policy (*Alignment with Ferrari's Strategy* and *Long-Term Shareholder Value Creation*) with the aim to align the behavior of executives critical to the business with shareholders' interests, motivate executives to achieve long-term strategic objectives, and enhance retention of key resources;

(iv) **non-monetary benefits** which are related to the overall remuneration and linked to the third pillar of Ferrari's remuneration policy (*Competitiveness*).

Ferrari's remuneration policy provides that a substantial portion of the compensation of our executive directors and members of the FLT should be "at-risk", meaning that each will receive a certain percentage of his or her total compensation only to the extent Ferrari and the executive accomplish short and long-term goals established by the Compensation Committee.

STAKEHOLDER ENGAGEMENT

The Compensation Committee regularly reviews the directors' remuneration policy against the best corporate governance practices adopted by institutional shareholders and the recommendations of the main proxy advisors, considering also the view of the stakeholders on the remuneration policy and main features of the compensation report.

In this respect, the Annual General Meeting of shareholders held on April 15, 2021 approved the remuneration report for the year 2020 (the "Ferrari Remuneration Report 2020") and the voting results are reflected in the following table:

Resolution	Votes For	%	Votes Against	%	Votes Total	Abstain
2.c - Remuneration Report 2020 (discussion and advisory vote)	180,789,386	86.96943	27,087,542	13.03057	207,876,928	158,295

Considering the previous vote of the Annual General Meeting of shareholders and to further understand shareholders' feedback to the Ferrari Remuneration Report 2020, we engaged with our stakeholders prior to drafting the Compensation Report for the year 2021. We believe that those conversations have been very constructive and have led to improvements in our Compensation Report. In particular, our reporting on both short term and long-term incentive plans was identified as an area for improvement for the below reasons:

- some stakeholders issued negative voting advice on the Ferrari Remuneration Report 2020 due to (i) the accelerated vesting of PSU awards pursuant to the Equity Incentive Plan 2019-2021 of the former CEO, Louis Camilleri, upon his resignation; (ii) the vesting below median of the Equity Incentive Plan with reference to the TSR metric; and (iii) the argued lack of link between one-third of the awards granted under the Equity Incentive Plan (33% of RSUs) to any performance targets;

- some stakeholders also issued negative voting advice on the Ferrari Remuneration Report 2020 due to the lack of short-term incentive plans for executive directors, based on an annual performance assessment of collective and individual indicators.

Since we constantly work on the improvement of our remuneration strategies, we have taken into account the previous vote of the general meeting in the process of reviewing of our variable incentive schemes which will become effective in 2022, as further described below in this Compensation Report. More specifically, (i) we included short-term incentives in the Chairman's and the CEO's compensation packages for 2022, in order to better align executive directors' actions to Ferrari's strategy and performance and in line with best market practices, and (ii) we are re-designing our long-term incentive structure by further improving some elements and with a specific view on sustainability-linked performance indicators.

Through this Compensation Report we continue to pursue our objective to provide our stakeholders each year with clear and comprehensive disclosure of the decisions relating to the remuneration of our executive and non-executive directors and members of the FLT.

We trust that stakeholders will consider these changes positively and appreciate the spirit of transparency and continuous improvement which drives them.

The Compensation Report for the financial year 2021 is subject to a consultative vote at the Annual General Meeting of Shareholders scheduled for April 2022.

REMUNERATION STRUCTURE FOR 2021 AND MAIN 2022 CHANGES AT A GLANCE

Ferrari faced a change in Executive Director leadership during the year 2021. Our Executive Chairman, John Elkann, had the role of Acting CEO until September 2021, when Benedetto Vigna joined Ferrari as its new CEO[40].

The purpose and features of the different elements of our remuneration structure for 2021 and main changes for 2022 are outlined in the table below:

Component	Purpose	Terms and Conditions	Amounts	Outlook 2022
Remuneration Structure	• Attract, retain and motivate highly qualified executives to achieve challenging results • Competitively position our compensation package compared to the compensation of comparable companies, mainly represented by the reference panel ("Reference Panel") and companies that compete for similar talent • Reinforce our performance driven culture and meritocracy	Ferrari's remuneration structure is organized as follows: • Fixed remuneration • Short-term incentives • Long-term incentives • Non-monetary benefits	• Offer a highly competitive compensation package compared to the reference market • Reference Market: Roles with the same managerial complexity and responsibilities within comparable companies, comprised of those represented by the Reference Panel.	The remuneration structure remains unchanged for 2022

(40) Benedetto Vigna was appointed by the Board of Directors on September 16, 2021 as acting CEO.

/ 1. REMUNERATION STRATEGY FOR THE 2021 FINANCIAL YEAR

Component	Purpose	Terms and Conditions	Amounts	Outlook 2022
Fixed Remuneration	• Reward skills, contribution and experience required for the position held	• Executive Chairman and Acting CEO: Fixed remuneration is set in relation to the delegated powers assigned over the term and positions held in line with the reference market. • CEO: Fixed remuneration is set in relation to the delegated powers assigned over the term and positions held in line with the Reference Market. • Non-Executive Directors: Remuneration of Non-Executive Directors is fixed and not dependent on the Company's financial results. It is approved by the Company's shareholders and periodically reviewed by the Compensation Committee. • FLT Members: the fixed remuneration is related to the position held and the responsibilities attributed, as well as the experience and strategic nature of the resources, in line with reference market offering for roles of similar responsibility and complexity.	• Executive Chairman and Acting CEO: €250,000 annually; starting from October 1, 2021, the base salary of the Executive Chairman has been increased to €500,000 per year. • CEO: €1,500,000 annually (the amount is annualized since the current CEO joined Ferrari in September 2021). • Non-Executive Directors: $75,000 annually. • FLT Members: the fixed remuneration is related to the position held and the responsibilities attributed, as well as the experience and strategic nature of the resource, in line with reference market offering for roles of similar responsibility and complexity.	Based on the results of benchmarking conducted on the practices of the companies belonging to the Executive Chairman's Reference Panel (for further details, see the section "2021 remuneration of executive directors and FLT members" in the paragraph about benchmarking and in line with best market practices, starting from October 1, 2021, the base salary of the Executive Chairman has been increased to €500,000 per year. The same applies to the fixed remuneration of the current CEO increased to €1,500,000, as compared to the remuneration of the former CEO (€700,000).
Short-Term Incentive Plan	• Achieve the annual financial, operational and other targets and additional business priorities • Motivate and guide executives' activities over the short-term period	2021 Short-term incentives targets: • Based on achievement of annually predetermined performance objectives • Annual financial, operational and other identified objectives	• Executive Chairman: The compensation package for 2021 did not include any short-term incentives. • CEO: The compensation package for 2021 did not include any short-term incentives since he joined Ferrari in September 2021. • FLT Members: Variable incentive percentage of fixed remuneration based on the position held with an average target pay-opportunity equal to 100% of base salary and an average maximum pay-opportunity equal to 225% of base salary.	In order to further align Executive Chairman and CEO's compensation to the best market practices (for further details, see the section "2021 remuneration of executive directors and FLT members" in the paragraph about benchmarking), the compensation package for 2022, for both Executive Chairman and CEO will include a short-term incentive plan with a target pay-opportunity equal to 100% of base salary and maximum pay-opportunity equal to 225% of base salary.

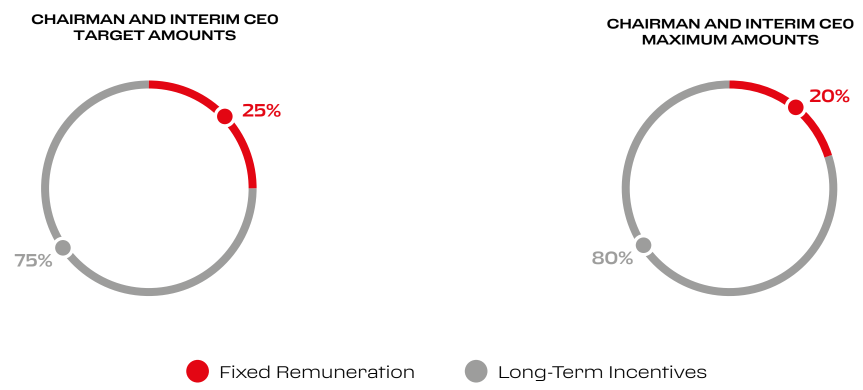
Component	Purpose	Terms and Conditions	Amounts	Outlook 2022
Long-Term Incentive Plan	• Align the behavior of executives critical to the business with shareholders' interests • Motivate executives to achieve long-term strategic objectives • Enhance retention of key resources	• Equity awards to promote creation of value for the shareholders • PSUs and RSUs: vesting in instalments • PSUs: 50% linked to TSR compared to Peer Group, 30% linked to EBITDA; 20% linked to a qualitative factor related to the sustainability and innovation of business. • The new LTI Plan 2022-2024 will introduce relevant changes as to the amount of PSUs and RSUs to be awarded to the executive directors (which will be awarded only with PSUs) and as to the metrics to which PSUs are linked.	• Executive Chairman: With reference to Long-Term Incentive Plans currently in place (LTI Plan 2020-2022 and LTI Plan 2021-2023), the target pay-opportunity is 300% and maximum pay-opportunity is 400% of base salary, in accordance with the long-term shareholder value creation and pay for performance principles of Ferrari's remuneration policy. • CEO: Our CEO will be eligible as beneficiary of Long-Term Incentive Plan starting from LTI Plan 2022-2024. • FLT Members: variable incentive percentage of fixed remuneration based on the position held with an average target opportunity equal to 125% and average maximum pay opportunity equal to 156% of base salary.	The new LTI Plan 2022-2024 for the Executive Chairman and the CEO will provide for a pay-opportunity equal to 200% and a maximum pay-opportunity equal to 274% of base salary.
Non-monetary Benefits	• Retain executives through a total reward approach • Enhance executive and employee security and productivity	• Represent an integral part of the remuneration package with welfare and retirement-related benefits	• Customary welfare, retirement-related and fringe benefits such as company cars and drivers, personal/home security, medical insurance, accident insurance, tax preparation and financial counselling	No changes
Share Ownership Guidelines	• Ensures alignment with shareholders' interests	• Executive Directors, other FLT members, other senior leaders and key employees are expected to build up share ownership over a period of 5 years	• Executive Chairman and CEO: 6 times net base salary • FLT Members: 3 times net base salary	No changes

/ 1. REMUNERATION STRATEGY FOR THE 2021 FINANCIAL YEAR

EXECUTIVE DIRECTORS' PAY-MIX

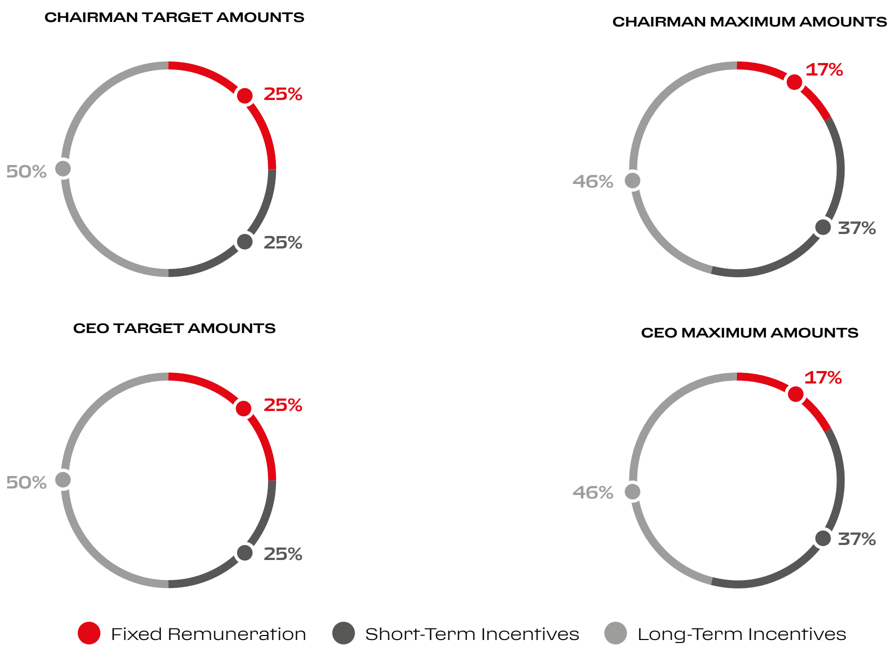
In light of the foregoing considerations, our Executive Chairman's and CEO's compensation packages are structured as follows:

2021



As shown in the charts above, our compensation structure places an appropriate amount of compensation opportunities for our Executive Chairman and CEO at risk, based on financial and non-financial performance measures and relative TSR. A significant portion of the compensation opportunities is delivered in equity, the vesting and value of which are intended to align the executive's interests with shareholder returns. The Chairman and Acting CEO compensation package for 2021 did not include any short-term incentives, which have been included in the Chairman's and CEO's compensation packages for 2022 (as shown in the charts below), in order to better align executive directors' action to Ferrari's performance and strategy and in line with best market practices (see the section "2021 remuneration of executive directors and FLT members" in the paragraph about benchmarking):

2022



Our remuneration policy is aligned with Dutch law and the Dutch Corporate Governance Code. In particular, the Dutch Corporate Governance Code (the "Code") requires listed companies to disclose certain information about the compensation of their Board and executive directors. Through this remuneration strategy, Ferrari fulfills the requirements of the Code ensuring full transparency with our shareholders.

2021 REMUNERATION OF EXECUTIVE DIRECTORS AND FLT MEMBERS

The Board of Directors determines the compensation for our executive directors following the recommendation of the Compensation Committee and with reference to the remuneration policy. The compensation structure for executive directors and FLT members includes a fixed component and a variable component based on short and long-term performance. As anticipated above, the Chairman's and Acting CEO's compensation package for 2021 did not include any short-term incentives, which have been included in the Chairman's and CEO's compensation packages for 2022 in order to make their compensation packages more competitive with the relevant market (considering the companies belonging to the Reference Panel described below).

We believe that this compensation structure promotes the interests of Ferrari in the short and the long-term and is designed to encourage the executive directors and FLT members to act in the best interests of Ferrari. In determining the level and structure of the compensation of the executive directors, the non-executive directors will take into account, among other things, Ferrari's financial and operational results and other business objectives, while considering the executive directors' view concerning the level and structure of their own remuneration. Performance targets are set by the Compensation Committee to be both achievable and stretching, considering Ferrari's strategic priorities and the automotive landscape. The performance measures that are used for variable components have been chosen to support Ferrari's strategy, long-term interests and sustainability. We establish target compensation levels using a market-based approach and we monitor compensation levels and trends in the market. We also periodically benchmark our executive compensation program against peer companies.

In particular, Ferrari identified for the role of CEO an ad hoc Reference Panel composed of 15 companies. Ferrari benchmarked its CEO's total remuneration with those of listed companies deemed comparable with Ferrari in light of some or all of the following criteria: a) representing excellence and luxury in their respective sectors; b) operating in the same business as Ferrari; c) acting in similar sectors ; d) presenting overall a similar Market Cap, Revenues and number of Employees with Ferrari. The companies in the Reference Panel used by Ferrari for the CEO's compensation benchmarking are listed below:

Chief Executive Officer Reference Panel

Aston Martin Lagonda	Brembo
Bayerische Motoren Worke	Burberry
Compagnie Financiere Richemont	Mercedes-Benz Group
Harley-Davidson	Hermes International
Kering	LVMH
Moncler	Pirelli
Renault	The Estée Lauder Companies
Volkswagen	

The Executive Chairman's Reference Panel comprises the companies of the CEO's Reference Panel which have a Chairman with powers and delegations comparable to Ferrari (5 Companies out of 15 of those inserted in CEO's Reference Panel), along with two additional companies (added in order to benchmark a statistically significant number of peers and determined based on companies that have a chairman with powers and authority comparable to the powers and authority of the Executive Chairman). The companies forming part of the Reference Panel for the Executive Chairman target compensation benchmarking are listed below:

Executive Chairman Reference Panel

Aston Martin Lagonda	Brembo
Compagnie Financiere Richemont	Ford Motors
Hermes International	Salvatore Ferragamo
The Estèe Lauder Companies	

The Executive Chairman's and the Acting CEO's Reference Panels remained unchanged in 2021.
The level and structure of the Executive Chairman's and CEO's compensation packages for 2022 have been determined taking into account the results of benchmarking conducted on the practices of the companies belonging to the abovementioned Reference Panels.

In particular, the current Executive Chairman's and CEO's compensation packages (i) have been adjusted in order to result in line with the best market practice, in terms of level of compensation and structure, and with the Ferrari's remuneration policy as approved by shareholders at the 2020 AGM; and (ii) are competitive with the companies belonging to the identified Reference Panel. More in detail, the CEO's base salary is aligned to the median of the abovementioned Reference Panel (in 2020, it was below the 25th percentile) while the Executive Chairman's base salary is slightly below the 25th percentile of the relevant Reference Panel (in the 2020 was far below the 25th percentile); the total target compensation for both of them is aligned to the median of the Reference Panel (in the 2020 were both below the 25th percentile). The same applies for the pay mix (considered as ratio between base salary, LTI and STI components) which is aligned to the best market practice.

On the basis of the remuneration policy objectives, compensation of executive directors and FLT members consists, *inter alia*, of the elements discussed below.

FIXED COMPONENT

The primary objective of the base salary (the fixed part of the annual cash compensation) for executive directors and FLT members is to attract and retain highly qualified senior executives.
Our policy is to periodically benchmark comparable salaries paid to executives with similar experience by comparable companies.

VARIABLE COMPONENTS

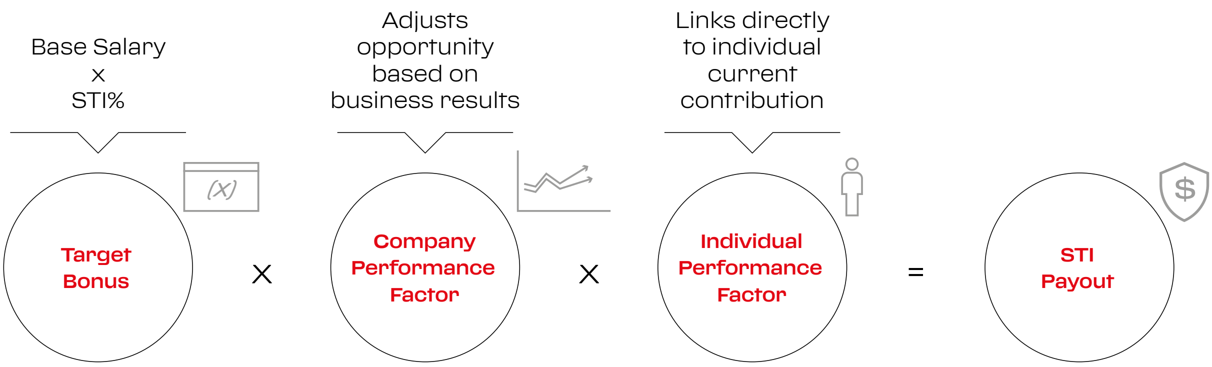
Executive directors and FLT members are also eligible to receive variable compensation subject to the achievement of pre-established financial and other identified performance targets. The short and long-term components of executive directors' and FLT members' variable remuneration are linked to predetermined, assessable targets in order to create long-term value for the shareholders.

Our variable compensation programs are designed to recruit, motivate and reward executive directors and members of the FLT delivering operational and strategic performance over time. The provisions and financial objectives of our variable compensation programs are evaluated on an annual basis and modified in accordance with industry and business conditions.

SHORT-TERM INCENTIVES (STI)

The primary objective of our performance-based short-term variable cash-based incentives is to incentivize the members of the FLT to focus on the business priorities for the current or next year. The short-term incentive plan is designed to motivate its beneficiaries to achieve challenging targets, by recognizing individual contributions to the Group's results on an annual basis. The Compensation Committee believes that it is appropriate to use a balance of corporate financial targets, strategic objectives and individual performance objectives.

The methodology for Short Term Incentive Calculation is the following:



The target level for both the Company Performance Factor and the Individual Performance Factor is 100%, reaching a possible maximum level which is equal to the 150% of target set level, resulting in a maximum pay-opportunity equal to 225% of base salary.

To determine the executive directors' annual performance bonus, the non-executive directors, upon proposal of the Compensation Committee:

- approve the executive directors' targets and maximum allowable bonuses;
- select the appropriate metrics and their weighting;
- set the stretch objectives;
- consider any unusual items in a performance year to determine the appropriate measurement of achievement; and
- approve the final bonus determination.

In 2021, the Compensation Committee defined the Company Performance Factor by reference to four metrics:

- Net Revenues (20%)
- Consolidated Adjusted EBIT (20%)
- Consolidated Adjusted EBITDA Margin (20%)
- Industrial Free Cash Flow (40%)

The Compensation Committee established challenging goals for each metric, each of which pays out independently. There is no minimum bonus payout; as a result, if none of the threshold objectives are satisfied, there is no bonus payment.

In addition, upon proposal of the Compensation Committee, the non-executive directors have authority to grant special bonuses for specific transactions that are deemed exceptional in terms of strategic importance and effect on Ferrari's results, taking into account standards of reasonableness and fairness. The form of any such bonus (cash, common shares of Ferrari or options to purchase common shares) is determined by the non-executive directors from time to time.

In particular, during 2021, a special bonus was awarded to Benedetto Vigna (subject to approval by shareholders at the 2022 Annual General Meeting) for having joined Ferrari (the "Welcome Bonus"). The attraction and the appointment of the new CEO - considering his deep understanding of the technologies driving the change in the Company's industry, and his proven innovation, business-building and leadership skills – was considered a transaction of strategic importance and effect for Ferrari's results.

Pursuant to the Welcome Bonus, the CEO has been granted (i) an extraordinary cash lump sum of €1,000,000 and (ii) 16,256 Ferrari common shares, in each case subject to approval by shareholders at the 2022 Annual General Meeting. Subject to approval by shareholders at the 2022 Annual General Meeting, the shares have been granted by Ferrari without the obligation to hold the shares for a least five years, because the attraction and the appointment of the new CEO – considering his deep understanding of the technologies driving the change in the Company's industry, and his proven innovation, business-building and leadership skills – was considered a transaction of strategic importance and effect for Ferrari's results.

With the exception of the Welcome Bonus, no special bonuses were awarded to the executive directors or members of the FLT for 2021.

As described above, our executive directors (Executive Chairman and CEO) were not included in the Short-Term Incentive Plan in 2021, but they will be included in the Short-Term Incentive Plan for 2022, in order to better align executive directors' action to Ferrari's strategy and performance and in line with best market practice.

LONG-TERM INCENTIVES (LTI)

We believe that the equity incentive plan discussed below increases the alignment between the Company's performance and shareholder interests, by linking the compensation opportunity of the executive directors and members of the FLT to increasing shareholder value.

During 2021, Ferrari had three long-term equity incentive plans in place, consistent with the Company's business plan presented at the Capital Markets Day in September 2018 and awarding to their beneficiaries a combination of performance share units ("PSUs") and restricted share units ("RSUs"), each representing the right to receive one Ferrari common share:

(i) **Equity Incentive Plan 2019-2021,** approved on February 26, 2019 by the Board of Directors, covering a performance period from 2019 to 2021, having the Executive Chairman and the former CEO of the Company, as well as members of the FLT and other key employees of the Group, as beneficiaries; this plan ended on December 31, 2021;

(ii) **Equity Incentive Plan 2020-2022**, approved on February 17, 2020 by the Board of Directors, covering a performance period from 2020 to

2022, having the Executive Chairman, as well as members of the FLT and other key employees of the Group as beneficiaries. The former CEO was not eligible for the Equity Incentive Plan 2020-2022;

(iii) **Equity Incentive Plan 2021-2023,** approved on February 26, 2021 by the Board of Directors, covering a performance period from 2021 to 2023, having the Executive Chairman and Interim CEO of the Company, as well as members of the FLT and other key members of the Group as beneficiaries.

The PSU awards are earned based on the level of achievement of defined key performance indicators relating to: i) a relative total shareholder return ("TSR") target (which is relative to the TSR of a defined peer group ("Peer Group")), ii) an EBITDA target, and iii) an innovation target. Each target is measured independently of the other targets and relates to separate portions of the aggregate awards. The RSU awards are service-based and vest conditional on the executive directors' continued employment with the Company at the time of vesting.

Details of the equity long-term incentives granted to the Executive Chairman and Interim CEO are summarized below:

	Type of Equity Long-Term Incentive Vehicle	Proportion of Equity Long-Term Grant	Vesting Cycle	Performance Metrics (Weighting) or Vesting Condition
Executive Chairman and Interim CEO	Equity Incentive Plan 2019-2021 **Performance Share Units (PSUs)**	67%	Vest at the end of 3-years Rolling Plan	1) TSR (50%) 2) EBITDA (30%) 3) Innovation Performance Goal (20%)
	Equity Incentive Plan 2019-2021 **Retention Restricted Share Units (RSUs)**	33%	Vest at the end of 3-years Rolling Plan	Conditional on continued employment

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	Equity Incentive Plan 2021-2023 **Retention Restricted Share Units (RSUs)**	33%	Vest at the end of 3-years Rolling Plan	Conditional on continued employment

The number of PSU awards earned is determined based on the level at which the three performance criteria described below are achieved. At the end of the vesting period, the total number of PSUs earned is equal to the sum of:

- the number of PSUs earned under the TSR payout factor; plus
- the number of PSUs earned under the EBITDA payout factor; plus
- the number of PSUs earned under the Innovation Performance Goal.

Metrics (weight)	Metrics (type)	Benchmark	Rationale	Link between pay and performance	
TSR (50%)	Financial criteria	Peer Group (8 companies: Ferrari, Aston Martin, Burberry, Hermes, Kering, LVMH, Moncler, Richemont)	TSR is tracked for both Ferrari and the companies in the defined Peer Group calculating starting and ending prices as an average of the 30 calendar days prior to grant and award date.	**Ranking**	**% of Target Awards**
				1°	150%
				2°	120%
				3°	100%
				4°	75%
				5°	50%
				6° - 7° - 8°	0
EBITDA (30%)	Financial criteria	5-year Business Plan	Earnings before interest, taxes, depreciation and amortization takes a company's earnings, and subtracts its cost of debt, cost of goods sold and operating expenses and taxes, resulting in an indicator of Ferrari's profitability.	**Performance**	**% of Target Awards**
				+10%	140%
				+5%	120%
				5 Years Plan	100%
				-5%	80%
				< -5%	0
Innovation Performance Factor (20%)	Non-financial criteria	Critical project milestones	The Innovation Performance Factor focuses on the new product launches in line with Ferrari's plan and on technological innovation. It is measured in terms of product launches (milestones, volumes and contribution margin), for a weight of 70%, and key technological projects, for the remaining 30%, to be achieved during the performance period.		

Our non-financial criterion, the Innovation Performance Factor, is included in the Equity Incentive Plans in order to have a performance indicator directly linked to the long-term sustainability and technological innovation of our business.

The TSR Peer Group was updated during the course of 2019 in order to consider more strategically relevant comparable companies for Ferrari and remained the same in 2020 and 2021.

In relation to the vesting of the PSUs awarded to the Executive Chairman, the vesting of all units under each plan occurs after the end of the relevant performance period (i.e., December 31, 2021, December 31, 2022 and December 31, 2023), to the extent that the conditions for vesting are satisfied.

The performance period for the Equity Incentive Plan 2019-2021 PSUs commenced on January 1, 2019 and terminated on December 31, 2021. The fair value of the awards used for accounting purposes was measured at the grant date using a Monte Carlo Simulation model. The fair value of the PSUs that were granted to Mr. Elkann in 2019 is € 111.64 per share.

The key assumptions used to calculate the grant-date fair values for these awards are summarized below:

Key Assumptions	PSU Awards Granted to the Chairman in 2019
Grant date share price	€122.90
Expected volatility	26.5%
Dividend yield	0.9%
Risk-free rate	0%

The performance period for the Equity Incentive Plan 2020-2022 PSUs commenced on January 1, 2020. The fair value of the awards used for accounting purposes was measured at the grant date using a Monte Carlo Simulation model. The fair value of the PSUs that were granted to Mr. Elkann in 2020 is €136.06 per share.

The key assumptions used to calculate the grant-date fair values for these awards are summarized below:

Key Assumptions	PSU Awards Granted to the Chairman in 2020
Grant date share price	€142.95
Expected volatility	26.6%
Dividend yield	0.8%
Risk-free rate	0%

The performance period for the Equity Incentive Plan 2021-2023 PSUs commenced on January 1, 2021. The fair value of the awards used for accounting purposes was measured at the grant date using a Monte Carlo Simulation model. The fair value of the PSUs that were granted to Mr. Elkann in 2021 is €130.42 per share.

Key Assumptions	PSU Awards Granted to the Executive Director in 2021
Grant date share price	€175.80
Expected volatility	27.0%
Dividend yield	0.75%
Risk-free rate	0%

The expected volatility was based on the observed volatility of the defined Peer Group. The risk-free rate was based on the iBoxx sovereign Eurozone yield.

The RSUs granted to Mr. Elkann under the Equity Incentive Plan 2019-2021 vested at the end of the three-years cliff vesting period in 2022, while the RSUs granted under the Equity Incentive Plan 2020-2022 and the Equity Incentive Plan 2021-2023 will vest in 2023 and 2024 at the end of the three-years cliff vesting period, subject to continued employment with the Company.

The fair value of the RSUs that were granted to Mr. Elkann in 2019 is 119.54 per share, the fair value of the RSUs that were granted to Mr. Elkann in 2020 is €139.39 per share and the fair value of the RSUs that were granted to the Chairman and Interim CEO in 2021 is €171.86 per share.

EQUITY INCENTIVE PLAN 2022-2024
DESIGN MAIN FEATURES

The design of the new Equity Incentive Plan 2022-2024, which Ferrari will implement in 2022, subject to the approval of the next Annual General Meeting, provides for significant changes compared to the former Long-Term Equity Incentive Plans. The main changes, which will be better illustrated in the Agenda and Explanatory Notes of the Annual General Meeting to be held in April 2022, include:

- **Combination of PSUs and RSUs:** different weight of their distribution in relation to the responsibilities and the level of contribution to the results of each cluster of beneficiaries. Executive Directors will be entitled only to PSUs in order to strengthen the alignment of their long-term interests with those of shareholders;
- **Financial criteria related to the vesting of PSUs:** TSR Peer Group will be updated in order to consider more comparable companies to Ferrari and the pay-out scale will be amended accordingly, requiring performance at the benchmark median before rewarding beneficiaries;
- **Non-financial criteria:** the Innovation Performance Factor will be replaced by two ESG-related criteria.

OTHER BENEFITS

Executive directors may also be entitled to customary fringe benefits such as personal use of aircraft, company cars and drivers, personal/home security, medical insurance, accident insurance, tax preparation and financial counselling. The Compensation Committee may grant other benefits to the executive directors in particular circumstances.

SEVERANCE

The terms of service of the CEO provide that termination of the contract by either party is subject to six months' notice period. However, if the Company terminates his services for reasons other than for just cause (as defined) or if he terminates his services due to the reduction or limitations of his managing powers or following his dismissal in case of change of control, the Company shall pay the CEO an amount equal to 18 monthly installments of his base monthly salary, including any amount due for the six months' notice period (which means that the severance amount does not exceed 12 months' salary, in line with the Code), plus the accrued pro rata of the Company's contribution to the pension fund as well as STI and LTI variable compensation accrued at the date of termination of employment. If an actual severance payment will be made at the termination of employment and such severance payment would exceed 12 months' base salary, then a disclosure will be made in line with the Code.

If within twenty-four months following a change of control (as defined), the Chairman's services are terminated by the Company (other than for cause), or are terminated by the Chairman for good reason, the Chairman is entitled to receive the accelerated vesting of awards under his long-term incentive plan.

INTERNAL PAY RATIOS

In line with the Dutch Corporate Governance Code, the internal pay ratio is an important input for determining the Remuneration Policy for the Board of Directors. In addition, also in line with new guidance on methodology, the Company has applied a different methodology when compared to previous years.
For the financial year 2021 the internal pay ratio (the ratio between (i) the total annual remuneration of the CEO and (ii) the average annual remuneration of the employees of the company and the group companies of which the company consolidates the financial data) is as follows: using the CEO's total annual remuneration[41] provided for 2021 (€4,486,151), the resulting CEO pay ratio versus the average employee annual remuneration[42] was 48.4 (in 2020: 87.4).
The value of the CEO pay ratio as compared with the pay ratios disclosed in the previous years is not representative due to the change of the calculation methodology, as explained above. For this reason and in order to provide a comparison, the table below reports the pay ratios of the previous years calculated following the current calculation methodology.

	2021	2020	2019
CEO Total Remuneration Costs (A)	4,486,151	6,835,721	8,631,030
Average Employee (FTE) Total Remuneration Costs (B)	92,656	78,193	83,780
PAY RATIO (A/B)	**48.4**	**87.4**	**103.0**

The decrease in the pay ratio in 2021 when compared to 2020 can be explained, *inter alia*, by the fact that for 2020 and 2019 the pay ratio is calculated considering the remuneration of the former CEO, Louis Camilleri, whose compensation package was different from that of the current CEO and included a large portion of LTI variable compensation.

For 2021 the pay ratio is calculated considering the remuneration of the current CEO, Benedetto Vigna payable for the period from September 16, 2021 which includes a one-off Welcome Bonus. There is no significant difference between the pay ratio so calculated and the pay ratio calculated based on the target remuneration elements pro rated on a full year basis. In addition, the compensation payable to Mr. Elkann as interim CEO during 2021 is not included in the calculation of the pay ratio, because such compensation has been forfeited by Mr. Elkann (see *"—Implementation of Remuneration Strategy in 2021—Directors' Compensation"* below).

RECOUPMENT OF INCENTIVE COMPENSATION (CLAW BACK POLICY)

The Equity Incentive Plans (the Equity Incentive Plan 2019-2021, the Equity Incentive Plan 2020-2022 and the Equity Incentive Plan 2021-2023) include a claw back clause, which allows the Company to claim the refund of part or all of the variable component of remuneration awarded or paid on the basis of information or data that subsequently prove manifestly incorrect, if the Board of Directors determines that circumstances that would have constituted "cause" (as defined) existed while the remuneration remained unvested or due to the beneficiaries' fraud or negligence (each, a "Recovery Event").

In particular, if a Recovery Event occurs within two years after the payment of cash or delivery of any shares in respect of the PSUs or RSUs, a participant will be required to repay the net amount received, as determined by the Board of Directors in its discretion.

(41) The total annual remuneration of the CEO includes all remuneration components (such as fixed remuneration, variable remuneration in cash (bonus), the share-based portion of the remuneration (value of the share-based payment is determined at the time of allocation in line with the applicable regulations under IFRS), social premiums, pension, expense allowance, et cetera), as included in the (consolidated) financial statements on an IFRS basis.

(42) The average annual remuneration of the employees is determined by dividing the total wage costs in the financial year (as included in the (consolidated) financial statements on an IFRS basis) by the average number of FTEs during the financial year. Hiring of external employees is taken into account on a pro rata basis, insofar as these are hired for at least three months during the financial year.

STOCK OWNERSHIP

In 2019 the Board of Directors determined stock ownership guidelines applicable to Ferrari's directors and certain employees, recognizing the critical role that stock ownership has in aligning the interests, in particular, of Ferrari's Executive Chairman, CEO, FLT members and senior leaders and key employees with those of the shareholders. As of the end of the 2021 financial year, covered employees should own Ferrari common shares in the following minimum amounts (as a multiple of net base salary):

Incumbent	Share Ownership Guideline
Executive Chairman and Chief Executive Officer	6 times net base salary
Other FLT members	3 times net base salary
Other senior leaders	1.5 times net base salary
Other key employees	1 times net base salary

The above listed covered employees are required to achieve the applicable ownership threshold within five years, through acquisitions of Ferrari common shares as a result of the vesting of PSUs or RSUs until the required ownership level has been met, excluding any shares sold to pay taxes in connection with the granting of those shares. In addition to the stock ownership guidelines, the Executive Chairman and the CEO are each required to retain one hundred percent (100%) of the number of shares of common stock issued, on a net, after-tax basis, upon vesting and settlement of any equity awards granted to such individual until the fifth anniversary of the grant date of such award other than in the event of death, termination of service due to total disability, approved leave of absence or retirement.

SCENARIO ANALYSIS

On an annual basis, the non-executive directors, upon proposal of the Compensation Committee, examine the relationship between the performance criteria chosen and the possible outcomes for the variable remuneration of our executive directors (scenario analysis). To date, the non-executive directors believe the remuneration policy has proven effective in terms of establishing a correlation between Ferrari's strategic goals and the chosen performance criteria, as the main key performance criteria of our executive directors' long-term incentive plan (i.e. the TSR, EBITDA and Innovation Performance Factor), which represents a significant part of the Chairman's and the CEO's compensation package, supports both Ferrari's business strategy and value creation for our shareholders. As specified above, in 2022 the non-financial criteria will be updated, replacing the Innovation Performance Factor with two ESG-related factors.

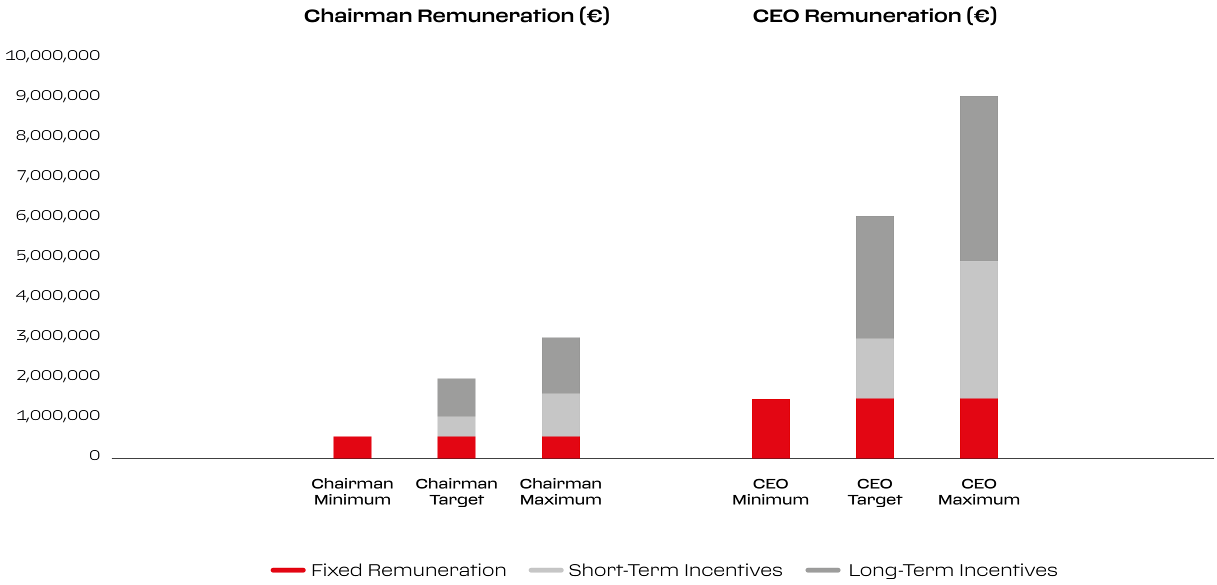
The Compensation Committee evaluates the mix of variable compensation linked to financial and non-financial performance, as well as shareholder returns, taking also into account the wages and employment conditions of our employees. Our incentive plans are based on peer and market benchmarked performance metrics.

In the event that specific long-term threshold performance targets are not achieved, there will be no variable pay vesting or payout for executive directors for the relevant period.

The following table and chart describe compensation levels that the Executive Chairman and the CEO could receive in 2022 (2021 has not been considered since less representative) under the compensation packages to be implemented and different scenarios in a calendar year, assuming a constant share price (i.e. no appreciation):

/ 1. REMUNERATION STRATEGY FOR THE 2021 FINANCIAL YEAR

Element of remuneration	Details of assumption
Fixed remuneration	This comprises base salary with effect from January 1, 2022. The Executive Chairman salary is €500,000 (starting from October 1, 2021) and the CEO annualized salary is €1,500,000.
Short-term Incentive Plan	Subject to approval by the next Annual General Meeting, the compensation packages for 2022 for the Chairman and the CEO will include a short-term incentive plan with a target pay-opportunity equal to 100% of base salary and maximum pay-opportunity equal to 225% of base salary.
Long-term Incentive Plan	The new LTI Plan 2022-2024 will introduce significant changes as to the amount of PSUs and RSUs to be awarded to the executive directors (which will be awarded only with PSUs) and as to the metrics to which PSUs are linked. Executive Chairman and CEO: • in case of failure to achieve any of the performance criteria the scenario assumes no award of PSUs; • in case of achievement of the targets for each of the performance criteria, the scenario assumes an award equal to target pay opportunity (200% of base salary); • in case of achievement of the maximum level of each performance criteria the scenario assumes the award equal to maximum pay opportunity (274% of base salary).



N.B. Details about the Chairman and the CEO's actual 2021 remuneration are included in section 2. Implementation of remuneration policy in 2021.

REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS

Remuneration of non-executive directors is approved by the Company's shareholders and periodically reviewed by the Compensation Committee.

Remuneration of non-executive directors is fixed and not dependent on the Company's financial results. Non-executive directors are not eligible for variable compensation and do not participate in any incentive plans.

The current annual remuneration for the non-executive directors (which was approved at the AGM, held on April 15, 2020) is shown in the table below:

Non-Executive Director Compensation	U.S. $
Annual cash retainer	$75,000
Additional retainer for Audit Committee member	$10,000
Additional retainer for Audit Committee Chairman	$20,000
Additional retainer for Compensation Committee member	$5,000
Additional retainer for Compensation Committee Chairman	$15,000
Additional retainer for ESG Committee member	$5,000
Additional retainer for ESG Committee Chairman	$15,000
Additional retainer for the senior non-executive Director	$25,000

All remuneration of the non-executive directors is paid in cash.

REMUNERATION OF OTHER EMPLOYEES

Ferrari aims to provide a market-competitive and fair remuneration package for its workforce, in line with the remuneration policy and in order to better pursue the Company's strategy and purpose and contribute to long-term value creation.

Furthermore, Ferrari operates a merit-based remuneration policy, not discriminating on the basis of gender, age, nationality, social status or cultural background. In 2020, Ferrari S.p.A. started an in-depth analysis on equal remuneration, which led, in July 2020, to the award of the Equal Salary Certificate for providing equal pay to men and women with the same qualifications and positions in the Company which has been maintained also in 2021. This award is a testament to the Company's commitment to creating an inclusive and diverse working environment while fostering career development for all. Ferrari was the first Italian Company to receive this award The certification process included a detailed statistical analysis of compensation levels, which revealed that Ferrari is one of Europe's companies successfully eliminating the gender pay gap. Ferrari sees this certification not as an end point but as a further stage of growth and an opportunity to implement tangible actions to ensure that everyone can pursue his own professional growth.

The same process was conducted in 2020 also for Ferrari North America Inc. which has been awarded with the Equal Salary Certification as well as Ferrari S.p.A. and maintains it in 2021.

2. IMPLEMENTATION OF REMUNERATION STRATEGY IN 2021

INTRODUCTION

This section sets out the implementation of Ferrari's remuneration strategy for the year ended December 31, 2021. The remuneration granted in the year ended December 31, 2021 is in accordance with the substance and the procedures of the remuneration strategy (as set out above) and therefore we believe it allows us to seek to attract and retain the most highly qualified executive talent and motivate such executives to achieve business and financial goals that create long-term value for shareholders in a manner consistent with our core business and leadership values and taking into account the social context around the Company.

DIRECTORS' COMPENSATION

The following table summarizes the remuneration received by the members of the Board of Directors for the year ended December 31, 2021 from Ferrari and its subsidiaries.

Name	Office held	Fixed remuneration		Variable remuneration (€)	Extraordinary items (€)	Pension expense (€)	Total remuneration [4][5] (€)
		Annual fee (€)	Fringe benefits (€)				
John Elkann [1]	Chairman and Executive Director	325,405	11,533[3]	— [*]	—	—	336,938
Benedetto Vigna [2]	Chief Executive Officer and Executive Director	500,000	3,852[3]	—	3,982,299[6]	—	4,486,151
Total	**Executive Directors**	**825,405**	**15,385**	**—**	**3,982,299**	**—**	**4,823,089**
Piero Ferrari	Vice Chairman and Non-Executive Director	68,825	12,237[3]	—	—	—	81,062
Sergio Duca	Senior Non-Executive Director	103,238	—	—	—	—	103,238
Delphine Arnault	Non-Executive Director	68,171	—	—	—	—	68,171
Francesca Bellettini	Non-Executive Director	73,127	—	—	—	—	73,127
Roberto Cingolani [5]	Non-Executive Director	8,225	—	—	—	—	8,225
Eddy Cue	Non-Executive Director	73,127	—	—	—	—	73,127
John Galantic	Non-Executive Director	77,429	—	—	—	—	77,429
Maria Patrizia Grieco	Non-Executive Director	73,127	—	—	—	—	73,127
Adam Keswick	Non-Executive Director	64,524	—	—	—	—	64,524
Total	**Non-Executive Directors**	**609,793**	**12,237**	**—**	**—**	**—**	**622,030**

(1) From 01/01/2021 to 09/15/2021: Chairman, CEO and Executive Director. From 09/16/2021 to 12/31/2021: Chairman, and Executive Director.

(2) Mr. Vigna joined Ferrari as CEO and Executive Director on 09/16/2021.

(3) Relate to car benefits provided to Mr. Vigna, Mr. Elkann and Mr. Ferrari in accordance with the remuneration policy.

(4) Certain amounts have been translated from U.S. Dollars to Euro.

(5) Mr. Roberto Cingolani was Non-Executive Director from 04/16/2020 to 02/13/2021.

(6) As a Welcome Bonus for having joined Ferrari, the CEO has been granted (i) an extraordinary lump sum of €1,000,000 and (ii) 16,256 Ferrari common shares, in each case subject to approval by shareholders at the 2022 Annual General Meeting.

(*) For information regarding equity-based variable compensation see Share- Based Compensation of Executive Directors below.

The Chairman, Mr. John Elkann, asked not to receive any remuneration for the period during which he served as Interim CEO. The Board of Directors acknowledged this and decided to allocate an equivalent sum as a charitable donation to an education fund with the mandate to provide locally quality, fair and inclusive education as well as equal learning opportunities.

The following table summarizes the remuneration received by the members of the Board of Directors for the year ended December 31, 2020 from Ferrari and its subsidiaries.

Name	Office held	Fixed remuneration		Variable remuneration (€)	Extraordinary items (€)	Pension expense (€)	Total remuneration [4] (€)
		Annual fee (€)	Fringe benefits (€)				
John Elkann [1]	Chairman and Executive Director	65,904	11,886[3]	—[*]	—	—	77,790
Louis C. Camilleri [2]	Chief Executive Officer and Executive Director	363,960	11,886[3]	—[*]	—	—	375,846
Total	**Executive Directors**	**429,864**	**23,772**	**—**	**—**	**—**	**453,636[5]**
Piero Ferrari	Vice Chairman and Non-Executive Director	18,155	11,886[3]	—	—	—	30,041
Sergio Duca	Senior Non-Executive Director	27,233	—	—	—	—	27,233
Delphine Arnault	Non-Executive Director	17,020	—	—	—	—	17,020
Francesca Bellettini [6]	Non-Executive Director	—	—	—	—	—	—
Giuseppina Capaldo [7]	Non-Executive Director	23,829	—	—	—	—	23,829
Roberto Cingolani [8]	Non-Executive Director	—	—	—	—	—	—
Eddy Cue	Non-Executive Director	19,290	—	—	—	—	19,290
John Galantic [6]	Non-Executive Director	—	—	—	—	—	—
Maria Patrizia Grieco	Non-Executive Director	19,290	—	—	—	—	19,290
Adam Keswick	Non-Executive Director	17,020	—	—	—	—	17,020
Elena Zambon [7]	Non-Executive Director	17,020	—	—	—	—	17,020
Total	**Non-Executive Directors**	**158,857**	**11,886**	**—**	**—**	**—**	**170,743[5]**

(1) From 01/01/2020 to 12/15/2020: Chairman and Executive Director. From 12/15/2020 to 12/31/2020: Chairman, CEO and Executive Director.
(2) Mr. Camilleri was CEO until 12/10/2020.
(3) Relate to car benefits provided to Mr. Camilleri, Mr. Elkann and Mr. Ferrari in accordance with the remuneration policy.
(4) Certain amounts have been translated from U.S. Dollars to Euro.
(5) In response to the healthcare crisis caused by the COVID-19 pandemic, the Board of Directors waived their full cash compensation from April to the end of the year to help fund Company initiatives to support the communities in which Ferrari operates.
(6) Mrs. Francesca Bellettini and Mr. John Galantic were Non-Executive Directors from 04/16/2020.
(7) Mrs. Elena Zambon and Mrs. Giuseppina Capaldo were Non-Executive Directors from 01/01/2020 to 04/16/2020.
(8) Mr. Roberto Cingolani was Non-Executive Director from 04/16/2020 to 02/13/2021.
(*) For information regarding equity-based variable compensation see Share- Based Compensation of Executive Directors below.

The following table shows a comparison of the total remuneration of directors over the last five years, based on Ferrari directors who served as directors in 2021.

		Directors' Total Remuneration (€)				
Name	**Office held**	**2021**	**2020**	**2019**	**2018**	**2017**
John Elkann (*)	Chairman and Executive Director	336,938(1)	77,790	223,586	92,579(3)	115,317
Benedetto Vigna (*)	Chief Executive Officer and Executive Director	4,486,151(6)	—	—	—	—
Louis C. Camilleri (*)	Former Chief Executive Officer and Executive Director	—	375,846(4)	887,255	270,412(5)	133,021
Piero Ferrari	Vice Chairman and Non-Executive Director	81,062	30,041	83,472	80,546	111,919
Sergio Duca	Senior Non-Executive Director	103,238	27,233	109,810	94,890(7)	119,743
Delphine Arnault	Non-Executive Director	68,171	17,020	67,080	63,889	97,614
Francesca Bellettini (8)	Non-Executive Director	73,127	—	—	—	—
Roberto Cingolani (10)	Non-Executive Director	8,225	—	—	—	—
Eddy Cue	Non-Executive Director	73,127	19,290	73,542	68,149	102,039
John Galantic (8)	Non-Executive Director	77,429	—	—	—	—
Maria Patrizia Grieco	Non-Executive Director	73,127	19,290	76,024	72,408	106,465
Adam Keswick	Non-Executive Director	64,524	17,020	67,080	63,889	97,614
Adjusted EBITDA		1,531	1,143	1,269	1,114	1,036
Average Ferrari Share Price		185.25	155.98	131.44	105.49	79.93
Median fixed remuneration of employees (**)		34,071	32,876	31,782	30,600	30,385

(1) From 01/01/2021 to 09/15/2021: Chairman, CEO and Executive Director. From 09/16/2021 to 12/31/2021: Chairman and Executive Director.

(2) From 01/01/2019 to 04/12/2019: Chairman and Non-Executive Director. From 04/12/2019 to 12/31/2019: Chairman and Executive Director.

(3) From 01/01/2018 to 07/21/2018: Vice Chairman and Non-Executive Director. From 07/21/2018 to 12/31/2018: Chairman and Non-Executive Director.

(4) Chief Executive Officer and Executive Director until 12/10/2020.

(5) From 01/01/2018 to 07/21/2018: Senior Non-Executive Director. From 09/07/2018 to 12/31/2018: Chief Executive Officer and Executive Director.

(6) Mr. Vigna joined Ferrari as CEO and Executive Director on 09/16/2021. As a Welcome Bonus for having joined Ferrari, the CEO has been granted (i) an extraordinary lump sum of €1,000,000 and (ii) 16,256 Ferrari common shares, in each case subject to approval by shareholders at the 2022 Annual General Meeting.

(7) From 07/21/2018 to 12/31/2018: Senior Non-Executive Director

(8) Mrs. Francesca Bellettini and Mr. John Galantic were Non-Executive Directors from 04/16/2020.

(9) Mr. Roberto Cingolani was Non-Executive Director from 04/16/2020 to 02/13/2021.

(*) For information regarding equity-based variable compensation see Share- Based Compensation of Executive Directors below.

(**) This information does not include the "Premio di Competitività", which is on top of the fixed remuneration.

As a Welcome Bonus for having joined Ferrari, the CEO has been granted (i) an extraordinary lump sum of €1,000,000 and (ii) 16,256 Ferrari common shares, in each case subject to approval by shareholders at the 2022 Annual General Meeting.

SHARE-BASED COMPENSATION OF EXECUTIVE DIRECTORS

The following table provides an overview of the outstanding Equity Incentive Plans provided to Ferrari Executive Directors in 2021:

	Main conditions of share award plans				Movements in share awards during 2021				
Name, position	**Plan**	**Performance period**	**Grant date**	**Vesting date**	**Number of unvested shares at January 1, 2021**	**Shares awarded**	**Shares vested**	**Number of unvested shares at December 31, 2021**	***of which are subject to performance conditions***
John Elkann, Executive Chairman	Equity Incentive Plan 2019-2021	2019 - 2021	April 2019	March 2022	20,703	—	—	20,703	*13,802*
	Equity Incentive Plan 2020-2022	2020 - 2022	April 2020	March 2023	4,829	—	—	4,829	*3,219*
	Equity Incentive Plan 2021-2023	2021 - 2023	April 2021	March 2024	—	4,448	—	4,448	*2,965*
Louis C. Camilleri, Former Chief Executive Officer	Equity Incentive Plan 2019-2021	2019 - 2021	April 2019	March 2020 March 2021 March 2022	100,479	—	100,479	—	—

COMPENSATION OF THE MEMBERS OF THE FLT

The compensation paid to or accrued during the year ended December 31, 2021 by Ferrari and its subsidiaries to the members of the FLT (excluding the CEO) amounted to €18.7 million in aggregate, €14.1 million for salary and other short-term benefits (which is linked to the FY 2021 performance and represents slightly more than the target set levels), €4.2 million for share-based compensation in relation to PSUs and RSUs awarded under the Group's Equity Incentive Plans (2019-2021; 2020-2022; 2021-2023) and €0.4 million for the Group's contributions to pension funds. The PSU and RSU awards will vest in March 2022, 2023 and 2024, subject to continued employment and, for the PSU awards, to the achievement of performance conditions related to TSR, EBITDA and Innovation, as described above. Given Ferrari's third place positioning in the TSR ranking against the Peer Group (corresponding to the vesting of 100 per cent. of the target PSUs awarded) for the vesting of the Equity Incentive Plan 2016-2020, which covers the performance period from 2018 to 2020, ending at December 31, 2020, 37,082 PSUs and 19,812 RSUs had vested for FLT members.

DIRECTOR AND OFFICER OVERLAPS

There are overlaps among certain directors and officers of Stellantis (formerly FCA) and our directors and officers. These individuals owe duties both to us and to the other companies that they serve as officers and/or directors. This may raise certain conflicts of interest as, for example, these individuals review opportunities that may be appropriate or suitable for both Ferrari and such other companies, or business transactions are pursued in which both Ferrari and such other companies have an interest, such as Ferrari's arrangement to supply engines for Maserati cars. For example, Mr. John Elkann our Chairman, is also the Chairman of Stellantis and the Chairman and Chief Executive Officer of Exor. At February 14, 2022, Exor held approximately 24.21 percent of our outstanding common shares and approximately 36.00 percent of the voting power in the Company, while it holds approximately 14.4 percent of the outstanding common shares in Stellantis, based on SEC filings. The percentages of ownership and voting power above are calculated based on the number of outstanding shares net of treasury shares. See "*Risk Factors - Risks related to our Common Shares - We may have potential conflicts of interest with Stellantis and Exor and its related companies*".

FINANCIAL STATEMENTS

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

(€ thousand)

		For the years ended December 31,		
	Note	2021	2020	2019
Net revenues	4	4,270,894	3,459,790	3,766,615
Cost of sales	5	2,080,613	1,686,324	1,805,310
Selling, general and administrative costs	6	348,024	336,126	343,179
Research and development costs	7	768,104	707,385	699,211
Other expenses/(income), net	8	5,561	18,475	4,991
Result from investments		6,896	4,647	3,522
EBIT		**1,075,488**	**716,127**	**917,446**
Net financial expenses	9	33,257	49,092	42,082
Profit before taxes		**1,042,231**	**667,035**	**875,364**
Income tax expense	10	209,095	58,155	176,656
Net profit		**833,136**	**608,880**	**698,708**
Net profit attributable to:				
Owners of the parent		*830,767*	*607,817*	*695,818*
Non-controlling interests	3	*2,369*	*1,063*	*2,890*
Basic earnings per common share (in €)	12	**4.50**	**3.29**	**3.73**
Diluted earnings per common share (in €)	12	**4.50**	**3.28**	**3.71**

The accompanying notes are an integral part of the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

(€ thousand)

		For the years ended December 31,		
	Note	2021	2020	2019
Net profit		**833,136**	**608,880**	**698,708**
Items that will not be reclassified to the consolidated income statement in subsequent periods:				
(Losses)/Gains on remeasurement of defined benefit plans	20	(463)	34	(2,078)
Related tax impact	20	110	1	456
Total items that will not be reclassified to the consolidated income statement in subsequent periods		**(353)**	**35**	**(1,622)**
Items that may be reclassified to the consolidated income statement in subsequent periods:				
(Losses)/Gains on cash flow hedging instruments	20	(64,130)	40,109	(2,272)
Exchange differences on translating foreign operations	20	14,229	(11,731)	2,652
Related tax impact	20	17,960	(11,291)	610
Total items that may be reclassified to the consolidated income statement in subsequent periods		**(31,941)**	**17,087**	**990**
Total other comprehensive (loss)/income, net of tax		**(32,294)**	**17,122**	**(632)**
Total comprehensive income		**800,842**	**626,002**	**698,076**
Total comprehensive income attributable to:				
Owners of the parent		*797,988*	*625,053*	*695,075*
Non-controlling interests		*2,854*	*949*	*3,001*

The accompanying notes are an integral part of the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2021 AND 2020

(€ thousand)

		At December 31,	
	Note	2021	2020
Assets			
Goodwill	13	785,182	785,182
Intangible assets	14	1,138,173	979,290
Property, plant and equipment	15	1,353,165	1,226,630
Investments and other financial assets	16	54,509	42,841
Deferred tax assets	10	168,757	152,221
Total non-current assets		**3,499,786**	**3,186,164**
Inventories	17	540,575	460,617
Trade receivables	18	185,000	184,260
Receivables from financing activities	18	1,143,968	939,607
Current tax receivables	18	14,306	12,438
Other current assets	18	122,224	76,471
Current financial assets	19	13,500	40,084
Cash and cash equivalents		1,344,146	1,362,406
Total current assets		**3,363,719**	**3,075,883**
Total assets		**6,863,505**	**6,262,047**
Equity and liabilities			
Equity attributable to owners of the parent		2,205,898	1,785,186
Non-controlling interests	3	5,518	4,018
Total equity	20	**2,211,416**	**1,789,204**
Employee benefits	22	101,200	59,985
Provisions	23	150,868	155,335
Deferred tax liabilities	10	95,973	113,474
Debt	24	2,630,011	2,724,745
Other liabilities	25	726,775	687,462
Other financial liabilities	19	36,520	2,140
Trade payables	26	797,832	713,807
Current tax payables		112,910	15,895
Total equity and liabilities		**6,863,505**	**6,262,047**

The accompanying notes are an integral part of the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

(€ thousand)

	For the years ended December 31,		
	2021	2020	2019
Cash and cash equivalents at the beginning of the year	**1,362,406**	**897,946**	**793,664**
Cash flows from operating activities:			
Profit before taxes	1,042,231	667,035	875,364
Amortization and depreciation	455,989	426,637	351,946
Provision accruals	30,284	25,805	14,253
Result from investments	(6,896)	(4,647)	(3,522)
Net finance costs	33,257	49,092	42,082
Other non-cash expenses, net	23,941	39,073	38,987
Change in inventories	(81,309)	(67,797)	(40,627)
Change in trade receivables	1,771	44,477	(22,377)
Change in trade payables	72,568	8,594	53,940
Change in receivables from financing activities	(122,746)	(69,376)	(76,694)
Change in other operating assets and liabilities	(29,840)	(137,313)	145,547
Finance income received	1,679	2,109	3,274
Finance costs paid	(29,202)	(54,427)	(42,600)
Income tax paid	(109,001)	(91,051)	(33,480)
Total cash flows from operating activities	**1,282,726**	**838,211**	**1,306,093**
Cash flows used in investing activities:			
Investments in property, plant and equipment	(352,316)	(357,018)	(352,154)
Investments in intangible assets	(384,827)	(351,978)	(353,458)
Proceeds from the sale of property, plant and equipment and intangible assets	4,405	969	4,539
Total cash flows used in investing activities	**(732,738)**	**(708,027)**	**(701,073)**
Cash flows (used in)/from financing activities:			
Repayment of bonds and notes	(500,000)	—	(315,395)
Proceeds from bonds and notes	149,495	640,073	298,316
Net change in borrowings to banks and other financial institutions	121,385	(1,740)	(3,516)
Proceeds from securitizations, net of repayments	71,444	44,126	92,173
Repayment of lease liabilities	(21,605)	(20,035)	(3,896)
Net change in other debt	(8,037)	18,081	12,322
Dividends paid to owners of the parent	(160,101)	(208,100)	(192,664)
Dividends paid to non-controlling interests	(1,354)	(2,929)	(2,120)
Share repurchases	(230,899)	(129,793)	(386,749)
Total cash flows (used in)/from financing activities	**(579,672)**	**339,683**	**(501,529)**
Translation exchange differences	11,424	(5,407)	791
Total change in cash and cash equivalents	**(18,260)**	**464,460**	**104,282**
Cash and cash equivalents at the end of the year	**1,344,146**	**1,362,406**	**897,946**

The accompanying notes are an integral part of the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

(€ thousand)

	Share capital	Retained earnings and other reserves	Cash flow hedge reserve	Currency translation differences	Remeasurement of defined benefit plans	Equity attributable to owners of the parent	Non-controlling interests	Total
At January 1, 2019	**2,504**	**1,319,478**	**(2,992)**	**37,850**	**(8,118)**	**1,348,722**	**5,117**	**1,353,839**
Net profit	—	695,818	—	—	—	**695,818**	2,890	**698,708**
Other comprehensive income/(loss)	—	—	(1,662)	2,541	(1,622)	**(743)**	111	**(632)**
Dividends to owners of the parent	—	(193,238)	—	—	—	**(193,238)**	—	**(193,238)**
Dividends to non-controlling interests	—	—	—	—	—	**—**	(2,120)	**(2,120)**
Share repurchases	—	(386,749)	—	—	—	**(386,749)**	—	**(386,749)**
Share-based compensation	—	17,480	—	—	—	**17,480**	—	**17,480**
Special voting shares issuance [1]	69	(69)	—	—	—	**—**	—	**—**
At December 31, 2019	**2,573**	**1,452,720**	**(4,654)**	**40,391**	**(9,740)**	**1,481,290**	**5,998**	**1,487,288**
Net profit	—	607,817	—	—	—	**607,817**	1,063	**608,880**
Other comprehensive income/(loss)	—	—	28,818	(11,617)	35	**17,236**	(114)	**17,122**
Dividends to owners of the parent	—	(208,765)	—	—	—	**(208,765)**	—	**(208,765)**
Dividends to non-controlling interests	—	—	—	—	—	**—**	(2,929)	**(2,929)**
Share repurchases	—	(129,793)	—	—	—	**(129,793)**	—	**(129,793)**
Share-based compensation	—	17,401	—	—	—	**17,401**	—	**17,401**
At December 31, 2020	**2,573**	**1,739,380**	**24,164**	**28,774**	**(9,705)**	**1,785,186**	**4,018**	**1,789,204**
Net profit	—	830,767	—	—	—	**830,767**	2,369	**833,136**
Other comprehensive income/(loss)	—	—	(46,170)	13,744	(353)	**(32,779)**	485	**(32,294)**
Dividends to owners of the parent	—	(160,272)	—	—	—	**(160,272)**	—	**(160,272)**
Dividends to non-controlling interests	—	—	—	—	—	**—**	(1,354)	**(1,354)**
Share repurchases	—	(230,899)	—	—	—	**(230,899)**	—	**(230,899)**
Share-based compensation	—	13,895	—	—	—	**13,895**	—	**13,895**
Other movements	—	(418)	—	—	418	**—**	—	**—**
At December 31, 2021	**2,573**	**2,192,453**	**(22,006)**	**42,518**	**(9,640)**	**2,205,898**	**5,518**	**2,211,416**

(1) See Note 20 "Equity" for additional details.

The accompanying notes are an integral part of the Consolidated Financial Statements.

1. BACKGROUND AND BASIS OF PREPARATION

BACKGROUND

Ferrari is among the world's leading luxury brands. The activities of Ferrari N.V. (herein referred to as "Ferrari" or the "Company" and together with its subsidiaries the "Group") and its subsidiaries are focused on the design, engineering, production and sale of luxury performance sports cars. The cars are designed, engineered and produced in Maranello and Modena, Italy and sold in more than 60 markets worldwide through a network of 172 authorized dealers operating 191 points of sale. The Ferrari brand is licensed to a selected number of producers and retailers of luxury and lifestyle goods, with Ferrari branded merchandise also sold through a network of 16 Ferrari-owned stores and 14 franchised stores (including 12 Ferrari Store Junior), as well as on Ferrari's website. To facilitate the sale of new and pre-owned cars, the Group provides various forms of financing to clients and dealers, including through cooperation and other agreements with certain financial institutions. Ferrari also participates in the Formula 1 World Championship through Scuderia Ferrari. The activities of Scuderia Ferrari are a core element of Ferrari marketing and promotional activities and an important source of innovation to support the technological advancement of Ferrari range models.

BASIS OF PREPARATION

AUTHORIZATION OF CONSOLIDATED FINANCIAL STATEMENTS AND COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

These consolidated financial statements of Ferrari N.V. were authorized for issuance by the Board of Directors on February 25, 2022.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), as well as IFRS as adopted by the European Union. There is no effect on these consolidated financial statements resulting from differences between IFRS as issued by the IASB and IFRS as adopted by the European Union. The designation IFRS also includes International Accounting Standards ("IAS") as well as the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC" and "SIC").

The consolidated financial statements are prepared on a going concern basis and applying the historical cost method, modified as required for the measurement of certain financial instruments, which are generally measured at fair value.

The Group's presentation currency is the Euro, which is also the functional currency of the Company, and unless otherwise stated information is presented in thousands of Euro.

2. SIGNIFICANT ACCOUNTING POLICIES

FORMAT OF THE FINANCIAL STATEMENTS

The consolidated financial statements include the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and the accompanying notes (referred to collectively as the "Consolidated Financial Statements").

For presentation of the consolidated income statement, the Group uses a classification based on the function of expenses, as it is more representative of the format used for internal reporting and management purposes and is consistent with international practice.

In the consolidated income statement, the Group presents a subtotal for Earnings Before Interest and Taxes (EBIT). EBIT distinguishes between the profit before taxes arising from operating items and those arising from financing activities. EBIT is one of the primary measures used by the Board of Directors (the Group's "Chief Operating Decision Maker" as defined in IFRS 8 — Operating Segments) to assess performance.

For presentation of the consolidated statement of financial position, a mixed format has been selected to present current and non-current assets and liabilities, as permitted by IAS 1 paragraph 60. More specifically, the Consolidated Financial Statements include both industrial and financial services activities. Receivables from financing activities are included in current assets as the investments will be realized in their normal operating cycle. The funding for financial services activities is primarily obtained through securitization programs and funding from certain of the Group's operating companies. This financial service structure within the Group does not allow the separation of financial liabilities funding the financial services operations (whose assets are reported within current assets) and those funding the industrial operations. Presentation of financial liabilities as current or non-current based on their date of maturity would not facilitate a meaningful comparison with financial assets, which are categorized on the basis of their normal operating cycle. Disclosure as to the due date of the various components of debt is provided in Note 24.

The consolidated statement of cash flows is presented using the indirect method.

NEW STANDARDS AND AMENDMENTS EFFECTIVE FROM JANUARY 1, 2021

The following new amendments that are applicable on or subsequent to January 1, 2021 were adopted by the Group for the preparation of these Consolidated Financial Statements.

The Group adopted a package of amendments to IFRS 9 — *Financial Instruments*, IAS 39 — *Financial Instruments: Recognition and Measurement*, IFRS 7 — *Financial Instruments: Disclosures*, IFRS 4 — *Insurance Contracts* and IFRS 16 — *Leases* in response to the reform of inter-bank offered rates (IBOR) and other interest rate benchmarks. The amendments aim at helping companies to provide investors with useful information about the effects of the reform on those companies' financial statements. These amendments focus on the effects on financial statements when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the reform. The new amendments relate to:

- changes to contractual cash flows - a company is not be required to derecognize or adjust the carrying amount of financial instruments for changes required by the interest rate benchmark reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- hedge accounting - a company does not have to discontinue its hedge accounting solely because it makes changes required by the interest rate benchmark reform if the hedge meets other hedge accounting criteria; and
- disclosures - a company is required to disclose information about new risks that arise from the interest rate benchmark reform and how the company manages the transition to alternative benchmark rates.

There was no effect from the adoption of these amendments.

The Group adopted the amendments to IFRS 4 — *Insurance Contracts* which deferred the expiry date of the temporary exemption from applying IFRS 9 to annual periods beginning on or after January 1, 2021. There was no effect from the adoption of these amendments.

The Group adopted the amendments to *IFRS 16 for COVID-19-related rent concessions beyond 30 June 2021*. The amendment extended the applicability of a previous amendment to IFRS 16 in 2020 that permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications, thus giving the possibility to the lessees to recognize the entire economic benefit of such discounts immediately through profit or loss. There was no significant effect from the adoption of this amendment.

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

The standards, amendments and interpretations issued by the International Accounting Standards Board ("IASB") that will have mandatory application in 2022 or subsequent years are listed below:

In May 2017 the IASB issued IFRS 17 — *Insurance Contracts*, which establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued as well as guidance relating to reinsurance contracts held and investment contracts with discretionary participation features issued. In June 2020 the IASB issued amendments to IFRS 17 aimed at helping companies implement IFRS 17 and make it easier for companies to explain their financial performance. The new standard and amendments are effective on or after January 1, 2023. The Group does not expect any material impact from the adoption of these amendments.

In January 2020 the IASB issued amendments to IAS 1 — *Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current* to clarify how to classify debt and other liabilities as current or non-current, and in particular how to classify liabilities with an uncertain settlement date and liabilities that may be settled by converting to equity. These amendments are effective on or after January 1, 2023. The Group does not expect any material impact from the adoption of these amendments.

In May 2020 the IASB issued amendments to IFRS 3 — *Business combinations* to update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. These amendments are effective on or after January 1, 2022. The Group does not expect any material impact from the adoption of these amendments.

In May 2020 the IASB issued amendments to IAS 16 — *Property, Plant and Equipment*. The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company should recognize such sales proceeds and the related cost in the income statement. These amendments are effective on or after January 1, 2022. The Group does not expect any material impact from the adoption of these amendments.

In May 2020 the IASB issued amendments to IAS 37 — *Provisions, Contingent Liabilities and Contingent Assets*, which specify which costs a company includes when assessing whether a contract will be loss-making. These amendments are effective on or after January 1, 2022. The Group does not expect any material impact from the adoption of these amendments.

In May 2020 the IASB issued *Annual Improvements to IFRSs 2018 - 2020 Cycle*. The improvements have amended four standards with effective date January 1, 2022: i) IFRS 1 — *First-time Adoption of International Financial Reporting Standards* in relation to allowing a subsidiary to measure cumulative translation differences using amounts reported by its parent, ii) IFRS 9 — Financial Instruments in relation to which fees an entity includes when applying the '10 percent' test for derecognition of financial liabilities, iii) IAS 41 — Agriculture in relation to the exclusion of taxation cash flows when measuring the fair value of a biological asset, and iv) IFRS 16 — *Leases* in relation to an illustrative example of reimbursement for leasehold improvements. The Group does not expect any material impact from the adoption of these amendments.

In February 2021 the IASB issued amendments to IAS 1 — *Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies* which require companies to disclose their material accounting policy information rather than their significant accounting policies and provide guidance on how to apply the concept of materiality to accounting policy disclosures. These amendments are effective on or after January 1, 2023. The Group does not expect any material impact from the adoption of these amendments.

In February 2021 the IASB issued amendments to IAS 8 — *Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates* which clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. These amendments are effective on or after January 1, 2023. The Group does not expect any material impact from the adoption of these amendments.

In May 2021 the IASB issued amendments to IAS 12 — *Income Taxes: Deferred Tax related to Assets and Liabilities Arising From a Single Transaction* that clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. These amendments are effective on or after January 1, 2023. The Group does not expect any material impact from the adoption of these amendments.

In December 2021 the IASB issued an amendments to IFRS 17 — *Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information*, which provides a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements. The amendment is effective on or after January 1, 2023. The Group does not expect any material impact from the adoption of this amendment.

BASIS OF CONSOLIDATION

SUBSIDIARIES

Subsidiaries are entities over which the Group has control. Control is achieved when the Group has power over the investee, when it is exposed to, or has rights to, variable returns from its involvement with the investee, and has the ability to use its power over the investee to affect the amount of the investor's returns. Subsidiaries are consolidated on a line by line basis from the date on which the Group achieves control. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The Group recognizes any non-controlling interests ("NCI") in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's share of the recognized amounts of the acquiree's identifiable net assets. Net profit or loss and each component of other comprehensive income/(loss) are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income/(loss) of subsidiaries is attributed to owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All significant intra-group balances and transactions and any unrealized gains and losses arising from intra-group transactions are eliminated in preparing the Consolidated Financial Statements.

Subsidiaries are deconsolidated from the date when control ceases. When the Group ceases to have control over a subsidiary, it derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts, derecognizes the carrying amount of non-controlling interests in the former subsidiary and recognizes the fair value of any consideration received from the transaction. Any retained interest in the former subsidiary is then remeasured to its fair value.

In 2016 the Group sold a majority stake in Ferrari Financial Services GmbH. From such date, the Group's remaining interest has been remeasured at fair value and accounted for using the equity method.

INTERESTS IN ASSOCIATES

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but without having control or joint control over those policies. Associates are accounted for using the equity method of accounting from the date significant influence is obtained.

Under the equity method, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit/(loss) and other comprehensive income/(loss) of the investee. The Group's share of the investee's profit/(loss) is recognized in the consolidated income statement. Distributions received from an investee reduce the carrying amount of the investment. Post-acquisition movements in other comprehensive income/(loss) are recognized in other comprehensive income/(loss) with a corresponding adjustment to the carrying amount of the investment.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

When the Group's share of the losses of an associate exceeds the Group's interest in that associate, the Group discontinues recognizing its share of further losses. Additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group discontinues the use of the equity method from the date the investment ceases to be an associate or when it is classified as available-for-sale.

INTERESTS IN JOINT OPERATIONS

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

When the Group undertakes its activities under joint operations, it recognizes in relation to its interest in the joint operation: (i) its assets, including its share of any assets held jointly, (ii) its liabilities, including its share of any liabilities incurred jointly, (iii) its revenue from the sale of its share of the output arising from the joint operation, (iv) its share of the revenue from the sale of the output by the joint operation, and (v) its expenses, including its share of any expenses incurred jointly.

FOREIGN CURRENCY TRANSACTIONS

The functional currency of the Group's entities is the currency of their primary economic environment. In individual companies, transactions in foreign currencies are recorded at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign currency exchange rate prevailing at that date. Exchange differences arising on the settlement of monetary items or on reporting monetary items at rates different from those at which they were initially recorded during the period or in previous financial statements are recognized in the consolidated income statement.

CONSOLIDATION OF FOREIGN ENTITIES

All assets and liabilities of foreign consolidated companies with a functional currency other than the Euro are translated using the closing rates at the date of the consolidated statement of financial position. Income and expenses are translated into Euro at the average foreign currency exchange rate for the period. Translation differences resulting from the application of this method are classified as currency translation differences within other comprehensive income/(loss) until the disposal of the investment.

Average foreign currency exchange rates for the period are used to translate the cash flows of foreign subsidiaries in preparing the consolidated statement of cash flows.

Goodwill, assets acquired and liabilities assumed arising from the acquisition of entities with a functional currency other than the Euro are recognized in the Consolidated Financial Statements in the functional currency and translated at the foreign currency exchange rate at the acquisition date. These balances are translated at subsequent balance sheet dates at the relevant foreign currency exchange rate.

The principal foreign currency exchange rates used to translate other currencies into Euro were as follows:

	2021		2020		2019	
	Average	At December 31,	Average	At December 31,	Average	At December 31,
U.S. Dollar	1.1827	1.1326	1.1422	1.2271	1.1195	1.1234
Pound Sterling	0.8596	0.8403	0.8897	0.8990	0.8778	0.8508
Swiss Franc	1.0811	1.0331	1.0705	1.0802	1.1124	1.0854
Japanese Yen	129.8767	130.3800	121.8458	126.4900	122.0058	121.9400
Chinese Yuan	7.6282	7.1947	7.8747	8.0225	7.7355	7.8205
Australian Dollar	1.5749	1.5615	1.6549	1.5896	1.6109	1.5995
Canadian Dollar	1.4826	1.4393	1.5300	1.5633	1.4855	1.4598
Singapore Dollar	1.5891	1.5279	1.5742	1.6218	1.5273	1.5111
Hong Kong Dollar	9.1932	8.8333	8.8587	9.5142	8.7715	8.7473

INTANGIBLE ASSETS

GOODWILL

Goodwill is not amortized, but is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

DEVELOPMENT COSTS

Development costs for car project production and related components, engines and systems are recognized as an asset if, and only if, both of the following conditions under IAS 38 — *Intangible Assets* are met: that development costs can be measured reliably and that the technical feasibility of the product, volumes and pricing support the view that the development expenditure will generate future economic benefits. Capitalized development costs include all direct and indirect costs that may be directly attributed to the development process. All other research and development costs are expensed as incurred, net of any government grants received.

Capitalized development costs are amortized on a straight-line basis from the start of production over the estimated lifecycle of the model or the useful life of the related components or other assets (generally between four and eight years).

The Group incurs significant research and development costs through the Formula 1 racing activities. These costs are considered fundamental to the development of the range and track car models and prototypes. Technological developments and changes in the regulations of the Formula 1 World Championship generally require the Group to design, develop and construct a new racing car to be used for one year only. The costs incurred for the design, development and construction of a new racing car are generally expensed as incurred unless the technology will be used for more than one year and the costs meet the capitalization criteria in IAS 38.

PATENTS, CONCESSIONS AND LICENSES

Separately acquired patents, concessions and licenses are initially recognized at cost. Patents, concessions and licenses acquired in a business combination are initially recognized at fair value. Patents, concessions and licenses are amortized on a straight-line basis over their useful economic lives, which is generally between three and five years.

OTHER INTANGIBLE ASSETS

Other intangible assets mainly relate to the registration of trademarks and have been recognized in accordance with IAS 38 — *Intangible Assets*, where it is probable that the use of the asset will generate future economic benefits for the Group and where the cost of the asset can be measured reliably. Other intangible assets are measured at cost less any impairment losses and amortized on a straight-line basis over their estimated life, which is generally between three and five years.

PROPERTY, PLANT AND EQUIPMENT

COST

Property, plant and equipment is initially recognized at cost which comprises the purchase price, any costs directly attributable to bringing the assets to the location and condition necessary to be capable of operating in the manner intended by management, capitalized borrowing costs and any initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Self-constructed assets are initially recognized at production cost. Subsequent expenditures and the cost of replacing parts of an asset are capitalized only if they increase the future economic benefits embodied in that asset. All other expenditures are expensed as incurred. When such replacement costs are capitalized, the carrying amount of the parts that are replaced is recognized as a loss in the period of replacement in the consolidated income statement.

DEPRECIATION

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

	Depreciation rates
Industrial buildings	3% - 20%
Plant, machinery and equipment	5% - 22%
Other assets	12% - 25%

Land is not depreciated.

If the asset being depreciated consists of separately identifiable components whose useful lives differ from that of the other parts making up the asset, depreciation is charged separately for each of its component parts through application of the 'component approach'.

LEASES

With the adoption of IFRS 16, the Group recognizes a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use. Each lease payment is allocated between the principal liability and finance costs. Finance costs are charged to the income statement over the lease period using the effective interest rate method. The right-of-use asset is depreciated on a straight-line basis over the lease term.

Right-of-use assets are measured at cost comprising the following: (i) the amount of the initial measurement of lease liability; (ii) any lease payments made at or before the commencement date less any lease incentives received; (iii) any initial direct costs and, if applicable, (iv) restoration costs. Payments associated with short-term leases and leases of low-value assets are recognized as an expense in the income statement on a straight-line basis.

Lease liabilities are measured at the net present value of the following: (i) fixed lease payments, (ii) variable lease payments that are based on an index or a rate and, if applicable, (iii) amounts expected to be payable by the lessee under residual value guarantees, and (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option. Lease liabilities do not include any non-lease components that may be included in the related contracts.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Some lease contracts contain variable payment terms that are linked to sales generated from Ferrari stores.

Variable lease payments that depend on sales are recognized in the income statement in the period in which the condition that triggers those payments occurs.

Extension and termination options are included in a number of leases related to Ferrari stores, warehouses and machinery and equipment of the Group. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

BORROWING COSTS

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

All other borrowing costs are expensed in net financial expenses if related to the Group's industrial activities or cost of sales if related to the Group's financial services activities in the consolidated income statement, as incurred.

IMPAIRMENT OF ASSETS

The Group continuously monitors its operations to assess whether there is any indication that its intangible assets (including development costs) and its property, plant and equipment may be impaired. Goodwill is tested for impairment annually or more frequently, if there is an indication that an asset may be impaired.

If indications of impairment are present, the carrying amount of the asset is reduced to its recoverable amount, which is the higher of fair value less costs of disposal and its value in use. The recoverable amount is determined for the individual asset, unless the asset does not generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets, in which case the asset is tested as part of the cash-generating unit ("CGU") to which the asset belongs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. In assessing the value in use of an asset or CGU, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognized if the recoverable amount is lower than the carrying amount.

Where an impairment loss for assets other than goodwill, subsequently no longer exists or has decreased, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but not in excess of the carrying amount that would have been recorded had no impairment loss been recognized. The reversal of an impairment loss is recognized in the consolidated income statement immediately.

FINANCIAL INSTRUMENTS

PRESENTATION

Current financial assets include trade receivables, receivables from financing activities, derivative financial instruments, other current financial assets and cash and cash equivalents.

Investments and other financial assets include investments accounted for using the equity method as well as other securities and non-current financial assets.

Financial liabilities include debt (which primarily includes bonds, notes, asset-backed financing (securitizations) and borrowings from banks), trade payables and other financial liabilities, which mainly include derivative financial instruments.

MEASUREMENT

Financial assets, other than investments accounted for using the equity method, and financial liabilities are measured in accordance with IFRS 9 - *Financial Instruments*.

Except for investments accounted for using the equity method, the Group initially measures financial assets at fair value plus, in the case of financial assets not measured at fair value through profit or loss, transaction costs.

Equity instruments held by the Group are recognized at fair value through profit or loss. When market prices are not directly available, the fair value is measured using appropriate valuation techniques (e.g. discounted cash flow analysis based on market information available at the balance sheet date). As permitted by IFRS 9, equity investments for which there is no quoted market price in an active market and there is insufficient financial information in order to determine fair value may be measured at cost as an estimate of fair value.

Trade receivables and receivables from financing activities are originated in the ordinary course of business and held within a business model with the objective to hold the receivables in order to collect contractual cash flows that meet the 'solely payments of principal and interest' criterion under IFRS 9, therefore they are measured at amortized cost using the effective interest rate method. Receivables with maturities greater than one year are discounted to present value. Assessments are made regularly as to whether there is any objective evidence that a financial asset or group of financial assets may be impaired and, if any such evidence exists, an impairment loss is recognized within financial expenses. Under IFRS 9, a forward-looking expected credit loss model must be applied when assessing impairment. In making impairment assessments, the Group applies the standard simplified approach to estimate the lifetime expected credit losses and considers its historical credit loss experience, adjusted for forward-looking factors specific to the nature of the Group's receivables and economic environment, which may be different for the Group's trade receivables compared to receivables from financing activities. If any such evidence exists, an impairment loss is recognized within financial expenses.

The Group considers a default to occur and a significant increase in credit risk to occur when the counterparty fails to make contractual payments within a certain number of days of when they fall due. For example, for receivables from financing activities this typically occurs when the counterparty fails to make contractual payments within 60 days of when the related receivables fall due, while for trade receivables this is assessed on a case by case basis.

Financial assets and trade receivable are written off when the counterparty fails to make contractual payments and there is no reasonable expectation of recovery, and in any circumstance no later than 360 days. When trade receivables or receivables from financing activities have been written off, the Company may continue to engage in enforcement actions to attempt to recover the receivables.

Financial liabilities, with the exception of derivative financial instruments, are measured at amortized cost using the effective interest rate method.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are used for economic hedging purposes only in order to reduce financial risks and in particular, foreign currency risks. Derivative financial instruments qualify for hedge accounting only when at the inception of the hedge there is formal designation and documentation of the hedging relationship, the hedge is expected to be highly effective, its effectiveness can be reliably measured and it is highly effective throughout the financial reporting periods for which it is designated.

All derivative financial instruments are measured at fair value.

When derivative financial instruments qualify for hedge accounting, the following accounting treatments apply:

Cash flow hedges — Where a derivative financial instrument is designated as a hedge of the exposure to variability in future cash flows of a recognized asset or liability or a highly probable forecasted transaction and could affect the consolidated income statement, the effective portion of any gain or loss on the derivative financial instrument is recognized directly in other comprehensive income/(loss). The cumulative gain or loss is reclassified from other comprehensive income/(loss) to the consolidated income statement at the same time as the economic effect arising from the hedged item affects the consolidated income statement. The gain or loss associated with a hedge or part of a hedge that has become ineffective is recognized in the consolidated income statement immediately within net financial income/expenses. When a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss realized to the point of termination remains in other comprehensive income/(loss) and is recognized in the consolidated income statement at the same time as the underlying transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealized gain or loss held in other comprehensive income/(loss) is recognized in the consolidated income statement immediately.

The Group does not use fair value hedges or hedges of a net investment.

If hedge accounting cannot be applied, the gains or losses from the fair value measurement of derivative financial instruments are recognized immediately within financial expenses.

TRANSFERS OF FINANCIAL ASSETS

The Group sells certain of its receivables from financing activities under securitization programs. Securitization transactions involve the sale of a financial receivables portfolio to a special purpose vehicle, which in turn finances the purchase of such financial receivables by issuing asset-backed securities in the form of notes whose repayment of principal and interest depends on the cash flows generated by the related financial receivables. The receivables sold as part of securitization programs are consolidated until collection from the customer as they do not meet the requirements for derecognition in accordance with IFRS 9.

The Group may also sell certain of its trade receivables through factoring transactions without recourse. The Group derecognizes the financial assets when, and only when, the contractual rights and risks to the cash flows arising from the related financial assets are no longer held or the Group has transferred the financial assets. In the case of a transfer of financial assets, if the Group transfers substantially all the risks and rewards of ownership of the financial assets, it derecognizes such assets and separately recognizes as assets or liabilities any rights and obligations created or retained in the transfer. On derecognition of financial assets, the difference between the carrying amount of the assets and the consideration received or receivable for the transfer of the assets is recognized within cost of sales in the consolidated income statement.

TRADE RECEIVABLES

Trade receivables are amounts due from clients for goods sold or services provided in the ordinary course of business. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method, less any provision for allowances.

INVENTORIES

Inventories of raw materials, semi-finished products and finished goods are stated at the lower of cost and net realizable value, cost being determined on a first-in first-out (FIFO) basis. The measurement of inventories includes the direct costs of materials, labor and indirect costs (variable and fixed). Purchase costs include ancillary costs. Prototypes are recognized at their estimated realizable value, if lower than production cost. Provision is made for obsolete and slow-moving raw materials, finished goods, spare parts and other supplies based on their expected future use and realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs for sale and distribution.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

EMPLOYEE BENEFITS

DEFINED CONTRIBUTION PLANS

Costs arising from defined contribution plans are expensed as incurred.

DEFINED BENEFIT PLANS

The Group's net obligations are determined separately for each plan by estimating the present value of future benefits that employees have earned in the current and prior periods, and deducting the fair value of any plan assets. The present value of the defined benefit obligation is measured using actuarial techniques and actuarial assumptions that are unbiased and mutually compatible and attributes benefits to periods in which the obligation to provide post-employment benefits arise by using the Projected Unit Credit Method.

The components of the defined benefit cost are recognized as follows:

- the service costs are recognized in the consolidated income statement by function and presented in the relevant line items (cost of sales, selling, general and administrative costs, research and development costs, etc.);

- the net interest on the defined benefit liability is recognized in the consolidated income statement as net financial income /(expenses), and is determined by multiplying the net liability/(asset) by the discount rate used to discount obligations taking into account the effect of contributions and benefit payments made during the year; and

- the remeasurement components of the net obligations, which comprise actuarial gains and losses and any change in the effect of the asset ceiling are recognized immediately in other comprehensive income/(loss). These remeasurement components are not reclassified in the consolidated income statement in a subsequent period.

OTHER LONG-TERM EMPLOYEE BENEFITS

The Group's obligations represent the present value of future benefits that employees have earned in return for their service during the current and prior periods. Remeasurement components on other long-term employee benefits are recognized in the consolidated income statement in the period in which they arise.

SHARE-BASED COMPENSATION

The Group has implemented equity incentive plans that provide for the granting of share-based compensation to the Chairman, the Chief Executive Officer, all other members of the Ferrari Leadership Team and other key employees of the Group. The Group also provides share-based compensation as part of commercial agreements with certain suppliers. The share-based compensation arrangements are accounted for in accordance with *IFRS 2 — Share-based Payment*, which requires the Company to recognize share-based compensation expense based on fair value of awards granted. Compensation expense for the equity-settled awards containing market performance conditions is measured at the grant date fair value of the award using a Monte Carlo simulation model, which requires the input of subjective assumptions, including the expected volatility of the Company's common stock, the dividend yield, interest rates and a correlation coefficient between the common stock and the relevant market index. The fair value of the awards which are conditional only on a recipient's continued service to the Company is measured using the share price at the grant date adjusted for the present value of future distributions which employees will not receive during the vesting period.

Share-based compensation expense relating to the equity incentive plans is recognized over the service period within selling, general and administrative costs or cost of sales in the consolidated income statement depending on the function of the employee, with an offsetting increase to equity. Share-based compensation expense relating to commercial agreements with certain suppliers is recognized over the period in which the supplier's services are received and classified within the consolidated income statement depending on the function of the supplier's services, with an offsetting increase to equity.

PROVISIONS

Provisions are recognized when the Group has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

WARRANTY AND RECALL CAMPAIGNS PROVISION

All cars are sold with warranty coverage. The warranty coverage generally applies to defects that may become apparent within a certain period from the purchase of the car.

The warranty provision is recognized at the time of the sale of the car, based on the present value of management's estimate of the expected cost to fulfill the obligations over the contractual warranty period. Estimates are principally based on the Group's historical claims or costs experience and the cost of parts and services to be incurred in the activities. The costs related to these provisions are recognized within cost of sales at the time when they are probable and reasonably estimable.

See *"Use of estimates"* below for further details.

DEFERRED INCOME

Deferred income relates to amounts received by the Group under various agreements, which are reliant on the future performance of a service or other act of the Group. Deferred income is recognized as net revenues when the Group has fulfilled its obligations under the terms of the various agreements.

Range models (models belonging to the Ferrari product portfolio, excluding special series, Icona, limited edition hypercars and one-off models) are sold with a scheduled maintenance program to ensure that the cars are maintained to the highest standards to meet the Group's strict requirements for performance and safety. Amounts attributable to the maintenance program are not recognized as income immediately, but are deferred over the maintenance program term. The amount of the deferred income related to this program, is based on the estimated fair value of the service to be provided.

ADVANCES

Advances relate to amounts received from or billed to customers in advance of having delivered the related cars or provided the related services.

REVENUE RECOGNITION

Revenue is recognized when control over a product or service is transferred to a customer. Revenue is measured at the transaction price which is based on the amount of consideration that the Group expects to receive in exchange for transferring the promised goods or services to the customer and excludes any sales incentives as well as taxes collected from customers that are remitted to government authorities. The transaction price will include estimates of variable consideration to the extent it is probable that a significant reversal of revenue recognized will not occur. The Group enters into contracts that may include both products and services, which are generally capable of being distinct and accounted for as separate performance obligations.

The Group generates revenue from the sale of cars, spare parts and engines as well as from sponsorship, commercial and brand activities. The Group accounts for a contract with a customer when there is a legally enforceable contract between the Group and the customer, the rights of the parties are identified, the contract has commercial substance, and collectability of the contract consideration is probable. Payments from customers are typically due within 30 and 40 days of invoicing.

The Group does not recognize any assets associated with the incremental costs of obtaining a contract with a customer that are expected to be recovered. The majority of revenue is recognized at a point-in-time or over a period of one year or less, and the Group applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that would otherwise be recognized is one year or less.

CARS, SPARE PARTS AND ENGINES

The sales of cars, spare parts and engines have multiple performance obligations that include products, services, or a combination of products and services as contracts may include maintenance programs and extended warranties that are separately priced or not separately priced. Contracts may also include variable consideration for discounts such as sales incentives and performance based bonuses and product returns. The cost of incentives is estimated at the inception of a contract at the expected amount that will ultimately be paid and is recognized as a reduction to revenue at the time of the sale. Revenues recognized are limited to the amount of consideration the Group expects to receive. The Group allocates the transaction price to the performance obligations based on the stand alone selling prices (SSP) for each obligation. When the SSP does not exist, the Group estimates the SSP based on the adjusted market approach.

Revenues for the sale of cars, spare parts and engines are recognized at a point in time when control of the cars, spare parts or engines is transferred to the customer based on shipping terms, which generally corresponds to the date when the cars, spare parts and engines are released to the carrier responsible for transportation to dealers or Maserati. Revenues relating to the maintenance program are recognized over time based on the input method of measuring progress towards complete satisfaction of the related performance obligation, calculated as a proportion of overall revenues expected during the maintenance period equal to the ratio of costs incurred in the reporting period compared to the overall costs to be incurred during the maintenance period. Revenues relating to the extended warranties are recognized on a straight-line basis over the extended warranty period. Revenues from the supply of engines and related services to other Formula 1 racing teams are recognized over time on a time and materials basis when the services are provided.

Management has exercised judgment in determining performance obligations, variable consideration, allocation of transaction price and the timing of revenue recognition.

SPONSORSHIP, COMMERCIAL AND BRAND ACTIVITIES

Revenues from sponsorship agreements are generally recognized ratably over the contract term as the customer benefits from the service throughout the service period. For sponsorship agreements that contain variable consideration based on performance of the racing team, the related revenues are estimated and recognized over the relevant period to the extent that it is highly probable that a significant reversal in the amount of the cumulative revenue recognized will not occur, which is typically when it is considered highly probable that the related conditions associated with the variable consideration will be achieved.

Revenues from commercial activities primarily relate to the revenues from participating in the Formula 1 World Championship. The revenues attributable to each racing team are governed by a specific agreement and depend upon, among other factors, the prior year ranking of each of the racing teams. Revenues of the commercial activities are recognized ratably over the contract term.

Revenues from brand licensing agreements where the customer has a right to access the Group's brands or the contract includes minimum guaranteed payments are recognized on a straight-line basis over the contract term. Licensing revenues in excess of the minimum guaranteed payments are recognized when the related conditions are satisfied. Revenues from sales-based licensing agreements are recognized when the sales occur.

Management has exercised judgment in determining variable consideration.

OTHER REVENUES

Interest income generated by our financial service activities from the provision of client and dealer financing is reported within revenues using the effective interest rate method and not within net financial income/expenses.

COST OF SALES

Cost of sales comprises expenses incurred in the manufacturing and distribution of cars and parts, including the engines rented to other Formula 1 racing teams, of which, cost of materials, components and labor costs are the most significant portion. The remaining costs principally include depreciation, amortization, insurance and transportation costs. Cost of sales also includes warranty and product-related costs, which are estimated and recorded at the time of sale of the car.

Expenses which are directly attributable to the financial services companies, including the interest expenses related to their financing as a whole and provisions for risks and write-downs of assets, are also reported in cost of sales.

OTHER EXPENSES AND OTHER INCOME

Other expenses consist of miscellaneous costs which cannot be allocated to specific functional areas, such as indirect taxes, accruals for provisions not attributable to cost of sales or selling, general and administrative costs, and other miscellaneous expenses.

Other income consists of miscellaneous income that is not directly attributable to the sale of goods or services, such as gains on the disposal of property plant and equipment, the release of certain provisions originally recognized as other expenses, rental income and other miscellaneous income.

TAXES

Income taxes include all taxes based upon the taxable profits of the Group. Current and deferred taxes are recognized as income or expense and are included in the consolidated income statement for the period, except tax arising from (i) a transaction or event which is recognized, in the same or a different period, either in other comprehensive income/(loss) or directly in equity, or (ii) a business combination.

Deferred taxes are accounted using the full liability method. Deferred tax liabilities are recognized for all taxable temporary differences between the carrying amounts of assets or liabilities and their tax base, except to the extent that the deferred tax liabilities arise from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized, unless the deferred tax assets arise from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the substantively enacted tax rates in the respective jurisdictions in which the Group operates that are expected to apply to the period when the asset is realized or liability is settled. Any remeasurements to deferred tax assets and liabilities as a result of changes in substantially enacted tax rates are recognized in the income statement.

The recoverability of deferred tax assets is dependent on the Group's ability to generate sufficient future taxable income in the period in which it is assumed that the deductible temporary differences reverse and tax losses carried forward can be utilized. In making this assessment, the Group considers future taxable income arising on the most recent budgets and plans, prepared by using the same criteria described for testing the impairment of assets and goodwill, moreover, it estimates the impact of the reversal of taxable temporary differences on earnings and it also considers the period over which these assets could be recovered. The carrying amount of deferred tax assets is reduced to the extent that it is not probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax assets to be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date.

The Group recognizes deferred tax liabilities associated with the existence of a subsidiary's undistributed profits, except when it is able to control the timing of the reversal of the temporary difference and it is probable that this temporary difference will not reverse in the foreseeable future. The Group recognizes deferred tax assets associated with the deductible temporary differences on investments in subsidiaries only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets relating to the carry-forward of unused tax losses and tax credits, as well as those arising from deductible temporary differences, are recognized to the extent that it is probable that future profits will be available against which they can be utilized.

Current income taxes and deferred taxes are offset when they relate to the same taxation authority and there is a legally enforceable right of offset.

Italian Regional Income Tax ("IRAP") is recognized within income tax expense. IRAP is calculated on a measure of income defined by the Italian Civil Code as the difference between operating revenues and costs, before financial income and expense, and in particular before the cost of fixed-term employees, credit losses and any interest included in lease payments. IRAP is applied on the tax base at 3.9 percent for the years ended December 31, 2021, 2020 and 2019.

Tax uncertainties are accounted for in accordance with IFRIC 23.

Other taxes not based on income, such as property taxes and capital taxes, are included in other expenses, net.

DIVIDENDS

Dividends payable by the Group are reported as a change in equity in the period in which they are approved by shareholders or the Board of Directors as applicable under local rules and regulations.

ROUNDING OF AMOUNTS

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand Euro unless otherwise stated.

SEGMENT REPORTING

The Group has determined that it has one operating and one reportable segment based on the information reviewed by the Board of Directors (the Group's "Chief Operating Decision Maker" as defined in IFRS 8 — *Operating Segments*) in making decisions regarding the allocation of resources and to assess performance.

USE OF ESTIMATES

The Consolidated Financial Statements are prepared in accordance with IFRS which require the use of estimates, judgments and assumptions that affect the carrying amount of assets and liabilities, the disclosure of contingent assets and liabilities and the amounts of income and expenses recognized. The estimates and associated assumptions are based on elements that are known when the financial statements are prepared, on historical experience and on any other factors that are considered to be relevant.

The estimates and underlying assumptions are reviewed periodically and continuously by the Group. If the items subject to estimates do not perform as assumed, then the actual results could differ from the estimates, which would require adjustment accordingly. The effects of any changes in estimate are recognized in the consolidated income statement in the period in which the adjustment is made, or prospectively in future periods.

The items requiring estimates for which there is a risk that a material difference may arise in respect of the carrying amounts of assets and liabilities in the future are discussed below.

RECOVERABILITY OF NON-CURRENT ASSETS WITH DEFINITE USEFUL LIVES

Non-current assets with definite useful lives include property, plant and equipment and intangible assets. Intangible assets with definite useful lives mainly consist of capitalized development costs.

The Group periodically reviews the carrying amount of non-current assets with definite useful lives when events and circumstances indicate that an asset may be impaired. Impairment tests are performed by comparing the carrying amount and the recoverable amount of the cash-generating unit ("CGU"). The recoverable amount is the higher of the CGU's fair value less costs of disposal and its value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU.

For the period covered by these Consolidated Financial Statements, the Group has not recognized any impairment charges for non-current assets with definite useful lives.

RECOVERABILITY OF GOODWILL

In accordance with *IAS 36 — Impairment of Assets*, goodwill is not amortized and is tested for impairment annually or more frequently if facts or circumstances indicate that the asset may be impaired.

As the Group is composed of one operating segment, goodwill is tested at the Group level, which represents the lowest level within the Group at which goodwill is monitored for internal management purposes in accordance with IAS 36. The impairment test is performed by comparing the carrying amount (which mainly comprises property, plant and equipment, goodwill and capitalized development costs) and the recoverable amount of the CGU. The recoverable amount of the CGU is the higher of its fair value less costs of disposal and its value in use.

For the period covered by these Consolidated Financial Statements, the Group has not recognized any impairment charges for goodwill.

DEVELOPMENT COSTS

Development costs are capitalized if the conditions under *IAS 38 — Intangible Assets* have been met. The starting point for capitalization is based upon the technological and commercial feasibility of the project, which is usually when a product development project has reached a defined milestone according to the Group's established product development model. Feasibility is based on management's judgment which is formed on the basis of estimated future cash flows. Capitalization ceases and amortization of capitalized development costs begins on start of production of the relevant project.

The amortization of development costs requires management to estimate the lifecycle of the related model or assets. Any changes in such assumptions would impact the amortization charge recorded and the carrying amount of capitalized development costs. The periodic amortization charge is derived after determining the expected lifecycle of the related model or assets and, if applicable any expected residual value at the end of its life. Increasing an asset's expected lifecycle or its residual value would result in a reduced amortization charge in the consolidated income statement.

The useful lives and residual values of the Group's models are determined by management at the time of capitalization and reviewed annually for appropriateness and recoverability. The lives are based on historical experience with similar assets as well as anticipation of future events which may impact their life such as changes in technology. Historically changes in useful lives and residual values have not resulted in material changes to the Group's amortization charge or estimated recoverability of the related assets.

PRODUCT WARRANTY LIABILITIES

The Group establishes reserves for product warranties at the time the sale is recognized. The Group issues various types of product warranties under which the performance of products delivered is generally guaranteed for a certain period or term, which is generally defined by the legislation in the country where the car is sold. The reserve for product warranties includes the expected costs of warranty obligations imposed by law or contract, as well as the expected costs for policy coverage. The estimated future costs of these actions are principally based on assumptions regarding the lifetime warranty costs of each car line and each model year of that car line, as well as historical claims experience for the Group's cars. In addition, the number and magnitude of additional service actions expected to be approved, and policies related to additional service actions, are taken into consideration. Due to the uncertainty and potential volatility of these estimated factors, changes in the assumptions used could materially affect the results of operations.

The Group periodically initiates voluntary service actions to address various client satisfaction, safety and emissions issues related to cars sold. Included in the reserve is the estimated cost of these services and recall actions. The estimated future costs of these actions are based primarily on historical claims experience for the Group's cars and the cost of parts and services to be incurred in the specified activities, and are recognized at the time when they are probable and reasonably estimable. Estimates of the future costs of these actions are inevitably imprecise due to several uncertainties, including the number of cars affected by a service or recall action. It is reasonably possible that the ultimate cost of these service and recall actions may require the Group to make expenditures in excess of (or less than) established reserves over an extended period of time. The estimate of warranty and additional service obligations is periodically reviewed during the year.

In addition, the Group makes provisions for estimated product liability costs arising from property damage and personal injuries including wrongful death, and potential exemplary or punitive damages alleged to be the result of product defects. By nature, these costs can be infrequent, difficult to predict, and have the potential to vary significantly in amount. Costs associated with these provisions are recorded in the consolidated income statement and any subsequent adjustments are recorded in the period in which the adjustment is determined.

SHARE-BASED COMPENSATION

The Group accounts for share-based compensation relating to its equity incentive plans and commercial agreements with certain suppliers in accordance with IFRS 2 — *Share-based Payment*, which requires the recognition of share-based compensation expense based on the fair value of the awards granted. Share-based compensation for equity-settled awards containing market performance conditions is measured at the grant date of the awards using a Monte Carlo simulation model, which requires the input of subjective assumptions, including the expected volatility of our common stock, the dividend yield, interest rates and the correlation coefficient between our common stock and the relevant market index. The probability that the Group will achieve a certain level of Total Shareholder Return performance compared to the defined peer group ("Peer Group") is also considered. As a result, at the grant date management is required to make key assumptions and estimates regarding conditions that will occur in the future, which inherently involves uncertainty. Therefore, the amount of share-based compensation recognized has been affected by the significant assumptions and estimates used.

OTHER CONTINGENT LIABILITIES

The Group makes provisions in connection with pending or threatened disputes or legal proceedings when it is considered probable that there will be an outflow of funds and when the amount can be reasonably estimated. If an outflow of funds becomes possible but the amount cannot be estimated, the matter is disclosed in the notes to the Consolidated Financial Statements. The Group is the subject of legal and tax proceedings covering a wide range of matters in various jurisdictions. Due to the uncertainty inherent in such matters, it is difficult to predict the outflow of funds that could result from such disputes with any certainty. Moreover, the cases and claims against the Group often derive from complex legal issues which are subject to a differing degree of uncertainty, including the facts and circumstances of each particular case and the manner in which applicable law is likely to be interpreted and applied to such fact and circumstances, and the jurisdiction and the different laws involved. The Group monitors the status of pending legal proceedings and consults with experts on legal and tax matters on a regular basis. It is therefore possible that the provisions for the Group's legal proceedings and litigation may vary as the result of future developments in pending matters.

LITIGATION

Various legal proceedings, claims and governmental investigations are pending against the Group on a wide range of topics, including car safety, emissions and fuel economy, early warning reporting, dealer, supplier and other contractual relationships, intellectual property rights and product warranties matters. Some of these proceedings allege defects in specific component parts or systems (including airbags, seatbelts, brakes, transmissions, engines and fuel systems) in various car models or allege general design defects relating to car handling and stability, sudden unintended movement or crashworthiness. These proceedings seek recovery for damage to property, personal injuries or wrongful death and in some cases could include a claim for exemplary or punitive damages. Adverse decisions in one or more of these proceedings could require the Group to pay substantial damages, or undertake service actions, recall campaigns or other costly actions.

Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. An accrual is established in connection with pending or threatened litigation if a loss is probable and a reliable estimate can be made. Since these accruals represent estimates, it is reasonably possible that the resolution of some of these matters could require the Group to make payments in excess of the amounts accrued. It is also reasonably possible that the resolution of some of the matters for which accruals could not be made may require the Group to make payments in an amount or range of amounts that could not be reasonably estimated.

The term "reasonably possible" is used herein to mean that the chance of a future transaction or event occurring is more than remote but less than probable. Although the final resolution of any such matters could have a material effect on the Group's operating results for the particular reporting period in which an adjustment of the estimated reserve is recorded, it is believed that any resulting adjustment would not materially affect the consolidated financial position of the Group.

CURRENT AND DEFERRED TAXES

The calculation of current and deferred income taxes, including various tax benefits, exemptions or credits (such as patent box tax benefits, asset revaluations and research and development credits), involves the interpretation of applicable tax laws and regulations that could be subject to changes or application directives from tax authorities. As a result, the calculation of current and deferred taxes, including those related to uncertain tax positions, may require complex management estimates and judgments that are periodically reviewed for any changes in facts and circumstances or changes in tax regulations and interpretations. Such judgments are primarily related to the recoverability of deferred long-term tax assets, which involves the assessment of the ability to generate sufficient future taxable profit over the period in which the deductible temporary differences or unused tax losses are expected to be utilized, as well as to the calculation of certain tax benefits and liabilities.

3. SCOPE OF CONSOLIDATION

Ferrari N.V. is the parent company of the Group and it holds, directly and indirectly, interests in the Group's main operating companies. The Group's scope of consolidation at December 31, 2021 and 2020 was as follows:

			At December 31, 2021		At December 31, 2020	
Name	Country	Nature of business	Shares held by the Group	Shares held by NCI	Shares held by the Group	Shares held by NCI
Directly held interests						
Ferrari S.p.A.	Italy	Manufacturing	100%	—%	100%	—%
Indirectly held through Ferrari S.p.A.						
Ferrari North America Inc.	USA	Importer and distributor	100%	—%	100%	—%
Ferrari Japan KK	Japan	Importer and distributor	100%	—%	100%	—%
Ferrari Australasia Pty Limited	Australia	Importer and distributor	100%	—%	100%	—%
Ferrari International Cars Trading (Shanghai) Co. L.t.d.	China	Importer and distributor	80%	20%	80%	20%
Ferrari (HK) Limited	Hong Kong	Importer and distributor	100%	—%	100%	—%
Ferrari Far East Pte Limited	Singapore	Service company	100%	—%	100%	—%
Ferrari Management Consulting (Shanghai) Co. L.t.d.	China	Service company	100%	—%	100%	—%
Ferrari South West Europe S.a.r.l.	France	Service company	100%	—%	100%	—%
Ferrari Central Europe GmbH	Germany	Service company	100%	—%	100%	—%
G.S.A. S.A. in liquidation	Switzerland	Service company	100%	—%	100%	—%
Mugello Circuit S.p.A.	Italy	Racetrack management	100%	—%	100%	—%
Ferrari Financial Services, Inc.	USA	Financial services	100%	—%	100%	—%
Indirectly held through other Group entities						
Ferrari Auto Securitization Transaction LLC (1)	USA	Financial services	100%	—%	100%	—%
Ferrari Auto Securitization Transaction - Lease, LLC (1)	USA	Financial services	100%	—%	100%	—%
Ferrari Auto Securitization Transaction - Select, LLC (1)	USA	Financial services	100%	—%	100%	—%
Ferrari Financial Services Titling Trust (1)	USA	Financial services	100%	—%	100%	—%
410 Park Display, Inc. (2)	USA	Retail	100%	—%	100%	—%

(1) Shareholding held by Ferrari Financial Services Inc.
(2) Shareholding held by Ferrari North America Inc.

NON-CONTROLLING INTERESTS

The non-controlling interests at December 31, 2021 and 2020 and the net profit attributable to non-controlling interests for the years ended December 31, 2021, 2020 and 2019 relate to Ferrari International Cars Trading (Shanghai) Co. L.t.d. ("FICTS"), in which the Group holds an 80 percent interest.

(€ thousand)

	At December 31,	
	2021	2020
Equity attributable to non-controlling interests	5,518	4,018

(€ thousand)

	For the years ended December 31,		
	2021	2020	2019
Net profit attributable to non-controlling interests	2,369	1,063	2,890

The non-controlling interests in FICTS are not considered to be significant to the Group for the periods presented in these Consolidated Financial Statements.

RESTRICTIONS

The Group may be subject to restrictions which limit its ability to use cash in relation to its interest in FICTS. In particular, cash held in China is subject to certain repatriation restrictions and may only be repatriated as a repayment of payables or debt, or through a payment of dividends or capital distributions. The Group does not believe that such transfer restrictions have any adverse impacts on its ability to meet liquidity requirements. Cash held in China at December 31, 2021 amounted to €89,611 thousand (€55,566 thousand at December 31, 2020).

Cash collected from the settlement of receivables under securitization programs is subject to certain restrictions regarding its use and is principally applied to repay principal and interest of the related funding. Such cash amounted to €47,742 thousand at December 31, 2021 (€36,935 thousand at December 31, 2020).

4. NET REVENUES

Net revenues are as follows:

(€ thousand)

	For the years ended December 31,		
	2021	2020	2019
Cars and spare parts	3,573,119	2,835,170	2,925,721
Engines	189,432	150,655	198,308
Sponsorship, commercial and brand	430,579	390,002	538,238
Other	77,764	83,963	104,348
Total net revenues	**4,270,894**	**3,459,790**	**3,766,615**

Other net revenues primarily relate to financial services activities, management of the Mugello racetrack and other sports-related activities.

Interest and other financial income from financial services activities included within net revenues in 2021, 2020 and 2019 amounted to €55,043 thousand, €65,878 thousand and €66,386 thousand, respectively.

5. COST OF SALES

Cost of sales in 2021, 2020 and 2019 amounted to €2,080,613 thousand, €1,686,324 thousand and €1,805,310 thousand, respectively, consisting mainly of the cost of materials, components and labor related to the manufacturing and distribution of cars and spare parts and, to a lesser extent, engines sold to Maserati and engines rented to other Formula 1 racing teams. The remaining costs mainly include depreciation, insurance and transportation costs, as well as warranty and product-related costs, which are estimated and recorded at the time of shipment.

Interest and other financial expenses from financial services activities included within cost of sales in 2021, 2020 and 2019 amounted to €16,639 thousand, €36,628 thousand and €45,083 thousand, respectively.

6. SELLING, GENERAL AND ADMINISTRATIVE COSTS

Selling costs in 2021, 2020 and 2019 amounted to €168,466 thousand, €171,900 thousand and €173,512 thousand, respectively, consisting mainly of costs for sales personnel, marketing and events, and retail stores. Costs for marketing and events primarily relate to trade shows and media and client events for the launch of new models, including the use of digital solutions, as well as sponsorship and indirect marketing costs incurred through the Formula 1 racing team, Scuderia Ferrari.
General and administrative costs in 2021, 2020 and 2019 amounted to €179,558 thousand, €164,226 thousand and €169,667 thousand, respectively, consisting mainly of administrative and other general expenses, including for personnel, that are not directly attributable to manufacturing, sales or research and development activities.

7. RESEARCH AND DEVELOPMENT COSTS

Research and development costs are as follows:

(€ thousand)

	For the years ended December 31,		
	2021	2020	2019
Research and development costs expensed during the year	573,632	526,831	559,582
Amortization of capitalized development costs	194,472	180,554	139,629
Total research and development costs	**768,104**	**707,385**	**699,211**

Research and development costs expensed during the period primarily relate to Formula 1 activities and research and development activities to support the innovation of our product range and components, in particular, in relation to hybrid and electric technology. Amortization of capitalized development costs have increased in recent years as a result of our strategy to update and broaden our product range and significantly increase our efforts relating to hybrid and other advanced technologies.

Research and development costs for the year ended December 31, 2020 and, to a lesser extent, for the year December 31, 2021 are recognized net of technology-related government incentives.

8. OTHER EXPENSES/(INCOME), NET

Other expenses, net are as follows:

(€ thousand)

	For the years ended December 31,		
	2021	2020	2019
Other expenses	13,666	25,067	14,288
Other income	(8,105)	(6,592)	(9,297)
Other expenses, net	**5,561**	**18,475**	**4,991**

Other expenses primarily include indirect taxes, provisions and other miscellaneous expenses. Other income primarily includes rental income, gains on the disposal of property plant and equipment and other miscellaneous income. Other expenses, net in 2021 and 2019 include releases of provisions relating to legal disputes following developments favorable to Ferrari.

9. NET FINANCIAL EXPENSES

The following table sets out details of financial income and expenses, including the amounts reported in the consolidated income statement within the net financial expenses line item, as well as interest income from financial services activities, recognized under net revenues, and interest expenses and other financial charges from financial services activities, recognized under cost of sales.

(€ thousand)

	For the years ended December 31,		
	2021	2020	2019
Financial income:			
Interest income from bank deposits	*399*	*610*	*1,690*
Other interest income and financial income	*4,741*	*517*	*4,116*
Interest income and other financial income	5,140	1,127	5,806
Finance income from financial services activities	55,043	65,878	66,386
Total financial income	**60,183**	**67,005**	**72,192**
Total financial income relating to:			
Industrial activities (A)	5,140	1,127	5,806
Financial services activities (reported in net revenues)	55,043	65,878	66,386
Financial expenses:			
Capitalized borrowing costs	*1,874*	*2,591*	*2,671*
Other interest and financial expenses	*(3,315)*	*(3,258)*	*(2,427)*
Interest expenses and other financial expenses	(1,441)	(667)	244
Interest expenses from banks and other financial institutions	(11,310)	(14,330)	(27,432)
Interest and other finance costs on bonds and notes	(22,947)	(20,116)	(20,703)
Write-downs of financial receivables	(1,467)	(9,502)	(4,739)
Other financial expenses	(5,991)	(14,580)	(13,949)
Total financial expenses	**(43,156)**	**(59,195)**	**(66,579)**
Net expenses from derivative financial instruments and foreign currency exchange rate differences	(11,880)	(27,652)	(26,392)
Total financial expenses and net expenses from derivative financial instruments and foreign currency exchange rate differences	**(55,036)**	**(86,847)**	**(92,971)**
Total financial expenses and net expenses from derivative financial instruments and foreign currency exchange rate differences relating to:			
Industrial activities (B)	(38,397)	(50,219)	(47,888)
Financial services activities (reported in cost of sales)	(16,639)	(36,628)	(45,083)
Net financial expenses relating to industrial activities (A+B)	**(33,257)**	**(49,092)**	**(42,082)**

Interest and other finance costs on bonds and notes for the year ended December 31, 2019 includes costs of €8,142 thousand for the partial repurchase of bonds following a cash tender offer in July 2019 (in particular the repurchase price and premium incurred, as well as previously unamortized issuance costs).

10. INCOME TAXES

Income tax expense is as follows:

(€ thousand)

	For the years ended December 31,		
	2021	2020	2019
Current tax expense	218,540	120,115	137,303
Deferred tax (benefit)/expense	(12,001)	(62,474)	32,145
Taxes relating to prior periods	2,556	514	7,208
Total income tax expense	**209,095**	**58,155**	**176,656**

The Italian Group's entities participate in a group Italian tax consolidation under Ferrari N.V.

Income tax expense amounted to €209,095 thousand, €58,155 thousand and €176,656 thousand for the years ended December 31, 2021, 2020 and 2019, respectively.

Income taxes for the years ended December 31, 2021, 2020 and 2019 benefited from the application of the Patent Box tax regime, which provides tax benefits for companies that generate income through the use, both direct and indirect, of intangible assets. Starting in 2020 the Group has applied the Patent Box tax regime for the period from 2020 to 2024, in line with the tax regulations applicable in Italy, and determined the income eligible for the Patent Box regime with recognition of the Patent Box tax benefit in three equal annual installments.

The Law Decree (Decree) n. 146 enacted by the Italian authorities, effective from October 22, 2021 and as amended by the 2022 Italian budget law, introduces a series of urgent economic and tax measures and will replace the current Patent Box tax regime with a 110% "super tax deduction" for certain costs related to eligible intangible assets. The Decree provides for a specific transitional procedure between the two regimes. The Decree and related amendments should not have any impact on income taxes of the Group for the years ended December 31, 2021 and management will continue to follow updates in the legislation as they become known.

In the fourth quarter of 2020, Ferrari benefited from the measures introduced in Italy by the art. 110 of the Law Decree n. 104/2020, converted in the Law n. 126/2020, enacting "Urgent measures to support and relaunch the economy", which reopened the voluntary step up of tangible and intangible assets, with the application of a substitute tax at a rate of 3 percent. In particular, Ferrari S.p.A. benefited from the one-time partial step-up of its trademark for tax purposes, which resulted in the recognition in 2020 of deferred tax assets for €83,700 thousand and a substitute tax liability for €9,000 thousand, resulting in a net tax benefit of €74,700 thousand. There was no cash effect in 2020 from the step-up of the trademark. The deferred tax asset will be utilized over a 50-year period (following the introduction of the 2022 Italian budget law (Law 234/2021) which provides for an extension from 18 years to 50 years of the amortization period for tax purposes for any trademarks and goodwill that benefited from the step-up regime) and the substitute tax will be paid in three equal annual installments starting in 2021.

The table below provides a reconciliation between actual income tax expense and the theoretical income tax expense, calculated on the basis of the applicable corporate tax rate in effect in Italy, which was 24.0 percent for each of the years ended December 31, 2021, 2020 and 2019.

(€ thousand)

	For the years ended December 31,		
	2021	**2020**	**2019**
Theoretical income tax expense	250,136	160,088	210,088
Tax effect on:			
Permanent and other differences	(79,267)	(129,016)	(76,187)
Italian Regional Income Tax (IRAP)	32,422	22,662	27,997
Effect of changes in tax rates and tax regulations	633	800	733
Differences between foreign tax rates and the theoretical Italian tax rate and tax holidays	2,077	1,734	3,457
Taxes relating to prior years	2,556	514	7,208
Withholding tax on earnings	539	1,373	3,360
Income tax expense	**209,095**	**58,155**	**176,656**
Effective tax rate	**20.1%**	**8.7%**	**20.2%**

The increase in the effective tax rate from 8.7 percent in 2020 to 20.1 percent in 2021 was primarily attributable to the tax benefits from the measures introduced in Italy by the art. 110 of the Law Decree No. 104/2020, converted in the Law n. 126/2020, enacting "Urgent measures to support and relaunch the economy", which allowed Ferrari a one-time partial step-up of its trademark for tax purposes resulting in a net tax benefit of €74,700 thousand in 2020 (as further described above) and to a lesser extent, the effects of deductions for eligible research and development costs. The net benefit from the step up is included within "permanent and other differences" for 2020 in the tax rate reconciliation above. The Patent Box benefit relating to 2021, 2020 and 2019 is included within "permanent and other differences" in the tax rate reconciliation above.

The Italian Regional Income Tax ("IRAP") is only applicable to Italian entities and is calculated on a measure of income defined by the Italian Civil Code as the difference between operating revenues and costs, before financial income and expense, and in particular before the cost of fixed-term employees, credit losses and any interest included in lease payments. IRAP is calculated using financial information prepared under Italian accounting standards. IRAP is applied on the tax base at 3.9 percent for each of the years ended December 31, 2021, 2020 and 2019.

The analysis of deferred tax assets and deferred tax liabilities at December 31, 2021 and 2020, is as follows:

(€ thousand)

	At December 31,	
	2021	**2020**
Deferred tax assets:		
To be recovered after 12 months	94,808	95,209
To be recovered within 12 months	73,949	57,012
	168,757	**152,221**
Deferred tax liabilities:		
To be realized after 12 months	(78,496)	(96,179)
To be realized within 12 months	(17,477)	(17,295)
	(95,973)	**(113,474)**
Net deferred tax assets/(liabilities)	**72,784**	**38,747**

The movements in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

(€ thousand)

	At December 31, 2020	Recognized in consolidated income statement	Charged to equity	Translation differences and other changes	At December 31, 2021
Deferred tax assets arising on:					
Provisions	90,663	12,712	—	606	103,981
Deferred income	52,241	(606)	—	—	51,635
Employee benefits	2,931	—	110	—	3,041
Foreign currency exchange rate differences	516	95	—	(1)	610
Cash flow hedge reserve	—	—	8,455	—	8,455
Inventory obsolescence	61,726	7,131	—	250	69,107
Allowances for doubtful accounts	5,643	(474)	—	9	5,178
Depreciation	17,551	7	—	(3)	17,555
Trademark step-up	83,700	837	—	—	84,537
Patent box	27,902	37,791	—	—	65,693
Other	6,027	3,927	—	4,374	14,328
Total deferred tax assets	**348,900**	**61,420**	**8,565**	**5,235**	**424,120**
Deferred tax liabilities arising on:					
Depreciation	(7,550)	1,217	—	(448)	(6,781)
Capitalization of development costs	(264,087)	(47,349)	—	(2)	(311,438)
Employee benefits	(844)	(209)	—	—	(1,053)
Foreign currency exchange rate differences	(559)	33	—	—	(526)
Cash flow hedge reserve	(9,505)	—	9,505	—	—
Tax on undistributed earnings	(15,861)	(1,543)	—	—	(17,404)
Other	(11,747)	(1,568)	—	(819)	(14,134)
Total deferred tax liabilities	**(310,153)**	**(49,419)**	**9,505**	**(1,269)**	**(351,336)**
Total net deferred tax assets/(liabilities)	**38,747**	**12,001**	**18,070**	**3,966**	**72,784**

(€ thousand)

	At December 31, 2019	Recognized in consolidated income statement	Charged to equity	Translation differences and other changes	At December 31, 2020
Deferred tax assets arising on:					
Provisions	100,298	(8,748)	—	(887)	90,663
Deferred income	53,843	(1,602)	—	—	52,241
Employee benefits	2,930	—	1	—	2,931
Foreign currency exchange rate differences	1,437	(920)	—	(1)	516
Cash flow hedge reserve	1,786	—	(1,786)	—	—
Inventory obsolescence	51,972	10,032	—	(278)	61,726
Allowances for doubtful accounts	5,407	239	—	(3)	5,643
Depreciation	17,564	(10)	—	(3)	17,551
Trademark step-up	—	83,700	—	—	83,700
Patent box	—	27,902	—	—	27,902
Other	17,695	(8,298)	—	(3,370)	6,027
Total deferred tax assets	**252,932**	**102,295**	**(1,785)**	**(4,542)**	**348,900**
Deferred tax liabilities arising on:					
Depreciation	(8,881)	764	—	567	(7,550)
Capitalization of development costs	(224,851)	(39,238)	—	2	(264,087)
Employee benefits	(750)	(94)	—	—	(844)
Foreign currency exchange rate differences	(399)	(160)	—	—	(559)
Cash flow hedge reserve	—	—	(9,505)	—	(9,505)
Tax on undistributed earnings	(13,983)	(1,878)	—	—	(15,861)
Other	(12,593)	785	—	61	(11,747)
Total deferred tax liabilities	**(261,457)**	**(39,821)**	**(9,505)**	**630**	**(310,153)**
Total net deferred tax assets/(liabilities)	**(8,525)**	**62,474**	**(11,290)**	**(3,912)**	**38,747**

The decision to recognize deferred tax assets is made for each company in the Group by assessing whether the conditions exist for the future recoverability of such assets by taking into account the basis of the most recent forecasts from budgets and business plans.

Deferred taxes on the undistributed earnings of subsidiaries have not been recognized, except in cases where it is probable the distribution will occur in the foreseeable future. At December 31, 2021, the aggregate amount of temporary differences related to remaining distributable earnings of the Group's subsidiaries where deferred tax liabilities have not been recognized amounted to €186,806 thousand (€164,803 thousand at December 31, 2020).

11. OTHER INFORMATION BY NATURE

Personnel costs in 2021, 2020 and 2019 amounted to €483,747 thousand, €389,927 thousand and €385,182 thousand, respectively. These amounts include costs that were capitalized in connection with product development activities. In 2021, 2020 and 2019 the Group had an average number of employees of 4,571, 4,428 and 4,164, respectively.

Depreciation amounted to €230,097 thousand, €217,952 thousand and €191,482 thousand for the years ended December 31, 2021, 2020 and 2019, respectively, and amortization amounted to €225,892 thousand, €208,685 thousand and €160,464 thousand for the years ended December 31, 2021, 2020 and 2019, respectively.

12. EARNINGS PER SHARE

BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of Ferrari by the weighted average number of common shares issued and outstanding during the period.

The following table provides the amounts used in the calculation of basic earnings per share for the years ended December 31, 2021, 2020 and 2019:

		For the years ended December 31,		
		2021	2020	2019
Profit attributable to owners of the Company	€ thousand	830,767	607,817	695,818
Weighted average number of common shares for basic earnings per common share	thousand	184,446	184,806	186,767
Basic earnings per common share	**€**	**4.50**	**3.29**	**3.73**

DILUTED EARNINGS PER SHARE

For the years ended December 31, 2021, 2020 and 2019, the weighted average number of shares for diluted earnings per share was increased to take into consideration the theoretical effect of the potential common shares that would be issued for the Group's equity incentive plans (assuming 100 percent of the target awards vested). See Note 21 *"Share-Based Compensation"* for additional details related to the Group's equity incentive plans.

The following table provides the amounts used in the calculation of diluted earnings per share for the years ended December 31, 2021, 2020 and 2019:

		For the years ended December 31,		
		2021	2020	2019
Profit attributable to owners of the Company	€ thousand	830,767	607,817	695,818
Weighted average number of common shares for diluted earnings per common share	thousand	184,722	185,379	187,535
Diluted earnings per common share	**€**	**4.50**	**3.28**	**3.71**

13. GOODWILL

At December 31, 2021 and 2020 goodwill amounted to €785,182 thousand.

In accordance with IAS 36, goodwill is not amortized and is tested for impairment annually, or more frequently if facts or circumstances indicate that the asset may be impaired. Impairment testing is performed by comparing the carrying amount and the recoverable amount of the CGU. The recoverable amount of the CGU is the higher of its fair value less costs of disposal and its value in use.

The assumptions used in this process represent management's best estimate for the period under consideration. The estimate of the value in use of the CGU for purposes of performing the annual impairment test was based on the following assumptions:

- The expected future cash flows covering the period from 2022 through 2025 have been derived from the Ferrari business plan. In particular the estimate considers expected EBITDA adjusted to reflect the expected capital expenditure. These cash flows relate to the CGU in its condition when preparing the financial statements and exclude the estimated

cash flows that might arise from restructuring plans or other structural changes. Volumes and sales mix used for estimating the future cash flows are based on assumptions that are considered reasonable and sustainable and represent the best estimate of expected conditions regarding market trends for the CGU over the period considered.
- The expected future cash flows include a normalized terminal period used to estimate the future results beyond the time period explicitly considered, which were calculated by using the specific medium/long-term growth rate for the sector equal to 2.0 percent in 2021 (2.0 percent in 2020 and 2019).
- The expected future cash flows have been estimated in Euro, and discounted using a post-tax discount rate appropriate for that currency, determined by using a base WACC of 6.84 percent in 2021 (6.83 percent in 2020 and 6.80 percent in 2019). The WACC used reflects the current market assessment of the time value of money for the period being considered and the risks specific to the CGU under consideration.

The recoverable amount of the CGU was significantly higher than its carrying amount. Furthermore, the exclusivity of the business, its historical profitability and its future earnings prospects indicate that the carrying amount of the goodwill will continue to be recoverable, even in the event of difficult economic and market conditions.

14. INTANGIBLE ASSETS

(€ thousand)

	Externally acquired development costs	Development costs internally generated	Patents, concessions and licenses	Other intangible assets	Total
Gross carrying amount at January 1, 2020	**1,567,080**	**678,989**	**207,491**	**48,603**	**2,502,163**
Additions	236,913	83,190	26,867	5,008	351,978
Reclassifications	—	—	3,337	(3,337)	—
Translation differences and other movements	—	(1,846)	(98)	2	(1,942)
Balance at December 31, 2020	**1,803,993**	**760,333**	**237,597**	**50,276**	**2,852,199**
Additions	261,457	101,682	17,151	4,537	384,827
Reclassifications	—	—	3,200	(3,200)	—
Translation differences and other movements	—	—	(59)	7	(52)
Balance at December 31, 2021	**2,065,450**	**862,015**	**257,889**	**51,620**	**3,236,974**
Accumulated amortization at January 1, 2020	**1,034,368**	**410,930**	**176,301**	**42,626**	**1,664,225**
Amortization	139,546	41,008	26,048	2,083	208,685
Translation differences and other movements	—	—	(2)	1	(1)
Balance at December 31, 2020	**1,173,914**	**451,938**	**202,347**	**44,710**	**1,872,909**
Amortization	146,664	47,808	29,495	1,925	225,892
Balance at December 31, 2021	**1,320,578**	**499,746**	**231,842**	**46,635**	**2,098,801**
Carrying amount at:					
January 1, 2020	**532,712**	**268,059**	**31,190**	**5,977**	**837,938**
December 31, 2020	**630,079**	**308,395**	**35,250**	**5,566**	**979,290**
December 31, 2021	**744,872**	**362,269**	**26,047**	**4,985**	**1,138,173**

Additions primarily related to externally acquired and internally generated development costs for new and existing models.

15. PROPERTY, PLANT AND EQUIPMENT

(€ thousand)

	Land	Industrial buildings	Plant, machinery and equipment	Other assets	Advances and assets under construction	Total
Gross carrying amount at January 1, 2020	**23,609**	**408,658**	**2,361,520**	**192,528**	**201,396**	**3,187,711**
Additions	5,805	22,210	114,839	24,445	214,706	382,005
Divestitures	—	(791)	(11,423)	(5,048)	(127)	(17,389)
Reclassifications	—	2,795	79,937	3,500	(86,232)	—
Translation differences and other movements	(23)	(2,417)	(36)	(1,881)	—	(4,357)
Balance at December 31, 2020	**29,391**	**430,455**	**2,544,837**	**213,544**	**329,743**	**3,547,970**
Additions	16,936	17,852	122,893	20,930	186,846	365,457
Divestitures	(13)	(3,412)	(46,067)	(5,586)	(135)	(55,213)
Reclassifications	3,722	40,046	144,684	2,573	(197,599)	(6,574)
Translation differences and other movements	20	1,736	376	1,633	45	3,810
Balance at December 31, 2021	**50,056**	**486,677**	**2,766,723**	**233,094**	**318,900**	**3,855,450**
Accumulated amortization at January 1, 2020	**—**	**167,132**	**1,823,839**	**127,088**	**—**	**2,118,059**
Depreciation	—	17,778	180,868	19,306	—	217,952
Divestitures	—	(602)	(10,654)	(2,713)	—	(13,969)
Translation differences and other movements	—	(138)	1,426	(1,990)	—	(702)
Balance at December 31, 2020	**—**	**184,170**	**1,995,479**	**141,691**	**—**	**2,321,340**
Depreciation	—	17,875	191,247	20,975	—	230,097
Divestitures	—	(608)	(43,991)	(4,892)	—	(49,491)
Reclassifications	—	(284)	(1,123)	284	—	(1,123)
Translation differences and other movements	—	692	12	758	—	1,462
Balance at December 31, 2021	**—**	**201,845**	**2,141,624**	**158,816**	**—**	**2,502,285**
Carrying amount at:						
January 1, 2020	**23,609**	**241,526**	**537,681**	**65,440**	**201,396**	**1,069,652**
of which right-of use assets under IFRS 16	—	*15,834*	*7,612*	*34,319*	—	*57,765*
December 31, 2020	**29,391**	**246,285**	**549,358**	**71,853**	**329,743**	**1,226,630**
of which right-of use assets under IFRS 16	—	*25,574*	*5,041*	*29,127*	—	*59,742*
December 31, 2021	**50,056**	**284,832**	**625,099**	**74,278**	**318,900**	**1,353,165**
of which right-of use assets under IFRS 16	—	*21,613*	*3,484*	*28,661*	—	*53,758*

Additions mainly related to advances and assets under construction, including tracts of land adjacent to our facilities in Maranello as part of our expansion plans, as well as plant, machinery and equipment, primarily related to car production and engine assembly lines (including those for models to be launched in future years), industrial tools used for the production of cars and personalization programs.

The following table summarizes the changes in the carrying amount of right-of-use assets for the year ended December 31, 2021 and 2020:

(€ thousand)

	Industrial buildings	Plant, machinery and equipment	Other assets	Total
Balance at January 1, 2020	**15,834**	**7,612**	**34,319**	**57,765**
Additions	16,214	2,578	6,194	24,986
Disposals	—	(24)	(2,303)	(2,327)
Depreciation	(6,564)	(5,159)	(8,436)	(20,159)
Translation differences and other movements	90	34	(647)	(523)
Balance at January 1, 2021	**25,574**	**5,041**	**29,127**	**59,742**
Additions	3,987	1,409	7,745	13,141
Disposals	(2,780)	—	(473)	(3,253)
Depreciation	(5,753)	(1,348)	(8,247)	(15,348)
Translation differences and other movements	585	(1,618)	509	(524)
Balance at December 31, 2021	**21,613**	**3,484**	**28,661**	**53,758**

Amounts recognized in the income statement in relation to leases for the year ended December 31, 2021 and 2020 were as follows:

(€ thousand)

	For the year ended December 31,	
	2021	**2020**
Depreciation of right-of-use assets	15,348	20,159
Interest expense on lease liabilities	868	943
Variable lease payments not included in the measurement of lease liabilities	1,622	1,190
Expenses relating to short-term leases and leases of low-value assets	3,671	4,312
Total expenses recognized	**21,509**	**26,604**

For the year ended December 31, 2021 depreciation of right-of-use assets amounted to €15,348 thousand and interest expense on lease liabilities amounted to €868 thousand (€20,159 thousand and €943 thousand, respectively, for the year ended December 31, 2020).

At December 31, 2021, the Group had contractual commitments for the purchase of property, plant and equipment amounting to €73,681 thousand (€101,361 thousand at December 31, 2020).

16. INVESTMENTS AND OTHER FINANCIAL ASSETS

The composition of investments and other financial assets is as follows:

(€ thousand)

	At December 31,	
	2021	**2020**
Investments accounted for using the equity method	42,927	34,663
Other securities and financial assets	11,582	8,178
Total investments and other financial assets	**54,509**	**42,841**

INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Changes in the carrying amount of investments accounted for using the equity method during the period were as follows:

	(€ thousand)
Balance at January 1, 2020	**30,012**
Proportionate share of net profit for the year ended December 31, 2020	4,647
Proportionate share of remeasurement of defined benefit plans	4
Balance at December 31, 2020	**34,663**
Additions	1,285
Proportionate share of net profit for the year ended December 31, 2021	6,896
Proportionate share of remeasurement of defined benefit plans	83
Balance at December 31, 2021	**42,927**

Investments accounted for using the equity method mainly relate to the Group's investment in Ferrari Financial Services GmbH, a German entity that offers retail client financing in certain markets in EMEA (primarily the UK, Germany and Switzerland).

Additions relate to FS China Limited, a new joint venture formed in China in 2021 to manage certain brand activities in the local market, which had not yet commenced operations as of December 31, 2021.

Summarized financial information relating to FFS GmbH at and for the years ended December 31, 2021 and 2020 is presented below:

(€ thousand)

	At December 31,	
	2021	**2020**
Assets		
Non-current assets	4,037	3,390
Receivables from financing activities	908,362	782,880
Other current assets	5,096	4,130
Cash and cash equivalents	14,046	5,406
Total assets	**931,541**	**795,806**
Equity and liabilities		
Equity	81,156	67,352
Debt	763,563	653,748
Other liabilities	86,822	74,706
Total equity and liabilities	**931,541**	**795,806**

(€ thousand)

	For the year ended December 31,		
	2021	**2020**	**2019**
Net revenues	46,103	37,764	34,680
Cost of sales	16,971	14,864	15,655
Selling, general and administrative costs	8,565	8,494	8,892
Other expenses/(income), net	2,730	1,213	(963)
Profit before taxes	**17,837**	**13,193**	**11,096**
Income tax expense	4,045	3,898	3,010
Net profit	**13,792**	**9,295**	**8,086**

OTHER SECURITIES AND FINANCIAL ASSETS

Other securities and financial assets primarily include Series C Liberty Formula One shares (the "Liberty Media Shares") of Liberty Media Corporation (the group responsible for the promotion of the Formula 1 World Championship), which are measured at fair value and amounted to €10,559 thousand at December 31, 2021 (€7,163 thousand at December 31, 2020).

17. INVENTORIES

(€ thousand)

	At December 31,	
	2021	2020
Raw materials	99,382	96,900
Semi-finished goods	121,201	94,619
Finished goods	319,992	269,098
Total inventories	**540,575**	**460,617**

The increase in inventories is mainly due to higher car volumes.

The amount of inventory write-downs recognized as an expense within cost of sales during 2021 was €9,392 thousand (€21,155 thousand in 2020 and €14,512 thousand in 2019).

Changes in the provision for slow moving and obsolete inventories were as follows:

(€ thousand)

	2021	2020
At January 1,	**96,707**	**83,673**
Provision	9,392	21,155
Use and other changes	(4,001)	(8,121)
At December 31,	**102,098**	**96,707**

18. CURRENT RECEIVABLES AND OTHER CURRENT ASSETS

(€ thousand)

	At December 31,	
	2021	2020
Trade receivables	185,000	184,260
Receivables from financing activities	1,143,968	939,607
Current tax receivables	14,306	12,438
Other current assets	122,224	76,471
Total	**1,465,498**	**1,212,776**

TRADE RECEIVABLES

The following table sets forth a breakdown of trade receivables by nature:

(€ thousand)

	At December 31,	
	2021	**2020**
Trade receivables due from:		
Dealers	58,446	62,301
Stellantis Group (*) companies	23,737	37,906
Sponsorship and commercial activities	29,666	31,917
Brand activities	23,902	21,886
Other	49,249	30,250
Total	**185,000**	**184,260**

(*) Previously referred to as Fiat Chrysler Automobiles N.V. or FCA prior to the merger between FCA and Peugeot S.A. completed on January 16, 2021, which resulted in the creation of Stellantis N.V.

Trade receivables due from dealers relate to receivables for the sale of cars across the dealer network and are generally settled within 30 to 40 days from the date of invoice.

Trade receivables due from Stellantis Group companies mainly relate to the sale of engines and car bodies to Maserati S.p.A. and Officine Maserati Grugliasco S.p.A. (together "Maserati") which are controlled by the Stellantis Group. For additional information, see Note 28, "*Related Party Transactions*".

Trade receivables due from sponsorship and commercial activities mainly relate to the Group's participation in the Formula 1 World Championship. Trade receivables due from brand activities relate to amounts receivable for licensing and merchandising activities. The Group is not exposed to significant concentration of third party credit risk.

The following table sets forth a breakdown of trade receivables by currency:

(€ thousand)

	At December 31,	
	2021	**2020**
Trade receivables denominated in:		
Euro	78,286	111,191
U.S. Dollar	84,590	51,295
Pound Sterling	3,908	6,560
Chinese Yuan	2,478	1,398
Japanese Yen	11,348	8,921
Other currencies	4,390	4,895
Total	**185,000**	**184,260**

Trade receivables are shown net of an allowance for doubtful accounts determined on the basis of insolvency risk and historical experience, adjusted for forward-looking factors specific to the receivables and the economic environment. Additional provisions to the allowance for doubtful accounts are recorded within selling, general and administrative costs in the consolidated income statement.

Changes in the allowance for doubtful accounts of trade receivables during the year were as follows:

(€ thousand)

	2021	2020
At January 1,	**28,312**	**27,171**
Additional provisions	2,094	5,743
Utilizations	(1,835)	(2,860)
Releases	(2,741)	(1,595)
Other changes	154	(147)
At December 31,	**25,984**	**28,312**

RECEIVABLES FROM FINANCING ACTIVITIES

Receivables from financing activities are as follows:

(€ thousand)

	At December 31,	
	2021	2020
Client financing	1,132,979	925,878
Dealer financing	10,989	13,729
Total receivables from financing activities	**1,143,968**	**939,607**

Receivables from financing activities relate to the financial services portfolio in the United States and are generally secured on the title of cars or other guarantees.

Receivables from financing activities are shown net of an allowance for doubtful accounts determined on the basis of insolvency risks, adjusted for forward-looking factors specific to the receivables and the economic environment.

Additional provisions to the allowance for doubtful accounts are recorded within cost of sales in the consolidated income statement.

Changes in the allowance for doubtful accounts of receivables from financing activities during the year are as follows:

(€ thousand)

	2021	2020
At January 1,	**13,195**	**7,480**
Additional provisions	2,737	9,502
Utilizations	(4,507)	(3,078)
Releases	(1,270)	—
Other changes	1,049	(709)
At December 31,	**11,204**	**13,195**

CLIENT FINANCING

Client financing relates to financing provided by the Group to Ferrari clients to finance their car acquisitions. During 2021 the average contractual duration at inception of such contracts was approximately 66 months (67 months in 2020) and the weighted average interest rate was approximately 5.2 percent (approximately 5.5 percent in 2020).

Receivables for client financing are generally secured on the titles of the related cars or other personal guarantees.

Client financing relates entirely to financial services activities in the United States and is denominated in U.S. Dollars.

DEALER FINANCING

In 2021 the Group discontinued dealer financing secured by the titles of the cars sold through the dealer network. The Group still carries one existing longer term loan bearing a rate based on LIBOR plus a variable spread based on dealer's performance.

OTHER CURRENT ASSETS

Other current assets are detailed as follows:

(€ thousand)

	At December 31,	
	2021	**2020**
Italian and foreign VAT credits	61,278	31,620
Prepayments	36,084	38,826
Other	24,862	6,025
Total other current assets	**122,224**	**76,471**

Other includes security deposits, amounts due from personnel and other receivables.

At December 31, 2021, the Group had provided guarantees through third parties amounting to €226,878 thousand (€169,186 thousand at December 31, 2020), principally to (i) banks for a U.S. Dollar denominated credit facility of FFS Inc., (ii) tax authorities for VAT reimbursements according to Italian legislation and (iii) customs authorities for duties on import and export activities.

The analysis of receivables and other current assets by due date (excluding prepayments) is as follows:

(€ thousand)

	At December 31, 2021				
	Due within one year	**Due between one and five years**	**Due beyond five years**	**Overdue**	**Total**
Trade receivables	137,694	70	—	47,237	185,000
Receivables from financing activities	197,207	820,363	73,665	52,733	1,143,968
Client financing	*196,018*	*810,563*	*73,665*	*52,733*	*1,132,979*
Dealer financing	*1,189*	*9,800*	—	—	*10,989*
Current tax receivables	14,306	—	—	—	14,306
Other current assets	84,417	998	155	570	86,140
Total	**433,624**	**821,431**	**73,820**	**100,540**	**1,429,414**

(€ thousand)

	At December 31, 2020				
	Due within one year	**Due between one and five years**	**Due beyond five years**	**Overdue**	**Total**
Trade receivables	137,564	69	—	46,627	184,260
Receivables from financing activities	159,778	657,073	57,202	65,554	939,607
Client financing	*156,154*	*646,968*	*57,202*	*65,554*	*925,878*
Dealer financing	*3,624*	*10,105*	—	—	*13,729*
Current tax receivables	10,314	2,124	—	—	12,438
Other current assets	36,971	247	180	247	37,645
Total	**344,627**	**659,513**	**57,382**	**112,428**	**1,173,950**

Overdue amounts represent receivables and other current assets where payments are past their due date.

19. CURRENT FINANCIAL ASSETS AND OTHER FINANCIAL LIABILITIES

(€ thousand)

	At December 31,	
	2021	2020
Financial derivatives	11,565	38,636
Other financial assets	1,935	1,448
Current financial assets	**13,500**	**40,084**

Current financial assets and other financial liabilities mainly relate to foreign exchange derivatives.

The following table sets forth a breakdown of derivative assets and liabilities at December 31, 2021 and 2020.

(€ thousand)

	At December 31,			
	2021		2020	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Cash flow hedges:				
Foreign currency derivatives	4,437	(34,973)	37,214	(2,060)
Commodities	182	(1,162)	271	—
Interest rate caps	6,053	—	497	—
Total cash flow hedges	**10,672**	**(36,135)**	**37,982**	**(2,060)**
Other foreign currency derivatives	893	(385)	654	(80)
Total	**11,565**	**(36,520)**	**38,636**	**(2,140)**

Foreign currency derivatives that do not meet the requirements to be recognized as cash flow hedges are presented as other foreign currency derivatives. Interest rate caps relate to derivative instruments required as part of certain securitization agreements.

The following tables provide an analysis of outstanding derivative financial instruments by foreign currency based on their fair value and notional amounts:

(€ thousand)

	At December 31, 2021		At December 31, 2020	
	Fair Value	Notional Amount	Fair Value	Notional Amount
Currencies:				
U.S. Dollar	(17,588)	1,773,022	31,474	1,363,667
Pound Sterling	(2,343)	154,353	450	118,795
Japanese Yen	116	282,482	3,533	197,170
Swiss Franc	(2,754)	76,953	535	76,282
Chinese Yuan	(1,125)	91,248	490	37,644
Other(1)	(1,261)	108,822	14	105,159
Total amount	**(24,955)**	**2,486,880**	**36,496**	**1,898,717**

(1) Other mainly includes the Australian Dollar, the Hong Kong Dollar and the Canadian Dollar.

At December 31, 2021 and 2020, substantially all derivative financial instruments had a maturity of twelve months or less.

CASH FLOW HEDGES

The effects recognized in the consolidated income statement mainly relate to currency risk management and in particular the exposure to fluctuations in the Euro/U.S. Dollar exchange rate for sales in U.S. Dollars.

The policy of the Group for managing foreign currency risk normally requires hedging of a portion of projected future cash flows from trading activities and orders acquired (or contracts in progress) in foreign currencies that will occur within the following 12 months. Derivatives relating to foreign currency risk management are treated as cash flow hedges where the derivative qualifies for hedge accounting. The amounts recorded in the cash flow hedge reserve within other comprehensive income will be recognized in the consolidated income statement according to the timing of the flows of the underlying transactions. Management believes that substantially all of the hedging effects arising from these derivative contracts and recorded in the cash flow hedge reserve will be recognized in the consolidated income statement within the following 12 months from the reporting date.

The Group reclassified gains and losses, net of the related tax effects, from other comprehensive income/(loss) to the consolidated income statement as follows:

(€ thousand)

	For the years ended December 31,		
	2021	**2020**	**2019**
Net revenues/(costs)	7,275	19,557	(22,055)
Income tax (expense)/benefit	(2,030)	(5,456)	6,153
Total recognized in the consolidated income statement	**5,245**	**14,101**	**(15,902)**

The ineffectiveness of cash flow hedges was not material for the years 2021, 2020 and 2019.

20. EQUITY

SHARE CAPITAL

At December 31, 2021 and 2020 the fully paid up share capital of the Company was €2,573 thousand, consisting of 193,923,499 common shares and 63,349,112 special voting shares, all with a nominal value of €0.01. At December 31, 2021, the Company had 10,080,103 common shares and 4,190 special voting shares held in treasury, while at December 31, 2020, the Company had 9,175,609 common shares and 2,190 special voting shares. Shares in treasury include shares repurchased under the Group's share repurchase program, which are recorded based on the transaction trade date. The increase in common shares held in treasury primarily reflects the repurchase of shares by the Company through its share repurchase program, partially offset by shares assigned under the Group's equity incentive plans. The Company restarted its multi-year share repurchase program on March 12, 2021 following its temporary suspension from March 30, 2020 as part of actions implemented by management to prudently manage liquidity as a result of the COVID-19 pandemic. At December 31, 2021 and 2020 the Company held in treasury 3.92 percent and 3.57 percent of the total issued share capital of the Company, respectively.[1]

(1) The percentage of shares held in treasury compared to total issued share capital remains substantially the same if calculated considering only common shares held in treasury or if calculated considering common shares and special voting shares held in treasury.

The following table summarizes the changes in the number of outstanding common shares and outstanding special voting shares of the Company for the years ended December 31, 2021 and 2020:

	Common Shares	Special Voting Shares	Total
Outstanding shares at December 31, 2019	**185,283,323**	**63,346,921**	**248,630,244**
Common shares repurchased under share repurchase program[1]	(819,483)	—	(819,483)
Common shares assigned under equity incentive plans[2]	284,050	—	284,050
Other changes	—	1	1
Outstanding shares at December 31, 2020	**184,747,890**	**63,346,922**	**248,094,812**
Common shares repurchased under share repurchase program[3]	(1,167,592)	—	(1,167,592)
Common shares assigned under equity incentive plans[4]	263,098	—	263,098
Other changes[5]	—	(2,000)	(2,000)
Outstanding shares at December 31, 2021	**183,843,396**	**63,344,922**	**247,188,318**

(1) Includes shares repurchased between January 1, 2020 and December 31, 2020 based on the transaction trade date, for a total consideration of €119,771 thousand including transaction costs.

(2) On March 16, 2020, 366,199 common shares, which were previously held in treasury, were assigned to participants of the equity incentive plans as a result of the vesting of certain performance share unit and retention restricted share unit awards. On March 17, 2020, the Company purchased 82,149 common shares, for a total consideration of €10,022 thousand, from a group of those employees who were assigned shares in order to cover the individual's taxable income as is standard practice (Sell to Cover) in an over-the-counter transaction. See Note 21 "Share-Based Compensation" for additional details relating to the Group's equity incentive plans.

(3) Includes shares repurchased under the share repurchase program between January 1, 2021 and December 31, 2021 based on the transaction trade date, for a total consideration of €231,024 thousand, including transaction costs.

(4) On March 16, 2021, 356,571 common shares, which were previously held in treasury, were assigned to participants of the equity incentive plans as a result of the vesting of certain performance share unit and retention restricted share unit awards. On March 17, 2021, the Company purchased 93,473 common shares, for a total consideration of €15,432 thousand, from a group of those employees who were assigned shares in order to cover the individual's taxable income as is standard practice (Sell to Cover) in an over-the-counter transaction. See Note 21 "Share-Based Compensation" for additional details relating to the Group's equity incentive plans.

(5) Relates to the deregistration of certain special voting shares under the Company's special voting shares term and conditions.

THE LOYALTY VOTING STRUCTURE

The purpose of the loyalty voting structure is to reward ownership of the Company's common shares and to promote stability of the Company's shareholder base by granting long-term shareholders of the Company with special voting shares. Following the separation of Ferrari from the Stellantis Group (previously referred to as Fiat Chrysler Automobiles N.V. or FCA prior to the merger between FCA and Peugeot S.A. completed on January 16, 2021, which resulted in the creation of Stellantis N.V.) in 2016, Exor N.V. ("Exor") and Piero Ferrari participate in the Company's loyalty voting program and, therefore, effectively hold two votes for each of the common shares they hold. Investors who purchase common shares may elect to participate in the loyalty voting program by registering their common shares in the loyalty share register and holding them for three years. The loyalty voting program will be affected by means of the issue of special voting shares to eligible holders of common shares. Each special voting share entitles the holder to exercise one vote at the Company's shareholder meetings. Only a minimal dividend accrues to the special voting shares allocated to a separate special dividend reserve, and the special voting shares do not carry any entitlement to any other reserve of the Group. The special voting shares have only immaterial economic entitlements and, as a result, do not impact the Company's earnings per share calculation.

RETAINED EARNINGS AND OTHER RESERVES

Retained earnings and other reserves includes:

- a share premium reserve of €5,768,544 thousand at December 31, 2021 (€5,768,544 thousand at December 31, 2020);
- a legal reserve of €93 thousand at December 31, 2021 and €19 thousand at December 31, 2020, determined in accordance with Dutch law;
- a treasury reserve of €847,525 thousand at December 31, 2021 and €616,629 thousand at December 31, 2020;
- a share-based compensation reserve of €28,379 thousand at December 31, 2021 and €43,482 thousand at December 31, 2020.

Following approval of the annual accounts by the shareholders at the Annual General Meeting of the Shareholders on April 15, 2021, a dividend distribution of €0.867 per common share was approved, corresponding to a total distribution of €160,272 thousand (of which €160,101 thousand was paid in 2021). The distribution was made from the retained earnings reserve.

Following approval of the annual accounts by the shareholders at the Annual General Meeting of the Shareholders on April 16, 2020, a dividend distribution of €1.13 per common share was approved, corresponding to a total distribution of €208,765 thousand (of which €208,100 thousand was paid in 2020). The distribution was made from the retained earnings reserve.

Following approval of the annual accounts by the shareholders at the Annual General Meeting of the Shareholders on April 12, 2019, a dividend distribution of €1.03 per common share was approved, corresponding to a total distribution of €193,328 thousand (of which €192,664 thousand was paid in 2019). The distribution was made from the retained earnings reserve.

OTHER COMPREHENSIVE INCOME/(LOSS)

The following table presents other comprehensive income/(loss):

(€ thousand)

	For the years ended December 31,		
	2021	**2020**	**2019**
Items that will not be reclassified to the consolidated income statement in subsequent periods:			
Gains/(Losses) on remeasurement of defined benefit plans (1)	(463)	34	(2,078)
Total items that will not be reclassified to the consolidated income statement in subsequent periods	**(463)**	**34**	**(2,078)**
Items that may be reclassified to the consolidated income statement in subsequent periods:			
Gains/(Losses) on cash flow hedging instruments arising during the period	(56,855)	59,666	(24,327)
(Gains)/Losses on cash flow hedging instruments reclassified to the consolidated income statement	(7,275)	(19,557)	22,055
Gains/(Losses) on cash flow hedging instruments	**(64,130)**	**40,109**	**(2,272)**
Exchange differences on translating foreign operations	14,229	(11,731)	2,652
Total items that may be reclassified to the consolidated income statement in subsequent periods	**(49,901)**	**28,378**	**380**
Total other comprehensive income/(loss)	**(50,364)**	**28,412**	**(1,698)**
Related tax impact	18,070	(11,290)	1,066
Total other comprehensive income/(loss), net of tax	**(32,294)**	**17,122**	**(632)**

(1) Includes a gain of €83 thousand, a gain of €4 thousand, and a loss of €3 thousand for the years ended December 31, 2021, 2020 and 2019, respectively, related to the Group's proportionate share of the remeasurement of defined benefit plans of FFS GmbH, for which the Group holds a 49.9 percent interest.

Gains and losses on the remeasurement of defined benefit plans include actuarial gains and losses arising during the period and are offset against the related net defined benefit liabilities.

The tax effects relating to other comprehensive income/(loss) are summarized in the following table:

(€ thousand)

	For the years ended December 31,								
	2021			2020			2019		
	Pre-tax balance	Related tax impact	Net balance	Pre-tax balance	Related tax impact	Net balance	Pre-tax balance	Related tax impact	Net balance
Gains/(Losses) on remeasurement of defined benefit plans	(463)	110	(353)	34	1	35	(2,078)	456	(1,622)
Gains/(Losses) on cash flow hedging instruments	(64,130)	17,960	(46,170)	40,109	(11,291)	28,818	(2,272)	610	(1,662)
Exchange (losses)/gains on translating foreign operations	14,229	—	14,229	(11,731)	—	(11,731)	2,652	—	2,652
Total other comprehensive (loss)/income	**(50,364)**	**18,070**	**(32,294)**	**28,412**	**(11,290)**	**17,122**	**(1,698)**	**1,066**	**(632)**

TRANSACTIONS WITH NON-CONTROLLING INTERESTS

With the exception of dividends paid to non-controlling interests, there were no transactions with non-controlling interests for the years ended December 31, 2021, 2020 or 2019.

POLICIES AND PROCESSES FOR MANAGING CAPITAL

The Group's objectives when managing capital are to create value for shareholders as a whole, safeguard business continuity and support the sustainable growth of the Group. As a result, the Group endeavors to maintain a satisfactory economic return for its shareholders and guarantee economic access to external sources of funds.

21. SHARE-BASED COMPENSATION

The Group has several equity incentive plans under which a combination of performance share units ("PSUs") and retention restricted share units ("RSUs"), which each represent the right to receive one Ferrari common share, have been awarded to the Executive Chairman, the Chief Executive Officer ("CEO"), members of the Ferrari Leadership Team (hereinafter also the "FLT", formerly Senior Management Team, and so renamed as a result of the organizational changes executed in January 2022) and other key employees of the Group.

EQUITY INCENTIVE PLAN 2016-2020

In the first quarter of 2021, 212,243 PSU awards vested (representing 100 percent of the target PSU awards) as a result of Ferrari's third place ranking in Total Shareholder Return ("TSR") within the defined Peer Group for the performance period from 2016 to 2020, and 31,120 RSU awards vested upon achievement of the related service conditions. As a result, 243,363 common shares, which were previously held in treasury, were assigned to participants of the plan in the first quarter of 2021. There are no further awards outstanding for the Equity Incentive Plan 2016-2020.

EQUITY INCENTIVE PLAN 2019-2021

Under the Equity Incentive Plan 2019-2021 the Company awarded approximately 174 thousand 2019-2021 PSUs and approximately 111 thousand 2019-2021 RSUs to the Executive Chairman, the former CEO, members of the FLT and other key employees of the Group. The PSUs and RSUs cover the three-year performance and service periods from 2019 to 2021.

2019-2021 PSU AWARDS

The vesting of the awards is based on the achievement of defined key performance indicators as follows:

(i) TSR Target - 50 percent vest based on the achievement of the TSR ranking of Ferrari compared to an industry specific Peer Group of eight;

(ii) EBITDA Target - 30 percent vest based on the achievement of an EBITDA target determined by comparing Adjusted EBITDA to the Adjusted EBITDA targets derived from the business plan;

(iii) Innovation Target - 20 percent vest based on the achievement of defined objectives for technological innovation and the development of the new model pipeline over the performance period.

Each target is settled independently of the others targets. The total number of shares assigned upon vesting of the PSU awards depends on the level of achievement of the targets.

Ferrari ranked third in the TSR ranking within the defined Peer Group for the TSR Target and met the EBITDA Target and the Innovation Target for the performance period covering 2019, resulting in the vesting of 100 percent of the target awards. As a result 17,572 awards vested and an equal number of common shares, which were previously held in treasury, were assigned to participants of the plan in the first quarter of 2020. For the performance period covering 2019 to 2020, Ferrari ranked third in the TSR ranking within the defined Peer Group for the TSR Target and achieved the EBITDA Target and the Innovation Target, resulting in the vesting of 100 percent of the target awards. As a result 80,510 awards vested in the first quarter of 2021 and an equal number of common shares, which were previously held in treasury, were assigned to participants of the plan in the first quarter of 2021. For the performance period covering 2019 to 2021, Ferrari ranked third in the TSR ranking within the defined Peer Group for the TSR Target and achieved the EBITDA Target and the Innovation Target, resulting in the vesting of 100 percent of the target awards. As a result 86,331 awards vested in the first quarter of 2022 and an equal number of common shares held in treasury will be assigned to participants of the plan in the first quarter of 2022.

2019-2021 RSU AWARDS

The remaining awards vest in 2022, subject to the recipient's continued employment with the Company at the time of vesting.

During 2020, 18,892 awards vested and an equal number of common shares, which were previously held in treasury, were assigned under the plan. For the service period covering 2019 to 2020, 32,694 awards vested in the first quarter of 2021 and an equal number of common shares, which were previously held in treasury, were assigned to participants of the plan in the first quarter of 2021. For the service period covering 2019 to 2021, 75,857 awards vested in the first quarter of 2022 and an equal number of common shares held in treasury will be assigned to participants of the plan in the first quarter of 2022.

INCENTIVE PLAN 2020-2022

Under the Equity Incentive Plan 2020-2022 the Company awarded approximately 60 thousand 2020-2022 PSUs and approximately 48 thousand 2020-2022 RSUs to the Executive Chairman, members of the FLT and other key employees of the Group. The PSUs and RSUs cover the three-year performance and service periods from 2020 to 2022.

2020-2022 PSU AWARDS

The vesting of the awards is based on the achievement of defined key performance indicators as follows:

(i) TSR Target - 50 percent vest based on the achievement of the TSR ranking of Ferrari compared to an industry specific Peer Group of eight;

(ii) EBITDA Target - 30 percent vest based on the achievement of an EBITDA target determined by comparing Adjusted EBITDA to the Adjusted EBITDA targets derived from the business plan;

(iii) Innovation Target - 20 percent vest based on the achievement of defined objectives for technological innovation and the development of the new model pipeline over the performance period.

Each target is settled independently of the other targets. The awards vest in 2023 and the total number of shares assigned upon vesting depends on the level of achievement of the targets.

2020-2022 RSU AWARDS

The awards vest in 2023, subject to the recipient's continued employment with the Company at the time of vesting.

EQUITY INCENTIVE PLAN 2021-2023

Under the Equity Incentive Plan 2021-2023 approved in 2021, the Company awarded approximately 50 thousand 2021-2023 PSUs and approximately 41 thousand 2021-2023 RSUs to the Executive Chairman, members of the FLT and other key employees of the Group. The PSUs and RSUs cover the three-year performance and service periods from 2021 to 2023.

2021-2023 PSU AWARDS

The vesting of the awards is based on the achievement of defined key performance indicators as follows:

(i) TSR Target - 50 percent vest based on the achievement of the TSR ranking of Ferrari compared to an industry specific Peer Group of eight;

(ii) ii) EBITDA Target - 30 percent vest based on the achievement of an EBITDA target determined by comparing Adjusted EBITDA to the Adjusted EBITDA targets derived from the Group's business plan;

(iii) Innovation Target - 20 percent vest based on the achievement of defined objectives for technological innovation and the development of the new model pipeline over the performance period.

Each target is settled independently of the other targets. The awards vest in 2024 and the total number of shares assigned upon vesting depends on the level of achievement of the targets.

2021-2023 RSU AWARDS
The awards vest in 2024, subject to the recipient's continued employment with the Company at the time of vesting.

Supplemental information relating to the Equity Incentive Plan 2021-2023 is summarized below.

TSR TARGET

The number of PSUs with a TSR Target that vest under the Equity Incentive Plan 2021-2023 is based on the Company's TSR performance over the relevant performance period compared to an industry-specific Peer Group as summarized below.

Ferrari TSR Ranking	% of Target Awards that Vest
1	150%
2	120%
3	100%
4	75%
5	50%
>5	0%

The defined Peer Group (including the Company) for the TSR Target is presented below.

Ferrari	Aston Martin	Burberry	Hermes
Kering	LVMH	Moncler	Richemont

EBITDA TARGET

The number of PSUs with an EBITDA Target that vest under the Equity Incentive Plan 2021-2023 is determined by comparing Adjusted EBITDA to the Adjusted EBITDA targets derived from the Group's business plan, as summarized below.

Actual Adjusted EBITDA Compared to Business Plan	% of Awards that Vest
+10%	140%
+5%	120%
Business Plan Target	100%
-5%	80%
<-5%	0%

FAIR VALUES AND KEY ASSUMPTIONS

The fair value of the PSU awards used for accounting purposes was measured at the grant date using a Monte Carlo Simulation model. The fair value of the RSU awards was measured using the share price at the grant date adjusted for the present value of future distributions which employees will not receive during the vesting period.

The fair value of the PSUs and RSUs that were awarded under the equity incentive plans, which is determined based on actuarial calculations that apply certain assumptions and take into consideration the specific characteristics of the awards granted, is summarized in the following table.

Equity Incentive Plan	2019-2021	2020-2022	2021-2023
PSUs	€110.57 - €111.64	€136.06	€130.42
RSUs	€119.54 - €120.56	€139.39	€171.86

The key assumptions utilized to calculate the grant-date fair values of the PSUs that were awarded under the equity incentive plans are summarized below:

Equity Incentive Plan	2019-2021	2020-2022	2021-2023
Grant date share price	€122.60	€142.95	€175.80
Expected volatility	26.5%	26.6%	27.0%
Dividend yield	0.83%	0.80%	0.75%
Risk-free rate	0%	0%	0%

The expected volatility was based on the observed volatility of the defined Peer Group. The risk-free rate was based on the iBoxx sovereign Eurozone yield.

OUTSTANDING SHARE AWARDS

Changes to the outstanding number of PSU and RSU awards under all equity incentive plans of the Group are as follows:

(number of awards)	Outstanding PSU Awards	Outstanding RSU Awards
Balance at January 1, 2019	**686,526**	**118,264**
Granted[1]	175,307	110,968
Forfeited	(32,832)	(18,000)
Vested	(230,282)	(40,087)
Balance at December 31, 2019	**598,719**	**171,145**
Granted[2]	48,173	39,780
Forfeited	(1,461)	(1,460)
Vested	(230,592)	(50,402)
Balance at December 31, 2020	**414,839**	**159,063**
Granted[3]	49,861	41,460
Forfeited	(19,775)	(13,048)
Vested	(292,753)	(63,814)
Balance at December 31, 2021	**152,172**	**123,661**

(1) Granted under the Equity Incentive Plan 2019-2021.
(2) Granted under the Equity Incentive Plan 2020-2022.
(3) Grander under the Equity Incentive Plan 2021-2023.

SHARE-BASED COMPENSATION EXPENSE

For the years ended December 31, 2021, 2020 and 2019, the Group recognized €11,689 thousand, €17,401 thousand and €17,480 thousand, respectively, as share-based compensation expense and an increase to other reserves in equity in relation to the PSU awards and RSU awards of the Group's equity incentive plans. At December 31, 2021, unrecognized compensation expense relating to the Group's equity incentive plans amounted to €11,082 thousand and is expected to be recognized over the remaining vesting periods through 2023.

In 2021 the Group also recognized share-based compensation expense of €2,206 thousand as part of commercial agreements with certain suppliers.

22. EMPLOYEE BENEFITS

The Group's provisions for employee benefits are as follows:

(€ thousand)

	At December 31,	
	2021	2020
Present value of defined benefit obligations:		
Italian employee severance indemnity (TFR)	18,430	19,825
Pension plans	—	105
Total present value of defined benefit obligations	**18,430**	**19,930**
Other provisions for employees	82,770	40,055
Total provisions for employee benefits	**101,200**	**59,985**

DEFINED CONTRIBUTION PLANS

The Group recognizes the cost for defined contribution plans over the period in which the employee renders service and classifies this by function in cost of sales, selling, general and administrative costs and research and development costs. The total income statement expense for defined contributions plans in the years ended December 31, 2021, 2020 and 2019 was €15,729 thousand, €15,727 thousand and €13,650 thousand, respectively.

DEFINED BENEFIT OBLIGATIONS

ITALIAN EMPLOYEE SEVERANCE INDEMNITY (TFR)

Trattamento di fine rapporto or "TFR" relates to the amounts that employees in Italy are entitled to receive when they leave the company and is calculated based on the period of employment and the taxable earnings of each employee. Under certain conditions the entitlement may be partially advanced to an employee during the employee's working life.

The Italian legislation regarding this scheme was amended by Law 296 of 27 December 2006 and subsequent decrees and regulations issued in the first part of 2007. Under these amendments, companies with at least 50 employees are obliged to transfer the TFR to the "Treasury fund" managed by the Italian state-owned social security body ("INPS") or to supplementary pension funds. Prior to the amendments, accruing TFR for employees of all Italian companies could be managed by the company itself. Consequently, the Italian companies' obligation to INPS and the contributions to supplementary pension funds take the form, under IAS 19 revised, of "Defined contribution plans" whereas the amounts recorded in the provision for employee severance pay retain the nature of "Defined benefit plans". Accordingly, the provision for employee severance indemnity in Italy consists of the residual obligation for TFR until December 31, 2006. This is an unfunded defined benefit plan as the benefits have already been almost entirely earned, with the sole exception of future revaluations. Since 2007 the scheme has been classified as a defined contribution plan, and the Group recognizes the associated cost, being the required contributions to the pension funds, over the period in which the employee renders service.

PENSION PLANS

Certain Group companies previously sponsored non-contributory defined benefit pension plans, for which the Group met the benefit payment obligations when they became due. Benefits provided under the plans varied based on the employee's length of service and their salary in the final years leading up to retirement, among other variables. At December 31, 2021 the Group no longer sponsored any defined benefit pension plans.

The following table summarizes the changes in the defined benefit obligations:

(€ thousand)

	TFR liability	Pension plans	Total
Amounts at December 31, 2019	**21,795**	**134**	**21,929**
Recognized in the consolidated income statement	25	—	25
Recognized in other comprehensive loss/(income) (*)	2	(32)	(30)
Other	(1,997)	3	(1,994)
Benefits paid	*(1,842)*	—	*(1,842)*
Other changes	*(155)*	*3*	*(152)*
Amounts at December 31, 2020	**19,825**	**105**	**19,930**
Recognized in the consolidated income statement	6	—	6
Recognized in other comprehensive income/(loss)(*)	463	—	463
Other	(1,864)	(105)	(1,969)
Benefits paid	*(2,127)*	*(105)*	*(2,232)*
Other changes	*263*	—	*263*
Amounts at December 31, 2021	**18,430**	**—**	**18,430**

(*) Relates to actuarial losses/(gains) from financial assumptions.

Amounts recognized in the consolidated income statement are as follows:

(€ thousand)

	For the years ended December 31,								
	2021			2020			2019		
	TFR	Pension plans	Total	TFR	Pension plans	Total	TFR	Pension plans	Total
Current service cost	6	—	6	—	—	—	—	26	26
Interest expense		—	—	25	—	25	—	—	—
Past service adjustments	—	—	—	—	—	—	—	(518)	(518)
Total recognized in the consolidated income statement	**6**	**—**	**6**	**25**	**—**	**25**	**—**	**(492)**	**(492)**

Past service adjustments relate to gains recognized in the consolidated income statement due to plan amendments and curtailments.

The discount rates used for the measurement of the Italian TFR obligation are based on yields of high-quality (AA- rated) fixed income securities for which the timing and amounts of payments match the timing and amounts of the projected benefit payments. For this plan, the single weighted average discount rate that reflects the estimated timing and amount of the scheme future benefit payments for 2021 is equal to 0.9 percent (0.4 percent in 2020 and 0.7 percent in 2019). The average duration of the Italian TFR is approximately 8 years. Retirement or employee leaving rates are developed to reflect actual and projected Group experience and legal requirements for retirement in Italy.

Current service cost is recognized by function in cost of sales, selling, general and administrative costs or research and development costs.

The expected future benefit payments for the defined benefit obligations as of December 31, 2021 are as follows:

(€ thousand)

	TFR
2022	1,466
2023	1,660
2024	1,359
2025	1,329
2026	1,084
2027 - 2031	5,688
Total	**12,586**

The sensitivity of the defined benefit obligations to changes in the weighted principal assumptions is:

(€ thousand)

	At December 31,			
	2021		2020	
	Changes in assumption of +1% discount rate	Changes in assumption of -1% discount rate	Changes in assumption of +1% discount rate	Changes in assumption of -1% discount rate
Impact on defined benefit obligation	(1,321)	1,507	(1,446)	1,656

The above sensitivity analysis is based on an assumed change in the discount rate while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the defined benefit liability recognized in the statement of the financial position.

OTHER PROVISIONS FOR EMPLOYEES

Other provisions for employees consist of the expected future amounts payable to employees in connection with other remuneration schemes, which are not subject to actuarial valuation, including long-term bonus plans.

At December 31, 2021, other provisions for employees comprised short-term bonus benefits amounting to €79,273 thousand (€36,723 thousand at December 31, 2020) and jubilee benefits granted to certain employees by the Group in the event of achieving 30 years of service amounting to €3,497 thousand (€3,332 thousand at December 31, 2020).

23. PROVISIONS

The provision for other risks primarily relates to disputes and matters which are not subject to legal proceedings, including contract-related disputes with suppliers, employees and other parties, as well as environmental risks.

Movements in provisions are as follows:

(€ thousand)

	At December 31, 2020	Additional provisions	Utilization	Releases	Translation differences	Reclassification and other movements	At December 31, 2021
Warranty and recall campaigns	106,942	45,047	(33,695)	(9,868)	341	—	108,767
Legal proceedings and disputes	26,349	3,643	(596)	(16,111)	326	90	13,701
Other risks	22,044	12,306	(2,067)	(4,733)	822	28	28,400
Total provisions	**155,335**	**60,996**	**(36,358)**	**(30,712)**	**1,489**	**118**	**150,868**

WARRANTY AND RECALL CAMPAIGNS

The provision for warranty and recall campaigns represents the best estimate of commitments given by the Group for contractual, legal, or constructive obligations arising from product warranties given for a specified period of time. Warranty and recall campaigns provisions are recognized upon shipment and estimated on the basis of the Group's past experience and contractual terms. Related costs are recognized within cost of sales.

Following an industry-wide recall in 2016, the Group initiated a global recall campaign on cars mounted with Takata airbags manufactured using non-desiccated phase stabilized ammonium nitrate. Due to the uncertainty of recoverability of the costs from Takata, the Group recognized an aggregate provision of €36,994 thousand in 2016 within cost of sales. At December 31, 2021, the provision amounted to €3,011 thousand (€6,831 thousand at December 31, 2020). The gradual decrease in the provision reflects the performance of recall activities by the Group.

LEGAL PROCEEDINGS AND DISPUTES

The provision for legal proceedings and disputes represents management's best estimate of the expenditures expected to be required to settle or otherwise resolve legal proceedings and disputes. This class of claims relates to allegations by contractual counterparties that the Group has violated the terms of the arrangements, including by terminating the applicable relationships. Judgments in these proceedings may be issued in 2022 or beyond, although any such judgments may remain subject to ongoing judicial review. While the outcome of these proceedings is uncertain, any losses in excess of the provisions recorded are not expected to be material to the Group's financial condition or results of operations. Additions to the provision for legal proceedings and disputes are recognized within other expenses, net.

Releases during 2021 primarily relate to a legal dispute following developments favorable to Ferrari during the fourth quarter of the year.

OTHER RISKS

The provision for other risks are related to disputes and matters which are not subject to legal proceedings, including disputes with suppliers, distributors, employees and other parties, as well as environmental risks.

The following table presents where the additional provisions to other risks recognized for the years ended December 31, 2021, 2020 and 2019 were recorded within the consolidated income statement.

(€ thousand)

	For the years ended December 31,		
	2021	2020	2019
Recorded in the consolidated income statement within:			
Cost of sales	10,562	6,352	9,563
Selling, general and administrative costs	1,744	1,174	2,830
Total	**12,306**	**7,526**	**12,393**

24. DEBT

(€ thousand)

	Balance at December 31, 2020	Proceeds from borrowings	Repayments of borrowings	Interest accrued/ (paid) and other (*)	Translation differences	Balance at December 31, 2021
Bonds and notes	1,835,022	149,495	(500,000)	2,593	—	1,487,110
Asset-backed financing (Securitizations)	761,164	248,714	(177,270)	49	67,556	900,213
Lease liabilities	62,290	—	(21,605)	14,421	1,104	56,210
Borrowings from banks and other financial institutions	28,553	142,344	(20,959)	88	4,393	154,419
Other debt	37,716	17,265	(25,302)	—	2,380	32,059
Total debt	**2,724,745**	**557,818**	**(745,136)**	**17,151**	**75,433**	**2,630,011**

(*) Other changes in lease liabilities relates entirely to non-cash movements for the recognition of additional lease liabilities in accordance with IFRS 16.

The breakdown of debt by nature and by maturity is as follows:

(€ thousand)

	At December 31,							
	2021				2020			
	Due within one year	Due between one and five years	Due beyond five years	Total	Due within one year	Due between one and five years	Due beyond five years	Total
Bonds and notes	9,239	1,028,686	449,185	1,487,110	500,417	1,034,605	300,000	1,835,022
Asset-backed financing (Securitizations)	343,119	499,280	57,814	900,213	306,169	454,995	—	761,164
Lease liabilities	14,783	29,732	11,695	56,210	16,373	29,932	15,985	62,290
Borrowings from banks and other financial institutions	116,919	37,500	—	154,419	28,553	—	—	28,553
Other debt	32,059	—	—	32,059	37,716	—	—	37,716
Total debt	**516,119**	**1,595,198**	**518,694**	**2,630,011**	**889,228**	**1,519,532**	**315,985**	**2,724,745**

BONDS AND NOTES

2021 BOND

On January 18, 2021 the Company fully repaid the 2021 Bond for a total consideration of €501,250 thousand (including accrued interest). The bond was previously issued in November 2017 on the regulated market of the Euronext Dublin (formerly the Irish Stock Exchange) for a principal amount of €700 million at a coupon of 0.25 and due in January 2021. In July 2019 the Company repurchased an aggregate nominal amount of €200,000 thousand following a cash tender offer. The amount outstanding at December 31, 2020 was €501,151 thousand, including accrued interest of €1,199 thousand.

2023 BOND

On March 16, 2016, the Company issued 1.5 percent coupon notes due March 2023, having a principal of €500 million. The bond was issued at a discount for an issue price of 98.977 percent, resulting in net proceeds of €490,729 thousand, after the debt discount and issuance costs, and a yield to maturity of 1.656 percent. The net proceeds were used, together with additional cash held by the Company, to fully repay a €500 million bank loan. The bond is unrated and was admitted to trading on the regulated market of the Euronext Dublin (formerly the Irish Stock Exchange). Following a cash tender offer, on July 16, 2019 the Company executed the repurchase of these notes for an aggregate nominal amount of €115,395 thousand. The amount outstanding at December 31, 2021 was €387,872 thousand and includes accrued interest of €4,567 thousand (€386,814 thousand including accrued interest of €4,567 thousand at December 31, 2020).

2025 BOND

On May 27, 2020 the Company issued 1.5 percent coupon notes due May 2025 ("2025 Bond"), having a principal of €650 million. The notes were issued at a discount for an issue price of 98.898 percent, resulting in net proceeds of €640,073 thousand, after related expenses, and a yield to maturity of 1.732 percent. The bond was admitted to trading on the regulated market of Euronext Dublin. The amount outstanding of the 2025 Bond at December 31, 2021 was €648,984 thousand, including accrued interest of €5,850 thousand (€647,042 thousand, including accrued interest of €5,850 thousand at December 31, 2020).

2029 AND 2031 NOTES

On July 31, 2019, the Company issued 1.12 percent senior notes due August 2029 ("2029 Notes") and 1.27 percent senior notes due August 2031 ("2031 Notes") through a private placement to certain US institutional investors, each having a principal of €150 million. The net proceeds from the issuances amounted to €298,316 thousand and the yields to maturity on an annual basis equal the nominal coupon rates of the Notes. The Notes are primarily used for general corporate purposes, including the funding of capital expenditures.

The amount outstanding of the 2029 Notes at December 31, 2021 was €150,052 thousand, including accrued interest of €700 thousand (€149,971 thousand, including accrued interest of €700 thousand at December 31, 2020). The amount outstanding of the 2031 Notes at December 31, 2021 was €150,111 thousand, including accrued interest of €794 thousand (€150,044 thousand including accrued interest of €794 thousand at December 31, 2020).

2032 NOTES

On July 29, 2021, the Company issued 0.91 percent senior notes due January 2032 ("2032 Notes") through a private placement to certain US institutional investors having a principal of €150 million. The net proceeds from the issuance amounted to €149,495 thousand and the yield to maturity on an annual basis equals the nominal coupon rates of the Notes. The Notes are used for general corporate purposes. The amount outstanding of the 2032 Notes at December 31, 2021 was €150,091 thousand, including accrued interest of €576 thousand.

The abovementioned bonds and notes impose covenants on Ferrari including: (i) negative pledge clauses which require that, in case any security interest upon assets of Ferrari is granted in connection with other notes or debt securities with the consent of Ferrari are, or are intended to be, listed, such security should be equally and ratably extended to the outstanding notes, subject to certain permitted exceptions; (ii) pari passu clauses, under which the notes rank and will rank pari passu with all other present and future unsubordinated and unsecured obligations of Ferrari; (iii) events of default for failure to pay principal or interest or comply with other obligations under the notes with specified cure periods or in the event of a payment default or acceleration of indebtedness or in the case of certain bankruptcy events; and (iv) other clauses that are customarily applicable to debt securities of issuers with a similar credit standing. A breach of these covenants may require the early repayment of the notes. At December 31, 2021 and 2020, Ferrari was in compliance with the covenants of the notes.

ASSET-BACKED FINANCING (SECURITIZATIONS)

As a means of diversifying its sources of funds, the Group sells certain of its receivables originated by its financial services activities in the United States through asset-backed financing or securitization programs (the terms asset-backed financing and securitization programs are used synonymously throughout this document), without transferring the risks typically associated with the related receivables. As a result, the receivables sold through securitization programs are still consolidated until collection from the customer. During 2021, the following revolving securitization programs were in place:

- revolving securitization program for funding of up to $750 million, which was renewed in December 2020 for a tenor of 24 months and increased up to $800 million in December 2021, by pledging retail financial receivables in the United States as collateral. The notes bear interest at a rate per annum equal to the aggregate of a synthetic base rate substantially replicating the LIBOR plus a margin of 75 basis points. At December 31, 2021 total proceeds net of repayments from the sales of financial receivables under the program amounted to $775 million ($629 million at December 31, 2020). The securitization agreement requires the maintenance of an interest rate cap.

- revolving securitization program for funding of up to $285 million, which was renewed in November 2021 for a tenor of 24 months, by pledging leasing financial receivables in the United States as collateral. The notes bear interest at a rate per annum equal to the aggregate of LIBOR plus a margin of 65 basis points. At December 31, 2021 total proceeds net of repayments from the sales of financial receivables under the program amounted to $245 million ($244 million at December 31, 2020). The securitization agreement requires the maintenance of an interest rate cap.

- the revolving securitization program for funding of up to $110 million by pledging credit lines to Ferrari customers secured by personal vehicle collections and personal guarantees in the United States as collateral terminated in April 2021. The notes bore interest at a rate per annum equal to the aggregate of LIBOR plus a margin of 115 basis points.

The consolidated total amount of the revolving securitization programs has been progressively increased since inception as the underlying receivables portfolios have increased.

Cash collected from the settlement of receivables under securitization programs is subject to certain restrictions regarding its use and is primarily applied to repay principal and interest of the related funding. Such cash amounted to €47,742 thousand at December 31, 2021 (€36,935 thousand at December 31, 2020).

LEASE LIABILITIES

The Group recognizes lease liabilities in relation to right-of-use assets in accordance with IFRS 16 — *Leases*. At December 31, 2021 lease liabilities amounted to €56,210 thousand (€62,290 thousand at December 31, 2020).

BORROWINGS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Borrowings from banks at December 31, 2021 include (i) an amortized term loan of €63 million borrowed in June by Ferrari S.p.A. for a tenor of 36 months and bearing fixed interest at 0.118 percent and (ii) financial liabilities of FFS Inc to support financial services activities, and in particular €61,919 thousand (€28,553 thousand at December 31, 2020) relating to a U.S. Dollar committed credit facility for up to $100 million, (drawn down for $70 million at December 31, 2021) for a tenor of 24 months and bearing interest at LIBOR plus 75 basis points.

In April 2020, additional committed credit lines of €350 million were secured with tenors ranging from 18 to 24 months, doubling total committed credit lines available to €700 million. In March 2021 the Group cancelled a credit line of €100 million and simultaneously replaced it with a new credit line for €150 million with a tenor of 23 months. In April 2021, the Group replaced an uncommitted credit line of $50 million, which was terminated, with a new committed credit line for $100 million with a tenor of 24 months bearing interest at LIBOR plus 75 basis points. At December 31, 2021 the line had been drawn down for $70 million (€62 million), representing the only committed credit line that has been drawn down by the Group. The new credit line replaces the funding previously provided by one of securitization programs in the US for funding of up to $110 million that expired in April 2021 and was interest-bearing at LIBOR plus 115 basis points, as noted above. In October 2021 an undrawn committed credit line previously negotiated in April 2020 for €100 million expired. At December 31, 2021 the Group had total committed credit lines available and undrawn amounted to €676 million (€700 million at December 31, 2020).

In December 2019, the Company negotiated a €350 million unsecured committed revolving credit facility (the "RCF"), which is intended for general corporate and working capital purposes. The RCF has a 5 year-tenor with two further one-year extension options, exercisable on the first and second anniversary of the signing date on the Company's request and the approval of each participating bank. In December 2020 and in December 2021 the first and the second one-year extension option were exercised by the Company and approved by all participating banks. At December 31, 2021 the RCF was undrawn.

OTHER DEBT

Other debt mainly relates to funding for operating and financing activities of the Group.

25. OTHER LIABILITIES

An analysis of other liabilities is as follows:

(€ thousand)

	At December 31,	
	2021	2020
Deferred income	256,206	270,826
Advances and security deposits	240,696	253,442
Accrued expenses	80,787	60,788
Payables to personnel	53,712	33,127
Social security payables	24,660	23,261
Other	70,714	46,018
Total other liabilities	**726,775**	**687,462**

Deferred income primarily includes amounts received under maintenance and power warranty programs of €218,982 thousand at December 31, 2021 and €214,153 thousand at December 31, 2020, which are deferred and recognized as net revenues over the length of the maintenance program. Of the total liability related to maintenance and power warranty programs at December 31, 2021, the Group expects to recognize in net revenues approximately €53 million in 2022, €50 million in 2023, €38 million in 2024 and €78 million in periods subsequent to 2024. Deferred income also includes amounts collected under various other agreements, which are dependent upon the future performance of a service or other act of the Group.

Advances and security deposits primarily include advances received from clients for the purchase of Icona models and limited edition models. Upon shipment of the cars, the advances are recognized as revenue.

Changes in the Group's contract liabilities for maintenance and power warranties, and advances from customers, were as follows:

(€ thousand)

	At January 1, 2021	Additional amounts arising during the period	Amounts recognized within revenue	Other changes	At December 31, 2021
Maintenance and power warranty programs	214,153	77,713	(72,884)	—	218,982
Advances from customers	249,506	605,730	(618,739)	19	236,516

An analysis of other liabilities (excluding accrued expenses and deferred income) by due date is as follows:

(€ thousand)

	At December 31,							
	2021				2020			
	Due within one year	Due between one and five years	Due beyond five years	Total	Due within one year	Due between one and five years	Due beyond five years	Total
Total other liabilities (excluding accrued expenses and deferred income)	377,176	7,553	5,053	389,782	315,026	35,251	5,571	355,848

26. TRADE PAYABLES

Trade payables of €797,832 thousand at December 31, 2021 (€713,807 thousand at December 31, 2020) are entirely due within one year. The carrying amount of trade payables is considered to be equivalent to their fair value.

27. FAIR VALUE MEASUREMENT

IFRS 13 — *Fair Value Measurement* establishes a three level hierarchy for the inputs to the valuation techniques used to measure fair value by giving the highest priority to quoted prices (unadjusted) in active markets for identical assets and liabilities (level 1 inputs) and the lowest priority to unobservable inputs (level 3 inputs). In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy at the lowest level input that is significant to the entire measurement.

Levels used in the hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities that the Group can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the assets and liabilities.

ASSETS AND LIABILITIES THAT ARE MEASURED AT FAIR VALUE ON A RECURRING BASIS

The following table shows the fair value hierarchy for financial assets and liabilities that are measured at fair value on a recurring basis at December 31, 2021 and 2020:

(€ thousand)

		At December 31, 2021			
	Note	Level 1	Level 2	Level 3	Total
Investments and other financial assets - Liberty Media Shares	16	10,559	—	—	10,559
Current financial assets	19	—	11,565	—	11,565
Total assets		**10,559**	**11,565**	**—**	**22,124**
Other financial liabilities	19	—	36,520	—	36,520
Total liabilities		**—**	**36,520**	**—**	**36,520**

(€ thousand)

		At December 31, 2020			
	Note	Level 1	Level 2	Level 3	Total
Investments and other financial assets - Liberty Media Shares	16	7,163	—	—	7,163
Current financial assets	19	—	38,636	—	38,636
Total assets		**7,163**	**38,636**	**—**	**45,799**
Other financial liabilities	19	—	2,140	—	2,140
Total liabilities		**—**	**2,140**	**—**	**2,140**

There were no transfers between fair value hierarchy levels for the periods presented.

The fair value of current financial assets and other financial liabilities relates to derivative financial instruments and is measured by taking into consideration market parameters at the balance sheet date, using widely accepted valuation techniques. In particular, the fair value of foreign currency derivatives (forward contracts, currency swaps and options) and interest rate caps is determined by taking the prevailing foreign currency exchange rates and interest rates, as applicable, at the balance sheet date.

The par value of cash and cash equivalents usually approximates fair value due to the short maturity of these instruments, which consist primarily of current bank accounts.

ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE ON A RECURRING BASIS

For financial instruments represented by short-term receivables and payables, for which the present value of future cash flows does not differ significantly from carrying value, the Group assumes that carrying value is a reasonable approximation of the fair value. In particular, the carrying amount of current receivables and other current assets and of trade payables and other liabilities approximates their fair value.

The following table presents the carrying amount and fair value for the most relevant categories of financial assets and financial liabilities not measured at fair value on a recurring basis:

(€ thousand)

		At December 31,			
		2021		2020	
	Note	Carrying amount	Fair value	Carrying amount	Fair value
Receivables from financing activities	18	1,143,968	1,143,968	939,607	939,607
Client financing		*1,132,979*	*1,132,979*	*925,878*	*925,878*
Dealer financing		*10,989*	*10,989*	*13,729*	*13,729*
Total		**1,143,968**	**1,143,968**	**939,607**	**939,607**
Debt	24	**2,630,011**	**2,656,159**	**2,724,745**	**2,755,516**

28. RELATED PARTY TRANSACTIONS

Pursuant to IAS 24, the related parties of Ferrari include Exor N.V., and together with its subsidiaries the Exor Group, as well as all entities and individuals capable of exercising control, joint control or significant influence over the Group and its subsidiaries. Related parties also include companies over which the Exor Group is capable of exercising control, joint control or significant influence, including Stellantis N.V., and together with its subsidiaries the Stellantis Group, (previously referred to as Fiat Chrysler Automobiles N.V. or FCA prior to the merger between FCA and Peugeot S.A. completed on January 16, 2021, which resulted in the creation of Stellantis), CNH Industrial N.V. and its subsidiaries ("CNH Industrial Group") and Iveco Group N.V. and its subsidiaries ("Iveco Group", which resulted from the recent demerger from CNH Industrial Group), as well as joint ventures and associates of Ferrari. In addition, members of the Ferrari Board of Directors and executives with strategic responsibilities and their families are also considered related parties.

The Group carries out transactions with related parties on commercial terms that are normal in the respective markets, considering the characteristics of the goods or services involved. Transactions carried out by the Group with these related parties are primarily of a commercial nature and, in particular, these transactions relate to:

TRANSACTIONS WITH STELLANTIS GROUP COMPANIES

- the sale of engines to Maserati S.p.A. ("Maserati");
- the purchase of engine components for the use in the production of Maserati engines from FCA US LLC;
- a technical cooperation between the Group and Stellantis Group with the aim to enhance the quality and competitiveness of their respective products, while reducing costs and investments;
- transactions with Stellantis Group companies, mainly relating to the services provided by Stellantis Group companies, including human resources, payroll, tax, procurement of insurance coverage and sponsorship revenues.

TRANSACTIONS WITH EXOR GROUP COMPANIES (EXCLUDING STELLANTIS GROUP COMPANIES)

- the Group incurs rental costs from Iveco S.p.A., a company belonging to Iveco Group, related to the rental of trucks used by the Formula 1 racing team;
- the Group earns sponsorship revenue from Iveco S.p.A.

TRANSACTIONS WITH OTHER RELATED PARTIES

- the purchase of components for Formula 1 racing cars from COXA S.p.A.;
- consultancy services provided by HPE S.r.l.;
- sponsorship agreement relating to Formula 1 activities with Ferretti S.p.A.;
- sale of cars to certain members of the Board of Directors of Ferrari N.V. and Exor.

In accordance with IAS 24, transactions with related parties also include compensation to Directors and managers with strategic responsibilities.

The amounts of transactions with related parties recognized in the consolidated income statement are as follows:

(€ thousand)

	For the years ended December 31,								
	2021			2020			2019		
	Net revenues	Costs(1)	Net financial expenses	Net revenues	Costs (1)	Net financial expenses	Net revenues	Costs (1)	Net financial expenses
Stellantis Group companies									
Maserati	119,083	2,428	—	100,389	2,981	—	143,091	6,275	—
FCA US LLC	—	18,465	—	—	13,323	—	—	17,954	—
Magneti Marelli (2)	—	—	—	—	—	—	352	10,444	—
Other Stellantis Group companies	11,799	6,238	2,103	9,102	6,057	2,207	8,637	8,028	1,965
Total Stellantis Group companies	**130,882**	**27,131**	**2,103**	**109,491**	**22,361**	**2,207**	**152,080**	**42,701**	**1,965**
Exor Group companies (excluding the Stellantis Group)	281	1,014	1	150	1,665	2	281	368	4
Other related parties	795	15,143	2	549	12,977	10	610	13,906	31
Total transactions with related parties	**131,958**	**43,288**	**2,106**	**110,190**	**37,003**	**2,219**	**152,971**	**56,975**	**2,000**
Total for the Group	**4,270,894**	**2,434,198**	**33,257**	**3,459,790**	**2,040,925**	**49,092**	**3,766,615**	**2,153,480**	**42,082**

(1) Costs include cost of sales, selling, general and administrative costs and other expenses/(income), net.

(2) Stellantis completed the sale of Magneti Marelli on May 2, 2019, following which Magneti Marelli (which subsequently operates under the name "Marelli") is no longer a related party.

Non-financial assets and liabilities originating from related party transactions are as follows:

(€ thousand)

	At December 31,							
	2021				2020			
	Trade receivables	Trade payables	Other current assets	Other liabilities	Trade receivables	Trade payables	Other current assets	Other liabilities
Stellantis Group companies								
Maserati	23,267	3,994	—	6,454	37,662	4,555	—	16,955
FCA US LLC	—	3,275	—	—	—	1,893	—	—
Other Stellantis Group companies	470	3,075	121	1,074	244	2,512	104	94
Total Stellantis Group companies	**23,737**	**10,344**	**121**	**7,528**	**37,906**	**8,960**	**104**	**17,049**
Exor Group companies (excluding the Stellantis Group)	382	1	8	5	183	396	108	139
Other related parties	144	3,276	998	1,065	643	3,558	1,496	1,759
Total transactions with related parties	**24,263**	**13,621**	**1,127**	**8,598**	**38,732**	**12,914**	**1,708**	**18,947**
Total for the Group	**185,000**	**797,832**	**122,224**	**726,775**	**184,260**	**713,807**	**76,471**	**687,462**

There were no other financial assets or financial liabilities originating from related party transactions at December 31, 2021 and 2020.

EMOLUMENTS TO DIRECTORS AND KEY MANAGEMENT

The fees of the Directors of Ferrari N.V. are as follows:

(€ thousand)

	For the years ended December 31,		
	2021	2020	2019
Directors of Ferrari N.V.	6,668	8,151	10,260

The aggregate compensation to Directors of Ferrari N.V. for year ended December 31, 2021 was €6,668 thousand (€8,151 thousand in 2020 and €10,260 thousand in 2019), inclusive of the following:

- €5,445 thousand for salary and other short-term benefits (€624 thousand in 2020 and €1,786 thousand in 2019); and

- €1,223 thousand for share-based compensation awarded under the Company's equity incentive plans, (€7,527 thousand in 2020 and €15,963 thousand in 2019, including an acceleration of the costs relating to the equity incentive plan of the former Chairman and Chief Executive Officer (Mr. Sergio Marchionne)). See Note 21 *"Share-based compensation"* for additional information related to the Company's equity incentive plans. There was no equity-settled compensation for Non-Executive Directors for the years ended December 31, 2021, 2020 and 2019.

The aggregate compensation for members of the FLT (excluding the CEO) in 2021 was €18,728 thousand (€14,199 thousand in 2020 and €19,839 thousand in 2019), inclusive of the following:

- €14,088 thousand for salary and short-term incentives (€8,707 thousand in 2020 and €14,671 thousand in 2019);

- €4,241 thousand for share-based compensation awarded under the Company's equity incentive plans (€5,270 thousand in 2020 and €5,168 thousand in 2019); and

- €399 thousand for pension contributions (€222 thousand in 2020).

In response to the healthcare crisis caused by the COVID-19 pandemic, the Board of Directors pledged their full cash compensation from April 2020 to the end of 2020 to help fund Company initiatives to support the communities in which Ferrari operates, with the Ferrari Leadership Team donating 25 percent of their salaries for the same period.

29. COMMITMENTS

ARRANGEMENTS WITH KEY SUPPLIERS

From time to time, in the ordinary course of business, the Group enters into various arrangements with key third party suppliers in order to establish strategic and technological advantages. A limited number of these arrangements contain unconditional purchase obligations to purchase a fixed or minimum quantity of goods and/or services with fixed and determinable price provisions.

ARRANGEMENTS WITH SPONSORS

Certain of the Group's sponsorship contracts include terms whereby the Group is obligated to purchase a minimum quantity of goods and/or services from its sponsors.

Future minimum purchase obligations under these supplier and sponsorship arrangements at December 31, 2021 were as follows:

(€ thousand)

	At December 31, 2021				
	Due within one year	Due between one and three years	Due between three and five years	Due beyond five years	Total
Minimum purchase obligations	79,986	60,597	15,225	500	156,308

NON-CANCELLABLE LEASE AGREEMENTS

The future aggregate minimum lease payments under non-cancellable leases, primarily relating to the lease of stores and industrial buildings, are as follows:

(€ thousand)

	At December 31, 2021				
	Due within one year	Due between one and three years	Due between three and five years	Due beyond five years	Total
Future minimum lease payments under lease agreements	14,629	19,275	12,433	11,260	57,597

30. QUALITATIVE AND QUANTITATIVE INFORMATION ON FINANCIAL RISKS

The Group is exposed to the following financial risks connected with its operations:

- financial market risk (principally relating to foreign currency exchange rates and to a lesser extent, interest rates and commodity prices), as the Group operates internationally in different currencies;
- liquidity risk, with particular reference to the availability of funds and access to the credit markets, should the Group require them, and to financial instruments in general;
- credit risk, arising from normal commercial relations with final clients and dealers, as well as the Group's financing activities.

These risks could significantly affect the Group's financial position, results of operations and cash flows, and for this reason the Group identifies and monitors these risks, in order to detect potential negative effects in advance and take the necessary action to mitigate them, primarily through the Group's operating and financing activities and if required, through the use of derivative financial instruments.

The following section provides qualitative and quantitative disclosures on the effect that these risks may have upon the Group. The quantitative data reported in the following section does not have any predictive value. In particular, the sensitivity analysis on financial market risks does not reflect the complexity of the market or the reaction which may result from any changes that are assumed to take place.

FINANCIAL MARKET RISKS

Due to the nature of the Group's business, the Group is exposed to a variety of market risks, including foreign currency exchange rate risk and to a lesser extent, interest rate risk and commodity price risk.

The Group's exposure to foreign currency exchange rate risk arises from the geographic distribution of the Group's shipments, as the Group generally sells its models in the currencies of the various markets in which the Group operates, while the Group's industrial activities are all based in Italy, and primarily denominated in Euro.

The Group's exposure to interest rate risk arises from the need to fund certain activities and the necessity to deploy surplus funds. Changes in market interest rates may have the effect of either increasing or decreasing the Group's net profit/(loss), thereby indirectly affecting the costs and returns of financing and investing transactions.

The Group has in place various risk management policies, which primarily relate to foreign exchange and commodity price, interest rate and liquidity risks. The Group's risk management policies permit derivatives to be used for managing such risk exposures at risk. Counterparties to these agreements are major financial institutions. Derivative financial instruments can only be executed for hedging purposes.

In particular, the Group used derivative financial instruments as cash flow hedges primarily for the purpose of limiting the negative impact of foreign currency exchange rate fluctuations on forecasted transactions denominated in foreign currencies. Accordingly, as a result of applying risk management policies with respect to foreign currency exchange exposure, the Group's results of operations have not been fully exposed to fluctuations in foreign currency exchange rates. However, despite these risk management policies and hedging transactions, sudden adverse movements in foreign currency exchange rates could have a significant effect on the Group's earnings and cash flows.

The Group also enters into interest rate caps as required by certain of its securitization agreements.

Information on the fair value of derivative financial instruments held is provided in Note 19.

INFORMATION ON FOREIGN CURRENCY EXCHANGE RATE RISK

The Group is exposed to risks resulting from changes in foreign currency exchange rates, which can affect its earnings and equity. In particular:

- Where a Group company incurs costs in a currency different from that of its revenues, any change in foreign currency exchange rates can affect the operating results of that company. In 2021, the total trade flows exposed to foreign currency exchange rate risk amounted to the equivalent of 58 percent of the Group's net revenues (58 percent in 2020 and 53 percent in 2019).
- The main foreign currency exchange rate to which the Group is exposed is the Euro/U.S. Dollar for sales in U.S. Dollar in the United States and other markets where the U.S. Dollar is the reference currency. In 2021, the value of commercial activities exposed to fluctuations in the Euro/U.S. Dollar exchange rate accounted for approximately 51 percent (53 percent in 2020 and 53 percent in 2019) of the total currency risk from commercial activities. In 2021 and 2020, the commercial activities exposed to the Euro/Japanese Yen exchange rate and to the Euro/Pound Sterling exchange rate exceeded 10 percent (in 2019 the Euro/Japanese Yen and Euro/Pound Sterling exceeded 10 percent) of the total currency risk from commercial activities. Other significant exposures included the exchange rate between the Euro and the following currencies: Chinese Renminbi, Swiss Franc, Canadian Dollar and Australian Dollar. None of these exposures, taken individually, exceeded 10 percent of the Group's total foreign currency exchange rate exposure for commercial activities in 2021, 2020 and 2019. It is the Group's policy to use derivative financial instruments (primarily forward currency contracts and currency options) to hedge up to 90 percent of the principal exposures to foreign currency exchange risk, typically for a period of up to twelve months.
- Several subsidiaries are located in countries that are outside the Eurozone, in particular the United States, the United Kingdom (branch), Switzerland, Mainland China, Hong Kong, Japan, Australia and Singapore. As the Group's reporting currency is the Euro, the income statements of those companies are translated into Euro using the average exchange rate for the period and, even if revenues and margins are unchanged in local currency, changes in exchange rates can impact the amount of revenues, costs and profit as translated into Euro.
- The amount of assets and liabilities of consolidated companies that report in a currency other than the Euro may vary from period to period as a result of changes in exchange rates. The effects of these changes are recognized directly in equity as a component of other comprehensive income/(loss) under gains/(losses) from currency translation differences.

The Group monitors its principal exposure to translation exchange risk, although the Group did not engage in any specific hedging activities in relation to translation exchange risk for the periods presented.

Exchange differences arising on the settlement of monetary items or on reporting monetary items at rates different from those at which they were initially recorded during the period or in previous financial statements, are recognized in the consolidated income statement within the net financial income/(expenses) line item or as cost of sales for charges arising from financial services companies. The Group uses specific financial derivatives to hedge these exposures.

The impact of foreign currency exchange rate differences recorded within financial income/(expenses) for the year ended December 31, 2021, including the costs of hedging foreign currency exchange rate risk, amounted to net losses of €11,407 thousand (net losses of €27,029 thousand and €24,237 thousand for the years ended December 31, 2020 and 2019, respectively).

All of the Group's financial services activities are conducted in the functional currencies of the related financial services companies, therefore the impact of foreign currency exchange rate differences arising from financial services activities was zero in all periods presented.

Except as noted above, there have been no substantial changes in 2021 in the nature or structure of exposure to foreign currency exchange rate risks or in the Group's hedging policies.

The potential decrease in fair value of derivative financial instruments held by the Group at December 31, 2021 to hedge against foreign currency exchange rate risks, which would arise in the case of a hypothetical, immediate and adverse change of 10 percent in the exchange rates of the major foreign currencies with the Euro, would be approximately €98,165 thousand (€102,674 thousand at December 31, 2020). Receivables, payables and future trade flows for which hedges have been put in place were not included in the analysis. It is reasonable to assume that changes in foreign currency exchange rates will produce the opposite effect, of an equal or greater amount, on the underlying transactions that have been hedged. The sensitivity analysis is based on currency hedging in place at the end of the period, which can vary during the period and assumes unchanged market conditions other than exchange rates, such as volatility and interest rates. For this reason, it is purely indicative.

INFORMATION ON INTEREST RATE RISK

The Group's exposure to interest rate risk, though less significant, arises from the need to fund financial services activities and the necessity to deploy surplus funds. Changes in market interest rates may have the effect of either increasing or decreasing the Group's net profit/(loss), thereby indirectly affecting the costs and returns of financing and investing transactions.

The Group's most significant floating rate financial assets at December 31, 2021 were cash and cash equivalents and certain receivables from financing activities (related to client and dealer financing), while 37 percent of the Group's gross debt bears floating rates of interest. At December 31, 2021, a decrease of 10 basis points in interest rates on floating rate financial assets and debt, with all other variables held constant, would have resulted in a decrease in profit before taxes of €486 thousand on an annual basis (a decrease of €652 thousand at December 31, 2020). The analysis is based on the assumption that floating rate financial assets and debt which expire during the projected 12-month period will be renewed or reinvested in similar instruments, bearing the hypothetical short-term interest rates.

INFORMATION ON COMMODITY PRICE RISK

The Group's exposure to commodity price risk, though much less significant than foreign exchange rate risk and interest rate risk, arises from the need to use a variety of raw materials in the Group's operations, including aluminum and precious metals such as palladium and rhodium. The Group monitors its exposure to commodity price risk and may hedge a portion of such exposure through derivative financial instruments (primarily commodity swaps).

LIQUIDITY RISK

Liquidity risk arises if the Group is unable to obtain the funds needed to carry out its operations and meet its obligations. The main determinant of the Group's liquidity position is the cash generated by or used in operating and investing activities.

From an operating point of view, the Group manages liquidity risk by monitoring cash flows and keeping an adequate level of funds readily available. The main funding operations and investments in cash and marketable securities of the Group are centrally managed or supervised by the treasury department with the aim of ensuring effective and efficient management of the Group's liquidity. The Group has established various policies which are managed or supervised centrally by the treasury department with the purpose of optimizing the management of funds and reducing liquidity risk which include:

- centralizing liquidity management through the use of cash pooling arrangements
- maintaining a conservative level of available liquidity
- diversifying sources of funding
- obtaining adequate credit lines
- monitoring future liquidity requirements on the basis of business planning

Intercompany financing between Group entities is not restricted other than through the application of covenants requiring that transactions with related parties be conducted at arm's length terms.

Details on the maturity profile of the Group's financial assets and liabilities and on the structure of derivative financial instruments are provided in Notes 19 and 24. Details of the repayment of derivative financial instruments are provided in Note 19.

To preventively and prudently manage potential liquidity or refinancing risks in the foreseeable future, the Group has available undrawn committed credit lines of €676 million which amounted to €700 million at December 31, 2020.

The Group believes that its total available liquidity (defined as cash and cash equivalents plus undrawn committed credit lines), in addition to funds that will be generated from operating activities, will enable Ferrari to satisfy the requirements of its investing activities and working capital needs fulfill its obligations to repay its debt and ensure an appropriate level of operating and strategic flexibility. The Group therefore believes there is no significant risk of a lack of liquidity.

CREDIT RISK

Credit risk is the risk of economic loss arising from the failure to fully collect receivables. Credit risk encompasses the direct risk of default and the risk of a deterioration of the creditworthiness of the counterparty.

The maximum credit risk to which the Group is theoretically exposed at December 31, 2021 is represented by the carrying amounts of the financial assets presented in the consolidated statement of financial position sheet and the nominal value of the guarantees provided.

Dealers and clients are subject to a specific evaluation of their creditworthiness. Additionally, it is Group practice to obtain financial guarantees against risks associated with credit granted for the purchase of cars and parts. These guarantees are further strengthened, where possible, by retaining title on cars subject to financing agreements.

Credit positions of material significance are evaluated on an individual basis. Where objective evidence exists that they are uncollectible, in whole or in part, specific write-downs are recognized. The amount of the write-down is based on an estimate of the recoverable cash flows, the timing of those cash flows, the cost of recovery and the fair value of any guarantees received.

Receivables from financing activities amounting to €1,143,968 thousand at December 31, 2021 (€939,607 thousand at December 31, 2020) are shown net of the allowance for doubtful accounts amounting to €11,204 thousand (€13,195 thousand at December 31, 2020). After considering the allowance for doubtful accounts, €52,733 thousand of receivables were overdue (€65,554 thousand at December 31, 2020). Therefore, overdue receivables represent a minor portion of receivables from financing activities.

Receivables from financing activities relate entirely to the financial services portfolio in the United States and such receivables are generally secured on the titles of cars or other guarantees.

Trade receivables amounting to €185,000 thousand at December 31, 2021 (€184,260 thousand at December 31, 2020) are shown net of the allowance for doubtful accounts amounting to €25,984 thousand (€28,312 thousand at December 31, 2020). After considering the allowance for doubtful accounts, €47,237 thousand of receivables were overdue (€46,627 thousand at December 31, 2020).

31. ENTITY-WIDE DISCLOSURES

The following table presents an analysis of net revenues by geographic location of the Group's customers for the years ended December 31, 2021 and 2020, including the effects of foreign currency hedge transactions. Revenues by geography presented for material individual countries are not necessarily correlated to shipments of cars as certain countries include revenues from sponsorship and commercial activities relating to Ferrari's participation in the Formula 1 World Championship.

(€ thousand)

	For the years ended December 31,		
	2021	**2020**	**2019**
Italy	409,992	322,573	391,156
Rest of EMEA	1,869,864	1,634,515	1,628,496
of which UK	*457,060*	*484,701*	*531,088*
Americas (1)	1,097,904	883,228	1,001,946
of which United States of America	*930,316*	*747,373*	*867,376*
Mainland China, Hong Kong and Taiwan	332,971	191,907	350,851
Rest of APAC (2)	560,163	427,567	394,166
Total net revenues	**4,270,894**	**3,459,790**	**3,766,615**

(1) Americas includes the United States of America, Canada, Mexico, the Caribbean and of Central and South America.
(2) Rest of APAC mainly includes Japan, Australia, Singapore, Indonesia, South Korea, Thailand, India and Malaysia.

The following table presents an analysis of non-current assets other than financial instruments and deferred tax assets by geographic location:

(€ thousand)

	At December 31,					
	2021			2020		
	Property, plant and equipment	Goodwill	Intangible assets	Property, plant and equipment	Goodwill	Intangible assets
Italy	1,322,257	785,182	1,137,910	1,199,325	785,182	979,022
Rest of EMEA	5,597	—	—	5,809	—	—
Americas (1)	16,003	—	—	14,497	—	—
Mainland China, Hong Kong and Taiwan	5,898	—	—	4,120	—	—
Rest of APAC (2)	3,410	—	263	2,879	—	268
Total	**1,353,165**	**785,182**	**1,138,173**	**1,226,630**	**785,182**	**979,290**

(1) Americas includes the United States of America, Canada, Mexico, the Caribbean and of Central and South America.
(2) Rest of APAC mainly includes Japan, Australia, Singapore, Indonesia, South Korea, Thailand, India and Malaysia.

32. SUBSEQUENT EVENTS

The Group has evaluated subsequent events through February 25, 2022, which is the date the Consolidated Financial Statements were authorized for issuance, and identified the following matters:

On January 26, 2022 Ferrari announced that CEVA Logistics will be a new Scuderia Ferrari team partner starting from the 2022 Formula 1 season. The multi-year agreement will also see CEVA involved in Ferrari's other racing activities in GT racing and the Ferrari Challenge, with the Marseille-based company taking on the role of Official Logistics Partner for those series.

On February 8, 2022 Ferrari announced a new partnership with Qualcomm Technologies, Inc. The San Diego, California-based company will be a Scuderia Ferrari Premium Partner through Snapdragon, Qualcomm's premium product and experience brand leveraged across multiple platforms and categories, including automotive. The agreement with Qualcomm Technologies will have a strong technological impact aimed at accelerating the digital transformation process for Ferrari and its road cars. Starting from the first common projects already identified, such as the digital cockpit, the two companies will bring together ideas and expertise to explore new opportunities and a range of technological solutions.

Under the common share repurchase program, from January 1, 2022 to February 18, 2022 the Company purchased an additional 390,819 common shares for total consideration of €80.1 million. At February 18, 2022 the Company held in treasury an aggregate of 10,470,922 common shares.

On February 25, 2022, the Board of Directors of Ferrari N.V. recommended to the Company's shareholders that the Company declare a dividend of €1.362 per common share, totaling approximately €250 million. The proposal is subject to the approval of the Company's shareholders at the Annual General Meeting to be held on April 13, 2022.

INDEX TO COMPANY FINANCIAL STATEMENTS

INCOME STATEMENT/ STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(€ thousand)

		For the years ended December 31,	
	Note	2021	2020
Net revenues	3	329	180
Other income	3	13,463	10,040
Dividend income	4	200,000	—
Cost of sales		1,974	1,759
Selling, general and administrative costs	5	35,087	27,437
Net financial expenses	6	26,084	26,771
Profit/(Loss) before taxes		**150,647**	**(45,747)**
Income tax benefit	7	9,239	10,748
Net and comprehensive income/(loss)		**159,886**	**(34,999)**

The accompanying notes are an integral part of the Company Financial Statements.

STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2021 AND 2020

(€ thousand)

		At December 31,	
	Note	2021	2020
Assets			
Property, plant and equipment	8	2,343	2,218
Investments in subsidiaries	9	8,778,143	8,778,123
Financial receivables	10	22,084	22,905
Deferred tax assets	7	2,637	1,094
Total non-current assets		**8,805,207**	**8,804,340**
Trade receivables	10	14,733	12,084
Tax receivables	7	76,462	8,309
Other current assets	10	56,649	26,402
Ferrari Group cash management pools	11	5,366	5,976
Cash and cash equivalents	12	94,530	194,191
Total current assets		**247,740**	**246,962**
Total assets		**9,052,947**	**9,051,302**
Equity and liabilities			
Share capital		2,573	2,573
Share premium		5,768,544	5,768,544
Other reserves		(767,646)	(550,717)
Retained earnings		284,924	285,310
Total equity	13	**5,288,395**	**5,505,710**
Debt (Non-Current)	15	1,479,713	1,336,792
Employee benefits		2,700	1,389
Total non-current liabilities		**1,482,413**	**1,338,181**
Debt (Current)	15	2,149,879	2,180,773
Trade payables	16	11,397	11,337
Tax payables	7	81,557	1,024
Other current liabilities	17	39,306	14,277
Total current liabilities		**2,282,139**	**2,207,411**
Total liabilities		**3,764,552**	**3,545,592**
Total equity and liabilities		**9,052,947**	**9,051,302**

The accompanying notes are an integral part of the Company Financial Statements.

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(€ thousand)

	Note	For the years ended December 31, 2021	2020
Cash and cash equivalents at the beginning of the year		**194,191**	**56,542**
Cash flows from operating activities:			
Profit/(Loss) before taxes		150,647	(45,747)
Depreciation	8	434	373
Net financial expenses	6	26,084	26,771
Other non-cash income and expenses		12,439	24,205
Change in trade receivables		(2,420)	(6,338)
Change in trade payables		407	1,663
Change in other operating assets and liabilities		17,016	38,431
Interest paid		(23,163)	(24,225)
Total cash flows from operating activities		**181,444**	**15,133**
Cash flows used in investing activities:			
Investments in property, plant and equipment		(340)	(111)
Investments in subsidiaries		(20)	—
Total cash flows used in investing activities		**(360)**	**(111)**
Cash flows (used in)/from financing activities:			
Proceeds from bonds and notes	15	149,495	640,073
Repayment of bonds and notes	15	(500,000)	—
Net proceeds/(repayments) from financial liabilities with related parties	15	460,000	(178,000)
Change in Ferrari Group cash management pools	11	1,004	(1,405)
Repayment of lease liabilities	15	(244)	(148)
Dividends paid to owners		(160,101)	(208,100)
Share repurchases		(230,899)	(129,793)
Total cash flows (used in)/from financing activities		**(280,745)**	**122,627**
Total change in cash and cash equivalents		**(99,661)**	**137,649**
Cash and cash equivalents at the end of the year		**94,530**	**194,191**

The accompanying notes are an integral part of the Company Financial Statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(€ thousand)

	Share capital	Share premium	Other reserves	Retained earnings	Total equity
At December 31, 2019	**2,573**	**5,768,544**	**(438,277)**	**529,074**	**5,861,914**
Comprehensive loss	—	—	—	(34,999)	**(34,999)**
Dividends to owners	—	—	—	(208,765)	**(208,765)**
Share repurchases	—	—	(129,793)	—	**(129,793)**
Share-based compensation	—	—	17,401	—	**17,401**
Other changes	—	—	(48)	—	**(48)**
At December 31, 2020	**2,573**	**5,768,544**	**(550,717)**	**285,310**	**5,505,710**
Comprehensive income	—	—	—	159,886	**159,886**
Dividends to owners	—	—	—	(160,272)	**(160,272)**
Share repurchases	—	—	(230,899)	—	**(230,899)**
Share-based compensation	—	—	13,895	—	**13,895**
Other changes	—	—	75	—	**75**
At December 31, 2021	**2,573**	**5,768,544**	**(767,646)**	**284,924**	**5,288,395**

The accompanying notes are an integral part of the Company Financial Statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

Ferrari N.V. (the "Company" or "Ferrari" and together with its subsidiaries the "Ferrari Group" or the "Group") was incorporated as a public limited company (*naamloze vennootschap*) under the laws of the Netherlands on September 4, 2015. The Company was formed to ultimately act as a holding company for Ferrari S.p.A., which, together with its subsidiaries, is focused on the design, engineering, production and sale of luxury performance sports cars.

The Company is listed under the ticker symbol RACE on the New York Stock Exchange and on the Euronext Milan (previously named Mercato Telematico Azionario).

The Company's official seat (*statutaire zetel*) is in Amsterdam, the Netherlands, and the Company's corporate address is in Maranello, Italy at Via Abetone Inferiore 4. The Company is registered with the Dutch trade register under number 64060977.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

DATE OF AUTHORIZATION FOR ISSUANCE

The separate financial statements of the Company (the "Company Financial Statements") as of and for the years ended December 31, 2021 and 2020 were authorized for issuance on February 25, 2022.

BASIS OF PREPARATION

The Company Financial Statements are prepared on a going concern basis using the historical cost method, modified as required for the measurement of certain financial instruments.

STATEMENT OF COMPLIANCE

The Company Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS") and with Part 9 of Book 2 of the Dutch Civil Code.

MEASUREMENT BASIS

The Company Financial Statements were prepared using the same accounting policies as set out in the notes to the consolidated financial statements at December 31, 2021 (the "Consolidated Financial Statements"), except for the measurement of the investments as presented under *"Investments in subsidiaries"* in the Company Financial Statements.

Management considers the primary focus of these Company Financial Statements to be the legal entity perspective and considers that these Company Financial Statements should reflect the cost of the subsidiaries as well as the amounts that are eligible for distribution to the Company's shareholders. Management believes that the measurement of its subsidiaries at cost, as permitted under EU IFRS, provides the best insight into the Company's financial position and results, in addition to the information provided in the Consolidated Financial Statements.

The accounting policies were consistently applied to all periods presented with the exception of the new standards and amendments effective from January 1, 2021 as noted below.

The amounts in the Company Financial Statements are presented in thousands of Euro (€), except where otherwise indicated.

FORMAT OF THE COMPANY FINANCIAL STATEMENTS

The Company presents the income statement by function and uses a current/non-current classification for assets and liabilities in the statement of financial position.

STATEMENT OF CASH FLOWS

The statement of cash flows is prepared using the indirect method with a breakdown into cash flows from or used in operating, investing and financing activities. Cash inflows or outflows related to taxes are reported as changes in other operating assets and liabilities as they are primarily settled through transactions with related parties as a result of the Ferrari Group Italian tax consolidation. Dividends received are included as part of operating activities.

NEW STANDARDS AND AMENDMENTS EFFECTIVE FROM JANUARY 1, 2021

The following new standards, interpretations and amendments were effective on or subsequent to January 1, 2021 and were adopted by the Company for the purpose of the preparation of the Company Financial Statements:

- Amendments to IFRS 9 — *Financial Instruments*, IAS 39 — *Financial Instruments: Recognition and Measurement*, IFRS 7 — *Financial Instruments: Disclosures*, IFRS 4 — *Insurance Contracts* and IFRS 16 — *Leases*;
- Amendments to IFRS 4 — *Insurance Contracts*;
- Amendments to *IFRS 16 for COVID-19-related rent concessions beyond 30 June 2021*.

There was no effect from the adoption of these amendments. Further information on these standards is provided in Note 2 of the Consolidated Financial Statements.

NEW STANDARDS ISSUED BY THE INTERNATIONAL ACCOUNTING STANDARDS BOARD ("IASB") AND ENDORSED BY THE EUROPEAN UNION ("EU") BUT NOT YET EFFECTIVE

The standards, amendments and interpretations issued by the IASB that will have mandatory application in 2022 or subsequent years are listed below:

In May 2017 the IASB issued IFRS 17 — *Insurance Contracts*, which establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued as well as guidance relating to reinsurance contracts held and investment contracts with discretionary participation features issued. In June 2020 the IASB issued amendments to IFRS 17 aimed at helping companies implement IFRS 17 and make it easier for companies to explain their financial performance. The new standard and amendments are effective on or after January 1, 2023.

In May 2020 the IASB issued amendments to IFRS 3 — *Business combinations* to update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. These amendments are effective on or after January 1, 2022. The Company does not expect any material impact from the adoption of these amendments.

In May 2020 the IASB issued amendments to IAS 16 — *Property, Plant and Equipment*. The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company should recognize such sales proceeds and the related cost in the income statement. These amendments are effective on or after January 1, 2022. The Company does not expect any material impact from the adoption of these amendments.

In May 2020 the IASB issued amendments to IAS 37 — *Provisions, Contingent Liabilities and Contingent Assets*, which specify which costs a company includes when assessing whether a contract will be loss-making. These amendments are effective on or after January 1, 2022. The Company does not expect any material impact from the adoption of these amendments.

In May 2020 the IASB issued *Annual Improvements to IFRSs 2018 - 2020 Cycle*. The improvements have amended four standards with effective date January 1, 2022: i) IFRS 1 — First-time Adoption of International Financial Reporting Standards in relation to allowing a subsidiary to measure cumulative translation differences using amounts reported by its parent, ii) IFRS 9 — Financial Instruments in relation to which fees an entity includes when applying the '10 percent' test for derecognition of financial liabilities, iii) IAS 41 — Agriculture in relation to the exclusion of taxation cash flows when measuring the fair value of a biological asset, and iv) IFRS 16 — *Leases* in relation to an illustrative example of reimbursement for leasehold improvements. The Company does not expect any material impact from the adoption of these amendments.

NEW STANDARDS, AMENDMENTS, CLARIFICATIONS AND INTERPRETATIONS ISSUED BY IASB BUT NOT YET ENDORSED BY THE EU

In January 2020 the IASB issued amendments to IAS 1 — *Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current* to clarify how to classify debt and other liabilities as current or non-current, and in particular how to classify liabilities with an uncertain settlement rate and liabilities that may be settled by converting to equity. These amendments are effective on or after January 1, 2023. The Company does not expect any material impact from the adoption of these amendments.

In February 2021 the IASB issued amendments to IAS 1 — *Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies* which require companies to disclose their material accounting policy information rather than their significant accounting policies and provide guidance on how to apply the concept of materiality to accounting policy disclosures. These amendments are effective on or after January 1, 2023. The Company does not expect any material impact from the adoption of these amendments.

In February 2021 the IASB issued amendments to IAS 8 — *Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates* which clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. These amendments are effective on or after January 1, 2023. The Company does not expect any material impact from the adoption of these amendments.

In May 2021 the IASB issued amendments to IAS 12 — *Income Taxes*: Deferred Tax related to Assets and Liabilities Arising From a Single Transaction that clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. These amendments are effective on or after January 1, 2023. The Company does not expect any material impact from the adoption of these amendments.

In December 2021 the IASB issued an amendment to IFRS 17 — *Insurance Contracts: Initial Application of IFRS 17* and IFRS 9 - *Comparative Information*, which provides a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements. The amendment is effective on or after January 1, 2023. The Company does not expect any material impact from the adoption of this amendment.

INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are stated at cost, less impairment (if any). Dividend income from the Company's subsidiaries is recognized in the income statement when the right to receive payment is established.

IMPAIRMENT OF INVESTMENTS IN SUBSIDIARIES

At each reporting date, the Company assesses whether there is an indication that investments in subsidiaries may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. The recoverable amount is defined as the higher of the fair value of the investment less costs of disposal and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Any resulting impairment is recognized in the income statement. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the Company makes an estimate of the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount, up to a maximum of the carrying amount that would have been determined if no impairment loss had been recognized for the asset in prior periods. Such a reversal is recognized in the income statement. There was no impairment of investments in subsidiaries for the periods presented in these Company Financial Statements.

FOREIGN CURRENCY TRANSACTIONS

The financial statements are prepared in Euro, which is the Company's functional and presentation currency. Transactions in foreign currencies are recorded at the exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign currency exchange rate prevailing at that date. Exchange differences arising on the settlement of monetary items or on reporting monetary items at rates different from those at which they were initially recorded during the period or in previous financial statements are recognized in the income statement.

FOREIGN CURRENCY TRANSLATION

The Company has a branch in the United Kingdom (UK) that operates in Pound Sterling. At each reporting period, the assets and liabilities within the UK branch are translated to Euro using the exchange rate at the balance sheet date and the income statement is translated using the average exchange rate for the period. Translation differences resulting from the application of this method are classified as translation differences within other comprehensive income/(loss) until the disposal of the branch. The cumulative translation differences at December 31, 2021 amounted to gains of €75 thousand (losses of €47 thousand at December 31, 2020).
The principal foreign currency exchange rates used to translate other currencies into Euro were as follows:

	2021		2020	
	Average	At December 31,	Average	At December 31,
U.S. Dollar	1.1827	1.1326	1.1422	1.2271
Pound Sterling	0.8596	0.8403	0.8897	0.8990

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recognized at cost net of accumulated depreciation and, if applicable, impairment. Depreciation is calculated on a straight line basis over the useful lives of the assets as follows:

Asset Category	Depreciation Rates
Buildings	10%
Office equipment	20% - 22%
Other assets	20% - 25%

LEASES

The Company recognizes a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use. Each lease payment is allocated between the principal liability and finance costs. Finance costs are charged to the income statement over the lease period using the effective interest rate method. The right-of use asset is depreciated on a straight-line basis over the lease term.

Right-of-use assets are measured at cost comprising the following: (i) the amount of the initial measurement of lease liability, (ii) any lease payments made at or before the commencement date less any lease incentives received, (iii) any initial direct costs and, if applicable, (iv) restoration costs. Payments associated with short-term leases and leases of low-value assets are recognized as an expense in the income statement on a straight-line basis.

Lease liabilities are measured at the net present value of the following: (i) fixed lease payments, (ii) variable lease payments that are based on an index or a rate and, if applicable, (iii) amounts expected to be payable by the lessee under residual value guarantees, and (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option. Lease liabilities do not include any non-lease components that may be included in the related contracts.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

TRADE RECEIVABLES

Trade receivables are amounts due for goods sold or services provided in the ordinary course of business. Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method, less any provision for allowances.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less. There are no liens, pledges, collateral or restrictions on cash and cash equivalents.

Cash and cash equivalents do not include amounts in Ferrari Group cash management pools.

DEBT

Debt is measured at amortized cost using the effective interest rate method.

TRADE PAYABLES

Trade payables are amounts payable for services, legal and professional fees and other expenses incurred. Trade payables are all due within one year.

DEFERRED INCOME

Deferred income relates to amounts received in advance under certain agreements, primarily relating to marketing-related events hosted for third party dealers, which are reliant on the future performance of a service or other act of the Company. Deferred income is recognized as net revenues or other income when the Company has fulfilled its obligations under the terms of the various agreements. Deferred income is recorded on the statement of financial position within "other liabilities".

NET REVENUES

Net revenues relate to the sale of demo vehicles and spare parts to third party dealers as well as revenues generated for marketing-related events hosted by the Company on behalf of third party dealers, such as new car launches. Revenue is recognized when control over a product or service is transferred to the customer. Revenue is measured at the transaction price which is based on the amount of consideration that the Company expects to receive in exchange for transferring the promised goods or services to the customer and excludes any sales incentives as well as taxes collected from customers that are remitted to government authorities. The transaction price includes estimates of variable consideration to the extent it is probable that a significant reversal of revenue recognized will not occur. The Company enters into contracts that may include both products and services, which are generally capable of being distinct and accounted for as separate performance obligations where appropriate. The Company accounts for a contract with a customer when there is a legally enforceable contract between the Company and the customer, the rights of the parties are identified, the contract has commercial substance, and collectability of the contract consideration is probable.

OTHER INCOME

Other income primarily relates to services performed by the Company on behalf of its subsidiaries for certain corporate services rendered and other recharge fees.

INCOME TAXES

Current and deferred taxes are recognized as income tax benefit or income tax expense and are included in the income statement for the period, except tax arising from a transaction or event which is recognized, in the same or a different period, either in other comprehensive income/(loss) or directly in equity. Tax uncertainties are accounted for in accordance with IFRIC 23.

DIVIDENDS

Dividends payable by the Company are reported as a change in equity in the period in which they are approved by the shareholders as applicable under local rules and regulations. Dividend income is recognised in the income statement on the date that the right to receive payment is established.

SHARE-BASED COMPENSATION

The Company has implemented equity incentive plans that provide for the granting of share-based compensation to the Chairman, the Chief Executive Officer, all other members of the Ferrari Leadership Team and other key employees of the Group. The Company also provides share-based compensation as part of commercial agreements with certain suppliers. The share-based compensation arrangements are accounted for in accordance with *IFRS 2 — Share-based Payments*, which requires the Company to recognize share-based compensation based on fair value of awards granted. Share-based compensation for the equity-settled awards containing market performance conditions is measured at the grant date fair value of the award using a Monte Carlo simulation model, which requires the input of subjective assumptions, including the expected volatility of the Company's common stock, the dividend yield, interest rates and a correlation coefficient between the common stock and the relevant market index. The fair value of the awards which are conditional only on a recipient's continued service to the Company is measured using the share price at the grant date adjusted for the present value of future distributions which employees will not receive during the vesting period.

Share based compensation is recognized over the service period. Pursuant to an agreement between the Company and various subsidiaries of the Group, the Company recharges subsidiaries for share-based compensation relating to equity instruments awarded to employees of the subsidiaries under the equity incentive plans. The Company's portion of the share-based compensation for the equity incentive plans is recognized as an expense within selling, general and administrative costs or cost of sales in the income statement depending on the function of the employee with an offsetting amount recorded as an increase to equity, whilst share-based compensation recharged to the subsidiaries of the Group is recognized as a financial receivable (until payment is received) with an offsetting amount recorded as an increase to equity. Share-based compensation expense relating to commercial agreements with certain suppliers is recognized over the period in which the supplier's services are received and classified within the consolidated income statement depending on the function of the supplier's services, with an offsetting increase to equity.

SEGMENT REPORTING

As disclosed in the Consolidated Financial Statements, the Group has determined that it has one operating and one reportable segment based on the information reviewed by its Chief Operating Decision Maker in making decisions regarding the allocation of resources and to assess performance.

USE OF ESTIMATES

The Company Financial Statements are prepared in accordance with EU IFRS, which requires the use of estimates, judgments, and assumptions that affect the carrying amount of assets and liabilities, the disclosure of contingent assets and liabilities and the amounts of income and expenses recognized. The estimates and associated assumptions are based on elements that are known when the financial statements are prepared, on historical experience and on any other factors that are considered to be relevant. The estimates and underlying assumptions are reviewed periodically and continuously by the Company. If the items subject to estimates do not perform as assumed, then the actual results could differ from the estimates, which would require adjustment accordingly. The effects of any changes in estimate are recognized in the income statement in the period in which the adjustment is made, or prospectively in future periods. The estimates and assumptions that management considers most critical for the Company Financial Statements relate to investments in subsidiaries and in particular, relating to impairment indicators. See Note 9 for further details.

3. NET REVENUES AND OTHER INCOME

Net revenues for the year ended December 31, 2021 amounted to €329 thousand (€180 thousand for the year ended December 31, 2020) and primarily related to marketing-related events hosted on behalf of third party dealers and other customers.

Other income for the year ended December 31, 2021 amounted to €13,463 thousand (€10,040 thousand for the year ended December 31, 2020) and primarily related to costs recharged to Ferrari S.p.A.

In 2020, net revenues were impacted by a reduced number of events hosted caused by the COVID-19 pandemic. For further information on the impacts of the COVID-19 pandemic, see *"COVID-19 Pandemic Update"* and *"Result of Operations"* included in the Annual Report.

4. DIVIDEND INCOME

Dividend income for the year ended December 31, 2021 amounted to €200,000 thousand and related entirely to a dividend from Ferrari S.p.A, approved on April 9, 2021 and received on May 4, 2021.

5. SELLING, GENERAL AND ADMINISTRATIVE COSTS

Selling, general and administrative costs consisted of the following:

(€ thousand)

	For the years ended December 31,	
	2021	2020
Personnel expenses	14,822	11,783
Shared services provided by Ferrari S.p.A.	4,414	4,494
Legal and professional services	4,850	4,530
Insurance	9,606	6,046
Other expenses	1,395	584
Total selling, general and administrative costs	**35,087**	**27,437**

Personnel expenses include costs related to the equity incentive plans (see Note 14), compensation for directors and employees. Detailed information on Board of Directors and key management compensation is included in the *"Corporate Governance"* and *"Remuneration of Directors"* sections to the Annual Report.

At December 31, 2021 the Company had 26 full time equivalent employees, 15 of which relate to the UK Branch and 11 of which relate to the Italian Branch (at December 31, 2020 the Company had 24 full time equivalent employees, 14 of which relate to the UK Branch and 10 of which relate to the Italian Branch). All employees work outside of the Netherlands.

Shared service costs mainly relate to services provided by Ferrari S.p.A. for human resources, payroll, tax, legal, accounting and treasury.

Legal and professional services mainly relate to listing fees and expenses for legal, financial and other consulting services.

The increase in insurance costs in 2021 compared to 2020 is primarily related to insurance costs incurred on behalf of and recharged to subsidiaries.

6. NET FINANCIAL EXPENSES

Net financial expenses consisted of the following:

(€ thousand)

	For the years ended December 31,	
	2021	2020
Interest expenses:	25,262	25,689
of which:		
Interest and other finance costs on bonds and notes	*22,947*	*20,116*
Interest on intercompany borrowings	*2,216*	*5,406*
Interest on leases	*99*	*167*
Foreign exchange rate differences	(256)	247
Other financial expenses	1,098	971
Other financial income	(20)	(136)
Net financial expenses	**26,084**	**26,771**

Other financial expenses primarily include bank fees and charges and other financial income primarily includes interest income on cash and cash equivalents held with banks.

7. INCOME TAXES

Income taxes for the years ended December 31, 2021 and 2020 are summarised below:

(€ thousand)

	For the years ended December 31,	
	2021	2020
Current income tax benefit	7,702	11,023
Deferred income tax benefit/(expense)	1,537	(275)
Total income tax benefit	**9,239**	**10,748**

The table below provides a reconciliation between actual income tax benefit and the theoretical income tax expense, calculated on the basis of the applicable corporate tax rate in effect in Italy, which was 24.0 percent for each of the years ended December 31, 2021 and 2020:

(€ thousand)

	For the years ended December 31,	
	2021	2020
Profit/(Loss) before tax	150,647	(45,747)
Theoretical income tax (expense)/benefit	(36,155)	10,979
Tax effect on:		
Non-taxable dividends	45,600	—
Non-deductible costs	(130)	(155)
Other permanent differences	(76)	(76)
Total income tax benefit	**9,239**	**10,748**

The following table provides a summary of tax receivables and tax payables for the years ended December 31, 2021 and 2020:

(€ thousand)

	At December 31,	
	2021	2020
Tax receivables	76,462	8,309
Tax payables	81,557	1,024
Net tax (payables)/receivables	**(5,095)**	**7,285**

Tax receivables of €76,462 thousand at December 31, 2021 (€8,309 thousand at December 31, 2020) primarily relate to amounts due from related parties for the Group tax consolidation in Italy.

Tax payables of €81,557 thousand at December 31, 2021 (€1,024 thousand at December 31, 2020) primarily relate to amounts due to the tax authorities for the Group tax consolidation in Italy.

The increase in tax payables was primarily attributable to an increase in taxable profit in 2021 compared to 2020 and the effects of a net tax benefit recognized in 2020 from the partial step up of trademarks for tax purposes amounting to €75 million. The increase in tax receivables was primarily attributable to amounts due from related parties in relation to the Group tax consolidation in Italy driven by the aforementioned increase in tax payables.

The following table summarises deferred tax assets at December 31, 2021 and 2020:

(€ thousand)

	At December 31,	
	2021	2020
Deferred tax assets		
To be recovered after 12 months	1,312	600
To be recovered within 12 months	1,325	494
Total deferred tax assets	**2,637**	**1,094**

8. PROPERTY, PLANT AND EQUIPMENT

(€ thousand)

	At December 31,	
	2021	2020
Cost	4,612	3,924
Accumulated depreciation	(2,269)	(1,706)
Total income tax expense	**2,343**	**2,218**

Property, plant and equipment relates to office furniture and equipment in the UK Branch, as well as buildings recognised as right-of-use assets in 2021 of €1,940 thousand (€2,073 thousand at December 31, 2020). There are no liens, pledges, collateral or restrictions on use over property, plant and equipment. Depreciation charges of €434 thousand for the year ended December 31, 2021 (€373 thousand for the year ended December 31, 2020) were recorded within selling, general and administrative costs, of which €317 thousand related to right-of-use assets (€306 thousand in 2020). See Note 15 "Debt" for information related to the related lease liabilities.

9. INVESTMENTS IN SUBSIDIARIES

Investment in subsidiaries amounted to €8,778,143 thousand at December 31, 2021 (€8,778,123 thousand at December 31, 2020), and included investments in Ferrari S.p.A. amounting to €8,778,000 thousand and New Business 33 S.p.A. amounting to €143 thousand.

IMPAIRMENT TESTING

At December 31, 2021, the market capitalization of Ferrari N.V. amounted to approximately €41.8 billion (€34.9 billion at December 31, 2020). Considering the share price of the Company at December 31, 2021 and at the date of authorization of the Company Financial Statements, no impairment indicators were identified.

10. TRADE RECEIVABLES, FINANCIAL RECEIVABLES AND OTHER CURRENT ASSETS

TRADE RECEIVABLES

(€ thousand)

	At December 31,	
	2021	2020
Trade receivables	14,733	12,084
Financial receivables	22,084	22,905
Other current assets	56,649	26,402
Total	**93,466**	**61,391**

Trade receivables at December 31, 2021 included €14,013 thousand due from related parties (primarily Ferrari S.p.A.) for corporate services rendered and fees charged and €720 thousand due from third parties for marketing-related events (€9,983 thousand and €2,101 thousand respectively at December 31, 2020).

The carrying amount of trade receivables is deemed to approximate their fair value. There are no overdue balances and no allowance for expected credit losses has been recorded for trade receivables.

The following sets forth a breakdown of trade receivables by currency:

(€ thousand)

	At December 31,	
	2021	2020
Trade receivables denominated in:		
Euro	12,158	8,343
Pound Sterling	2,575	3,741
Total	**14,733**	**12,084**

FINANCIAL RECEIVABLES

At December 31, 2021, non-current financial receivables of €22,084 thousand (€22,905 thousand at December 31, 2020) related to receivables from subsidiaries, mainly Ferrari S.p.A. and primarily for recharges of share-based compensation relating to equity instruments awarded to employees of the subsidiaries of the Group under the Group's equity incentive plans, pursuant to an intercompany agreement.

OTHER CURRENT ASSETS

Other current assets of €56,649 thousand at December 31, 2021 (€26,402 thousand at December 31, 2020) primarily include VAT credits and prepaid expenses. The increase in 2021 primarily related to VAT.

11. FERRARI GROUP CASH MANAGEMENT POOLS

Ferrari Group cash management pools relate to the Company's participation in a group-wide cash management system that is managed centrally by Ferrari S.p.A. and amounted to €5,366 thousand at December 31, 2021 (€5,976 thousand at December 31, 2020). Amounts in cash management pools at December 31, 2021 and 2020 were entirely denominated in Pound Sterling.

	Balance at January 1, 2021	Net proceeds received	Translation differences	Balance at December 31, 2021
Ferrari Group cash management pools	**5,976**	(1,004)	394	**5,366**

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents amounted to €94,530 thousand at December 31, 2021 (€194,191 thousand at December 31, 2020) and were primarily denominated in Euro.

The carrying amount of cash and cash equivalents is deemed to be in line with their fair value. There was no restricted cash at December 31, 2021 and 2020.

Credit risk associated with cash and cash equivalents is considered limited as the counterparties are leading national and international banks.

13. EQUITY

SHARE CAPITAL

At December 31, 2021 and 2020 the fully paid up share capital of the Company was €2,573 thousand, consisting of 193,923,499 common shares and 63,349,112 special voting shares, all with a nominal value of €0.01. At December 31, 2021, the Company had 10,080,103 common shares and 4,190 special voting shares held in treasury, while at December 31, 2020, the Company had 9,175,609 common shares and 2,190 special voting shares held in treasury. Shares in treasury include shares repurchased under the Group's share repurchase program, which are recorded based on the transaction trade date. The increase in common shares held in treasury primarily reflects the repurchase of shares by the Company through its share repurchase program, partially offset by shares assigned under the Group's equity incentive plans. The Company restarted its multi-year share repurchase program on March 12, 2021 following its temporary suspension from March 30, 2020 as part of actions implemented by management to prudently manage liquidity as a result of the COVID-19 pandemic. At December 31, 2021 and 2020 the Company held in treasury 3.92 percent and 3.57 percent of the total issued share capital of the Company, respectively.[2]

The following table summarizes the changes in the number of outstanding common shares and outstanding special voting shares of the Company for the year ended December 31, 2021:

	Common shares	Special voting shares	Total
Outstanding shares at December 31, 2019	**185,283,323**	**63,346,921**	**248,630,244**
Common shares repurchased under share repurchase program[1]	(819,483)	—	(819,483)
Common shares assigned under equity incentive plans[2]	284,050	—	284,050
Other changes	—	1	1
Outstanding shares at December 31, 2020	**184,747,890**	**63,346,922**	**248,094,812**
Common shares repurchased under share repurchase program[3]	(1,167,592)	—	(1,167,592)
Common shares assigned under equity incentive plans[4]	263,098	—	263,098
Other changes[5]	—	(2,000)	(2,000)
Outstanding shares at December 31, 2021	**183,843,396**	**63,344,922**	**247,188,318**

(1) Includes shares repurchased between January 1, 2020 and December 31, 2020 based on the transaction trade date, for a total consideration of €119,771 thousand including transaction costs.

(2) On March 16, 2020, 366,199 common shares, which were previously held in treasury, were assigned to participants of the equity incentive plans as a result of the vesting of certain performance share unit and retention restricted share unit awards. On March 17, 2020, the Company purchased 82,149 common shares, for a total consideration of €10,022 thousand, from a group of those employees who were assigned shares in order to cover the individual's taxable income as is standard practice ("Sell to Cover") in an over-the-counter transaction. See Note 21 "Share-Based Compensation" for additional details relating to the Group's equity incentive plans.

(3) Includes shares repurchased under the share repurchase program between January 1, 2021 and December 31, 2021 based on the transaction trade date, for a total consideration of €231,024, including transaction costs.

(4) On March 16, 2021, 356,571 common shares, which were previously held in treasury, were assigned to participants of the equity incentive plans as a result of the vesting of certain performance share unit and retention restricted share unit awards. On March 17, 2021, the Company purchased 93,473 common shares, for a total consideration of €15,432 thousand, from a group of those employees who were assigned shares in order to cover the individual's taxable income as is standard practice ("Sell to Cover") in an over-the-counter transaction. See Note 21 "Share-Based Compensation" for additional details relating to the Group's equity incentive plans.

(5) Relates to the deregistration of certain special voting shares under the Company's special voting shares term and conditions.

THE LOYALTY VOTING STRUCTURE

The purpose of the loyalty voting structure is to reward ownership of the Company's common shares and to promote stability of the Company's shareholder base by granting long-term shareholders of the Company with special voting shares. Following the separation of Ferrari from the Stellantis Group (previously referred to as Fiat Chrysler Automobiles N.V. or FCA prior to the merger between FCA and Peugeot S.A. completed on January 16, 2021, which resulted in the creation of Stellantis N.V.) in 2016, Exor N.V. ("Exor") and Piero Ferrari participate in the Company's loyalty voting program and, therefore, effectively hold two votes for each of the common shares they hold. Investors who purchase common shares may elect to participate in the loyalty voting program by registering their common shares in the loyalty share register and holding them for three years. The loyalty voting program will be affected by means of the issue of special voting shares to eligible holders of common shares. Each special voting share entitles the holder to exercise one vote at the Company's shareholder meetings. Only a minimal dividend accrues to the special voting shares allocated to a separate special dividend reserve, and the special voting shares do not carry any entitlement to any other reserve of the Group. The special voting shares have only immaterial economic entitlements and, as a result, do not impact the Company's earnings per share calculation.

(2) The percentage of shares held in treasury compared to total issued share capital remains substantially the same if calculated considering only common shares held in treasury or if calculated considering common shares and special voting shares held in treasury.

SHARE PREMIUM

The share premium reserve amounted to €5,768,544 thousand at both December 31, 2021 and December 31, 2020.

RETAINED EARNINGS

Following approval of the annual accounts by the shareholders at the Annual General Meeting of the Shareholders on April 15, 2021, a dividend distribution of €0.867 per common share was approved, corresponding to a total distribution of €160,272 thousand (of which €160,101 thousand was paid in 2021). The distribution was made from the retained earnings reserve.

Following approval of the annual accounts by the shareholders at the Annual General Meeting of the Shareholders on April 16, 2020, a dividend distribution of €1.13 per common share was approved, corresponding to a total distribution of €208,765 thousand (of which €208,100 thousand was paid in 2020). The distribution was made from the retained earnings reserve.

OTHER RESERVES

Other reserves includes, among others:

- a treasury reserve of €847,525 thousand at December 31, 2021 and €616,629 thousand at December 31, 2020.
- a share-based compensation reserve of €28,379 thousand at December 31, 2021 and €43,482 thousand at December 31, 2020.
- a legal reserve of €93 thousand at December 31, 2021 and €19 thousand at December 31, 2020, determined in accordance with Dutch law.

Pursuant to Dutch law, limitations exist relating to the distribution of shareholders' equity up to at least the total amount of the legal reserve, as well as other reserves mandated per the Company Articles of Association. At December 31, 2021, the legal and non-distributable reserves of the Company amounted to €93 thousand (€19 thousand at December 31, 2020) and included the following:

- The UK Branch operates in the Pound Sterling. At each reporting period end, the assets and liabilities within the UK branch are translated to Euro and the respective foreign currency translation gain or loss is recorded in other comprehensive income. At December 31, 2021, the cumulative translation reserve amounted to €87 thousand (€13 thousand at December 31, 2020).
- The Company records a statutory non-distributable reserve equal to 1 percent of the nominal value of the special voting shares. At December 31, 2021 and 2020, this reserve amounted to €6 thousand.

RECONCILIATION OF EQUITY AND NET PROFIT/(LOSS)

The reconciliation of equity as per the Consolidated Financial Statements to equity as per the Company Financial Statements is provided below:

(€ thousand)

	At December 31,	
	2021	2020
Equity attributable to owners of the parent in the Consolidated Financial Statements of Ferrari N.V.	**2,205,898**	**1,785,186**
Intra-group restructuring	5,969,427	5,969,427
OCI reserves in the Consolidated Financial Statements	(10,872)	(43,233)
Cumulative results of prior years of subsidiaries in the Consolidated Financial Statements	(3,219,128)	(2,576,312)
Results of subsidiaries in the Consolidated Financial Statements	(870,881)	(642,816)
Cumulative dividends in prior years	1,016,700	1,016,700
Other changes	(2,749)	(3,242)
Dividends	200,000	—
Equity in the Company Financial Statements of Ferrari N.V.	**5,288,395**	**5,505,710**

The reconciliation of net profit as per the Consolidated Financial Statements to net profit/(loss) as per the Company Financial Statements is provided below:

(€ thousand)

	2021	2020
Net profit attributable to owners of the parent in the Consolidated Financial Statements of Ferrari N.V.	**830,767**	**607,817**
Results of subsidiaries in the Consolidated Financial Statements	(870,881)	(642,816)
Dividends	200,000	—
Net profit/(loss) in the Company Financial Statements of Ferrari N.V.	**159,886**	**(34,999)**

14. SHARE-BASED COMPENSATION

The Group has several equity incentive plans under which a combination of performance share units ("PSUs") and retention restricted share units ("RSUs"), which each represent the right to receive one Ferrari common share, have been awarded to the Executive Chairman, the Chief Executive Officer ("CEO"), members of the Ferrari Leadership Team (hereinafter also the "FLT", formerly Senior Management Team, and so renamed as a result of the organizational changes executed in January 2022) and other key employees of the Group.

EQUITY INCENTIVE PLAN 2016-2020

In the first quarter of 2021, 212,243 PSU awards vested (representing 100 percent of the target PSU awards) as a result of Ferrari's third place ranking in Total Shareholder Return ("TSR") within the defined Peer Group for the performance period from 2016 to 2020, and 31,120 RSU awards vested upon achievement of the related service conditions. As a result, 243,363 common shares, which were previously held in treasury, were assigned to participants of the plan in the first quarter of 2021. There are no further awards outstanding for the Equity Incentive Plan 2016-2020.

EQUITY INCENTIVE PLAN 2019-2021

Under the Equity Incentive Plan 2019-2021 the Company awarded approximately 174 thousand 2019-2021 PSUs and approximately 111 thousand 2019-2021 RSUs to the Executive Chairman, the former CEO, members of the FLT and other key employees of the Group. The PSUs and RSUs cover the three-year performance and service periods from 2019 to 2021.

In the first quarter of 2021, 80,510 PSU awards vested (representing 100 percent of the target PSU awards) as a result of the achievement of the related performance conditions and 32,694 RSU awards vested upon achievement of the related service conditions. As a result, 113,204 common shares, which were previously held in treasury, were assigned to participants of the plan in the first quarter of 2021. In the first quarter of 2022, 86,331 PSU awards vested (representing 100 percent of the target PSU awards) and 75,857 RSU awards vested upon achievement of the related performance and service conditions for the period covering 2019 to 2021. As a result, 162,188 common shares held in treasury will be assigned to participants of the plan in the first quarter of 2022.

EQUITY INCENTIVE PLAN 2020-2022

Under the Equity Incentive Plan 2020-2022 the Company awarded approximately 60 thousand 2020-2022 PSUs and approximately 48 thousand 2020-2022 RSUs to the Executive Chairman, members of the FLT and other key employees of the Group. The PSUs and RSUs cover the three-year performance and service periods from 2020 to 2022 and vest in 2023 based on the level of achievement of the related performance targets or service conditions.

EQUITY INCENTIVE PLAN 2021-2023

Under the Equity Incentive Plan 2021-2023 approved in 2021, the Company awarded approximately 50 thousand 2021-2023 PSUs and approximately 41 thousand 2021-2023 RSUs to the Executive Chairman, members of the FLT and other key employees of the Group. The PSUs and RSUs cover the three-year performance and service periods from 2021 to 2023 and vest in 2024 based on the level of achievement of the related performance targets or service conditions.

OUTSTANDING SHARE AWARDS

Changes to the outstanding number of PSU and RSU awards under all equity incentive plans of the Group are as follows:

(number of awards)	Outstanding PSU Awards	Outstanding RSU Awards
Balance at January 1, 2020	**598,719**	**171,145**
Granted(1)	48,173	39,780
Forfeited	(1,461)	(1,460)
Vested	(230,592)	(50,402)
Balance at December 31, 2020	**414,839**	**159,063**
Granted(2)	49,861	41,460
Forfeited	(19,775)	(13,048)
Vested	(292,753)	(63,814)
Balance at December 31, 2021	**152,172**	**123,661**

(1) Granted under the Equity Incentive Plan 2020-2022
(2) Grander under the Equity Incentive Plan 2021-2023

SHARE-BASED COMPENSATION EXPENSE

For the years ended December 31, 2021 and 2020, the Company recognized €11,689 thousand and €17,401 thousand, respectively, as share-based compensation expense and an increase to other reserves in equity in relation to the PSU awards and RSU awards of the Group's equity incentive plans.

Pursuant to an agreement between the Company and various subsidiaries of the Group, the Company recharges subsidiaries for share-based compensation relating to equity instruments awarded to employees of the subsidiaries under the equity incentive plans. Of the share-based compensation recognized in 2021, €2,891 thousand was recognized as an expense in cost of sales and selling, general and administrative costs, and €8,798 thousand was recorded as financial receivables in relation to share-based compensation recharged to subsidiaries (€7,405 thousand and €9,996 thousand respectively for the year ended December 31, 2020).

At December 31, 2021, unrecognized compensation expense relating to the Group's equity incentive plans amounted to €11,082 thousand and is expected to be recognized over the remaining vesting periods through 2023.

See Note 21 "Share-based Compensation" to the Consolidated Financial Statements for additional details relating to the Group's equity incentive plans.

In 2021 the Company also recognized share-based compensation expense of €2,206 thousand as part of commercial agreements with certain suppliers.

15. DEBT

(€ thousand)

	Balance at January 1, 2021	Proceeds from borrowings	Repayments of borrowings	Net interest accrued/ (paid) and other	Balance at December 31, 2021
Bonds and notes	**1,835,022**	149,495	(500,000)	2,593	**1,487,110**
Financial liabilities with related parties	**1,680,236**	2,390,000	(1,930,000)	105	**2,140,341**
Lease liabilities	**2,307**	—	(244)	78	**2,141**
Total	**3,517,565**	**2,539,495**	**(2,430,244)**	**2,776**	**3,629,592**

	Balance at January 1, 2020	Proceeds from borrowings	Repayments of borrowings	Net interest accrued/ (paid) and other	Balance at December 31, 2020
Bonds and notes	**1,185,470**	640,073	—	9,479	**1,835,022**
Financial liabilities with related parties	**1,858,478**	1,770,000	(1,948,000)	(242)	**1,680,236**
Lease liabilities	**2,590**	—	(148)	(135)	**2,307**
Total	**3,046,538**	**2,410,073**	**(1,948,148)**	**9,102**	**3,517,565**

The breakdown of debt at December 31, 2021 and 2020 by nature and by maturity is as follows:

(€ thousand)

	At December 31,							
	2021				2020			
	Due within one year	Due between two and five years	Due beyond five years	Total	Due within one year	Due between two and five years	Due beyond five years	Total
Bonds and notes	9,239	1,028,686	449,185	**1,487,110**	500,417	1,034,605	300,000	**1,835,022**
Financial liabilities with related parties	2,140,341	—	—	**2,140,341**	1,680,236	—	—	**1,680,236**
Lease liabilities	299	882	960	**2,141**	120	1,201	986	**2,307**
Total	**2,149,879**	**1,029,568**	**450,145**	**3,629,592**	**2,180,773**	**1,035,806**	**300,986**	**3,517,565**

BONDS AND NOTES

2021 BOND

On January 18, 2021 the Company fully repaid the 2021 Bond for a total consideration of €501,250 thousand (including accrued interest). The bond was previously issued in November 2017 on the regulated market of the Euronext Dublin (formerly the Irish Stock Exchange) for a principal amount of €700 million at a coupon of 0.25 and due in January 2021. In July 2019 the Company repurchased an aggregate nominal amount of €200,000 thousand following a cash tender offer. The amount outstanding at December 31, 2020 was €501,151 thousand, including accrued interest of €1,199 thousand.

2023 BOND

On March 16, 2016, the Company issued 1.5 percent coupon notes due March 2023, having a principal of €500 million. The bond was issued at a discount for an issue price of 98.977 percent, resulting in net proceeds of €490,729 thousand, after the debt discount and issuance costs, and a yield to maturity of 1.656 percent. The net proceeds were used, together with additional cash held by the Company, to fully repay a €500 million bank loan. The bond is unrated and was admitted to trading on the regulated market of the Euronext Dublin (formerly the Irish Stock Exchange). Following a cash tender offer, on July 16, 2019 the Company executed the repurchase of these notes for an aggregate nominal amount of €115,395 thousand. The amount outstanding at December 31, 2021 was €387,872 thousand and includes accrued interest of €4,567 thousand (€386,814 thousand including accrued interest of €4,567 thousand at December 31, 2020).

2025 BOND

On May 27, 2020 the Company issued 1.5 percent coupon notes due May 2025 ("2025 Bond"), having a principal of €650 million. The notes were issued at a discount for an issue price of 98.898 percent, resulting in net proceeds of €640,073 thousand, after related expenses, and a yield to maturity of 1.732 percent. The bond was admitted to trading on the regulated market of Euronext Dublin. The amount outstanding of the 2025 Bond at December 31, 2021 was €648,984 thousand, including accrued interest of €5,850 thousand (€647,042 thousand, including accrued interest of €5,850 thousand at December 31, 2020).

2029 AND 2031 NOTES

On July 31, 2019, the Company issued 1.12 percent senior notes due August 2029 ("2029 Notes") and 1.27 percent senior notes due August 2031 ("2031 Notes") through a private placement to certain US institutional investors, each having a principal of €150 million. The net proceeds from the issuances amounted to €298,316 thousand and the yields to maturity on an annual basis equal the nominal coupon rates of the Notes. The Notes are primarily used for general corporate purposes, including the funding of capital expenditures.

The amount outstanding of the 2029 Notes at December 31, 2021 was €150,052 thousand, including accrued interest of €700 thousand (€149,971 thousand, including accrued interest of €700 thousand at December 31, 2020). The amount outstanding of the 2031 Notes at December 31, 2021 was €150,111 thousand, including accrued interest of €794 thousand (€150,044 thousand including accrued interest of €794 thousand at December 31, 2020).

2032 NOTES

On July 29, 2021, the Company issued 0.91 percent senior notes due January 2032 ("2032 Notes") through a private placement to certain US institutional investors having a principal of €150 million. The net proceeds from the issuance amounted to €149,495 thousand and the yield to maturity on an annual basis equals the nominal coupon rates of the Notes. The Notes are used for general corporate purposes. The amount outstanding of the 2032 Notes at December 31, 2021 was €150,091 thousand, including accrued interest of €576 thousand.

The abovementioned bonds and notes impose covenants on Ferrari including: (i) negative pledge clauses which require that, in case any security interest upon assets of Ferrari is granted in connection with other notes or debt securities with the consent of Ferrari are, or are intended to be, listed, such security should be equally and ratably extended to the outstanding notes, subject to certain permitted exceptions; (ii) pari passu clauses, under which the notes rank and will rank pari passu with all other present and future unsubordinated and unsecured obligations of Ferrari; (iii) events of default for failure to pay principal or interest or comply with other obligations under the notes with specified cure periods or in the event of a payment default or acceleration of indebtedness or in the case of certain bankruptcy events; and (iv) other clauses that are customarily applicable to debt securities of issuers with a similar credit standing. A breach of these covenants may require the early repayment of the notes. At December 31, 2021 and 2020, Ferrari was in compliance with the covenants of the notes.

FINANCIAL LIABILITIES WITH RELATED PARTIES

Financial liabilities with related parties at December 31, 2021 are broken down as follows:

(€ thousand)

Counterparty	Currency	Total amount outstanding at December 31, 2021	Due date	Interest Rate
Ferrari S.p.A.	Euro	110,045	January 2022 (*)	EURIBOR 6M + 60bps
Ferrari S.p.A.	Euro	80,019	January 2022 (*)	EURIBOR 6M + 60bps
Ferrari S.p.A.	Euro	80,032	January 2022 (*)	EURIBOR 6M + 60bps
Ferrari S.p.A.	Euro	70,003	January 2022 (*)	EURIBOR 3M + 60bps
Ferrari S.p.A.	Euro	500,123	March 2022	EURIBOR 6M + 60bps
Ferrari S.p.A.	Euro	800,091	October 2022	EURIBOR 6M + 60bps
Ferrari S.p.A.	Euro	500,028	November 2022	EURIBOR 6M + 60bps
Total		**2,140,341**		

(*) *The financial liabilities due in January 2022 were refinanced with Ferrari S.p.A. for €400 million due in January 2023 at interest rates similar to the original liabilities.*

Financial liabilities with related parties at December 31, 2020 are broken down as follows:

(€ thousand)

Counterparty	Currency	Total amount outstanding at December 31, 2020	Due date	Interest Rate
Ferrari S.p.A.	Euro	70,002	March 2021	EURIBOR 3M + 60bps
Ferrari S.p.A.	Euro	150,028	March 2021	EURIBOR 6M + 60bps
Ferrari S.p.A.	Euro	160,027	March 2021	EURIBOR 6M + 60bps
Ferrari S.p.A.	Euro	800,146	October 2021	EURIBOR 6M + 60bps
Ferrari S.p.A.	Euro	500,033	November 2021	EURIBOR 3M + 60bps
Total		**1,680,236**		

During 2021, certain debt agreements with Ferrari S.p.A. were renewed. Net proceeds from financial liabilities with related parties amounted to €460,000 thousand in 2021 (net repayments of €178,000 thousand in 2020).

At December 31, 2021 a 10 basis point increase in interest rates on the floating rate financial liabilities, with all other variables held constant, would have resulted in a decrease in profit before tax of €2,140 thousand on an annualized basis (decrease of €1,680 thousand at December 31, 2020).

The carrying amount of the financial liabilities with related parties approximates fair value. Information on covenants of the notes, fair value measurement and qualitative and quantitative information on financial risks are provided in Note 24, Note 27 and Note 30, respectively, to the Consolidated Financial Statements. Further information on the Group's liquidity is provided in the "Liquidity and Capital Resources" section of this Annual Report. Based on this information the Company deems the going concern assumption adequate.

LEASE LIABILITIES

At December 31, 2021 lease liabilities amounted to €2,141 thousand (€2,307 thousand at December 31, 2020).

REVOLVING CREDIT FACILITIES

In April 2020, additional committed credit lines of €350 million were secured with tenors ranging from 18 to 24 months, doubling total committed credit lines available to €700 million. In March 2021 the Company cancelled a credit line of €100 million and simultaneously replaced it with a new credit line for €150 million with a tenor of 23 months. In October 2021 an undrawn committed credit line previously negotiated in April 2020 for €100 million expired. At December 31, 2021 the Company had total committed credit lines available and undrawn amounted to €650 million (€700 million at December 31, 2020).

In December 2019, the Company negotiated a €350 million unsecured committed revolving credit facility (the "RCF"), which is intended for general corporate and working capital purposes. The RCF has a 5 year-tenor with two further one-year extension options, exercisable on the first and second anniversary of the signing date on the Company's request and the approval of each participating bank. In December 2020 and in December 2021 the first and the second one-year extension option were exercised by the Company and approved by all participating banks. At December 31, 2021 the RCF was undrawn.

CONTRACTUAL OBLIGATIONS

The following table summarizes payments due under our significant commitments at December 31, 2021:

(€ million)

	Payments due by period				
	Less than 1 year	1 to 3 years	3 to 5 years	After 5 years	Total
Long-term debt (1)	—	385	650	450	**1,485**
Interest on long-term debt (2)	20	31	14	20	**85**
Lease liabilities and other	—	1	1	—	**2**
Total contractual obligations	**20**	**417**	**665**	**470**	**1,572**

(1) Amounts presented relate to the principal amounts of long-term debt, excluding lease liabilities and the related interest expense that will be paid when due. The table above does not include short-term debt obligations.

(2) Amounts include interest payments based on contractual terms and current interest rates on our long-term debt. Interest rates based on variable rates included above were determined using the current rates in effect at December 31, 2021.

16. TRADE PAYABLES

(€ thousand)

	2021	2020
Due to related parties	8,963	9,157
Due to third parties	2,434	2,180
Total trade payables	**11,397**	**11,337**

Due to related parties primarily relates to amounts payable to Ferrari S.p.A. for corporate services rendered and costs recharged. Due to third parties relates to costs for marketing-related events and legal and professional services.

The following sets for a breakdown of trade payables by currency:

(€ thousand)

	2021	2020
Euro	6,352	6,235
Pound Sterling	5,045	5,102
Total trade payables	**11,397**	**11,337**

Trade payables are due within one year and their carrying amount at the reporting date is deemed to approximate their fair value.

17. OTHER CURRENT LIABILITIES

Other current liabilities amounted to €39,306 thousand at December 31, 2021 (€14,277 thousand at December 31, 2020) and primarily relate to indirect tax payables, payables to personnel and deferred income.

Deferred income principally relates to advances received from dealers for marketing-related events, such as new car launches.

18. EARNINGS PER SHARE

Earnings per share information is provided in Note 12 to the Consolidated Financial Statements.

19. NOTE TO THE STATEMENT OF CASH FLOWS

OPERATING ACTIVITIES

Other non-cash income and expenses primarily includes share-based compensation expense amounting to €13,895 thousand in 2021 (€17,400 thousand in 2020).

20. AUDIT FEES

The fees for services provided by the Company's independent auditors, Ernst & Young Accountants LLP, and its member firms and/or affiliates, to the Company and its subsidiaries are broken down as follows:

(€ thousand)

	2021	2020
Audit fees	1,160	1,160
Audit-related fees	329	321
All other fees	79	—
Total	**1,568**	**1,481**

Audit fees of Ernst & Young Accountants LLP amounted to €80 thousand in 2021 (€80 thousand in 2020) and are included in the table above.

21. REMUNERATION

Detailed information on the remuneration of the Board of Directors and senior management is included in the "Corporate Governance" and "Remuneration of Directors" sections to the Annual Report.

22. COMMITMENTS AND CONTINGENCIES

At December 31, 2021 and 2020, the Company provided guarantees over certain debt of its subsidiary Ferrari Financial Services Inc. The book value of the related debt at December 31, 2021 and 2020 was €61,919 thousand and €28,553 thousand, respectively.

For intercompany financial guarantees issued by the Company, there is no expected default and therefore the financial guarantees are not recognized.

23. RELATED PARTY TRANSACTIONS

Pursuant to IAS 24, the related parties with which the Company has transactions are Ferrari S.p.A. and other companies within the Ferrari Group. The Group carries out transactions with related parties on commercial terms that are normal in their respective markets, considering the characteristics of the goods or services involved.

Related party transactions include:
- Dividends received from Ferrari S.p.A. (Note 4)
- Corporate services and recharge of expenses to Ferrari S.p.A. (Note 5)
- Share services received from Ferrari S.p.A. mainly related to human resources, payroll, tax, legal, accounting and treasury. (Note 5)
- Participation in a Ferrari Group-wide cash management system where the operating cash management, main funding operations and liquidity investment of the Ferrari Group are centrally coordinated by Ferrari S.p.A. Amounts recorded as Ferrari Group cash management pools represented the Company's participation in such pools. (Note 11)
- Financial liabilities and receivables with Ferrari S.p.A. or other subsidiaries of the Group. (Note 15 and Note 16)
- Key management compensation. (Note 21)

The impact of transactions with related parties on the Company Financial Statements is disclosed separately in the relevant notes.

24. ORGANIZATIONAL STRUCTURE

The following table sets forth the Company's subsidiaries and associates at December 31, 2021. During 2021, no changes occurred in the organizational structure.

Name	Country	Nature of business	Shares held by the Group
Directly held interests			
Ferrari S.p.A.	Italy	Manufacturing	100%
New Business 33 S.p.A.	Italy	Holding company	100%
Indirectly held through Ferrari S.p.A.			
Ferrari North America Inc.	USA	Importer and distributor	100%
Ferrari Japan KK	Japan	Importer and distributor	100%
Ferrari Australasia Pty Limited	Australia	Importer and distributor	100%
Ferrari International Cars Trading (Shanghai) Co. L.t.d.	China	Importer and distributor	80%
Ferrari (HK) Limited	Hong Kong	Importer and distributor	100%
Ferrari Far East Pte Limited	Singapore	Service company	100%
Ferrari Management Consulting (Shanghai) Co. L.t.d.	China	Service company	100%
Ferrari South West Europe S.a.r.l.	France	Service company	100%
Ferrari Central Europe GmbH	Germany	Service company	100%
G.S.A. S.A. in liquidation	Switzerland	Service company	100%
Mugello Circuit S.p.A.	Italy	Racetrack management	100%
Ferrari Financial Services, Inc.	USA	Financial services	100%
Indirectly held through other Group entities			
Ferrari Auto Securitization Transaction, LLC(1)	USA	Financial services	100%
Ferrari Auto Securitization Transaction - Lease, LLC(1)	USA	Financial services	100%
Ferrari Auto Securitization Transaction - Select, LLC(1)	USA	Financial services	100%
Ferrari Financial Services Titling Trust(1)	USA	Financial services	100%
410 Park Display, Inc.(2)	USA	Retail	100%
Associated companies valued at cost			
Fondazione Casa di Enzo Ferrari	Italy	Service company	25%
Branches			
UK Branch	UK	Sales and after sales support	

(1) Shareholding held by Ferrari Financial Services Inc.
(2) Shareholding held by Ferrari North America Inc.

25. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through February 25, 2022, which is the date the Company Financial Statements were authorized for issuance, and identified the following matters:

On January 26, 2022 Ferrari announced that CEVA Logistics will be a new Scuderia Ferrari team partner starting from the 2022 Formula 1 season. The multi-year agreement will also see CEVA involved in Ferrari's other racing activities in GT racing and the Ferrari Challenge, with the Marseille-based company taking on the role of Official Logistics Partner for those series.

On February 8, 2022 Ferrari announced a new partnership with Qualcomm Technologies, Inc. The San Diego, California-based company will be a Scuderia Ferrari Premium Partner through Snapdragon, Qualcomm's premium product and experience brand leveraged across multiple platforms and categories, including automotive. The agreement with Qualcomm Technologies will have a strong technological impact aimed at accelerating the digital transformation process for Ferrari and its road cars. Starting from the first common projects already identified, such as the digital cockpit, the two companies will bring together ideas and expertise to explore new opportunities and a range of technological solutions.

Under the common share repurchase program, from January 1, 2022 to February 18, 2022 the Company purchased an additional 390,819 common shares for total consideration of €80.1 million. At February 18, 2022 the Company held in treasury an aggregate of 10,470,922 common shares.

On February 25, 2022, the Board of Directors of Ferrari N.V. recommended to the Company's shareholders that the Company declare a dividend of €1.362 per common share, totaling approximately €250 million. The proposal is subject to the approval of the Company's shareholders at the Annual General Meeting to be held on April 13, 2022.

February 25, 2022

Board of Directors

John Elkann
Benedetto Vigna
Piero Ferrari
Delphine Arnault
Francesca Bellettini
Eddy Cue
Sergio Duca
John Galantic
Maria Patrizia Grieco
Adam Keswick


Ferra

OTHER INFORMATION

OTHER INFORMATION

INDEPENDENT AUDITOR'S REPORT

The report of the Company's independent auditor, Ernst & Young Accountants LLP, the Netherlands, is set forth at the end of this Annual Report.

DIVIDENDS

Dividends will be determined in accordance with article 23 of the Articles of Association of Ferrari N.V. The relevant provisions of the Articles of Association read as follows:

1. The Company shall maintain a special capital reserve to be credited against the share premium exclusively for the purpose of facilitating any issuance or cancellation of special voting shares. The special voting shares shall not carry any entitlement to the balance of the special capital reserve. The Board of Directors shall be authorized to resolve upon (i) any distribution out of the special capital reserve to pay up special voting shares or (ii) re-allocation of amounts to credit or debit the special capital reserve against or in favor of the share premium reserve.

2. The Company shall maintain a separate dividend reserve for the special voting shares. The special voting shares shall not carry any entitlement to any other reserve of the Company. Any distribution out of the special voting rights dividend reserve or the partial or full release of such reserve will require a prior proposal from the Board of Directors and a subsequent resolution of the meeting of holders of special voting shares.

3. From the profits, shown in the annual accounts, as adopted, such amounts shall be reserved as the Board of Directors may determine.

4. The profits remaining thereafter shall first be applied to allocate and add to the special voting shares dividend reserve an amount equal to one percent (1%) of the aggregate nominal value of all outstanding special voting shares. The calculation of the amount to be allocated and added to the special voting shares dividend reserve shall occur on a time-proportionate basis. If special voting shares are issued during the financial year to which the allocation and addition pertains, then the amount to be allocated and added to the special voting shares dividend reserve in respect of these newly issued special voting shares shall be calculated as from the date on which such special voting shares were issued until the last day of the financial year concerned. The special voting shares shall not carry any other entitlement to the profits.

5. Any profits remaining thereafter shall be at the disposal of the general meeting of Shareholders for distribution of profits on the common shares only, subject to the provision of paragraph 8 of this article.

6. Subject to a prior proposal of the Board of Directors, the general meeting of Shareholders may declare and pay distribution of profits and other distributions in United States Dollars. Furthermore, subject to the approval of the general meeting of Shareholders and the Board of Directors having been designated as the body competent to pass a resolution for the issuance of shares in accordance with Article 6, the Board of Directors may decide that a distribution shall be made in the form of shares or that Shareholders shall be given the option to receive a distribution either in cash or in the form of shares.

7. The Company shall only have power to make distributions to Shareholders and other persons entitled to distributable profits to the extent the Company's equity exceeds the sum of the paid in and called up part of the share capital and the reserves that must be maintained pursuant to Dutch law and the Company's Articles of Association. No distribution of profits or other distributions may be made to the Company itself for shares that the Company holds in its own share capital.

8. The distribution of profits shall be made after the adoption of the annual accounts, from which it appears that the same is permitted.

9. The Board of Directors shall have power to declare one or more interim distributions of profits, provided that the requirements of paragraph 7 hereof are duly observed as evidenced by an interim statement of assets and liabilities as referred to in Section 2:105 paragraph 4 of the Dutch Civil Code and provided further that the policy of the Company on additions to reserves and distributions of profits is duly observed. The provisions of paragraphs 2 and 3 hereof shall apply mutatis mutandis.

10. The Board of Directors may determine that distributions are made from the Company's share premium reserve or from any other reserve, provided that payments from reserves may only be made to the Shareholders that are entitled to the relevant reserve upon the dissolution of the Company.

11. Distributions of profits and other distributions shall be made payable in the manner and at such date(s) - within four (4) weeks after declaration thereof - and notice thereof shall be given, as the general meeting of Shareholders, or in the case of interim distributions of profits, the Board of Directors shall determine.

12. Distributions of profits and other distributions, which have not been collected within five (5) years and one (1) day after the same have become payable, shall become the property of the Company.

BRANCH OFFICES

Please make reference to Note 24 of the Company Financial Statements included in this Annual Report.

INDEPENDENT AUDITOR'S REPORT

TO: THE SHAREHOLDERS AND AUDIT COMMITTEE OF FERRARI N.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2021 INCLUDED IN THE ANNUAL REPORT

OUR OPINION

We have audited the financial statements for the year ended December 31, 2021 of Ferrari N.V. (herein referred to as the company and together with its subsidiaries the group), based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Ferrari N.V. as at December 31, 2021 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- the consolidated and company statement of financial position as at December 31, 2021
- the following statements for 2021: the consolidated and company income statement and the consolidated and company statements of comprehensive income, changes in equity and cash flows
- the notes comprising a summary of the significant accounting policies and other explanatory information.

BASIS FOR OUR OPINION

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the Our responsibilities for the audit of the financial statements section of our report.

We are independent of Ferrari N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the *Wet toezicht accountantsorganisaties* (Wta, Audit firms supervision act), the *Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten* (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the *Verordening gedrags- en beroepsregels accountants* (VGBA, Dutch Code of Ethics).

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

INFORMATION IN SUPPORT OF OUR OPINION

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion and any findings were addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

OUR UNDERSTANDING OF THE BUSINESS

Ferrari N.V. is among the world's leading luxury brands. The activities of Ferrari N.V. comprise of the design, engineering, production and sale of luxury performance sports cars. The Ferrari group is structured in group entities and we tailored our group audit approach accordingly. We paid specific attention in our audit to a number of areas driven by the operations of the group and our risk assessment.

We start by determining materiality and identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error in order to design audit procedures responsive to those risks, and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

MATERIALITY

Materiality	€50 million (2020: €33 million).
Benchmark applied	5% of profit before taxes.
Explanation	We consider an earnings-based measure, particularly profit before taxes, an appropriate basis for determining our materiality because the users of the financial statements of profit-oriented entities like Ferrari tend to focus on the financial performance of the company.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the audit committee that misstatements in excess of €2.5 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

SCOPE OF THE GROUP AUDIT

As Ferrari N.V. is the parent of a group of entities, the financial information of this group is included in the consolidated financial statements.

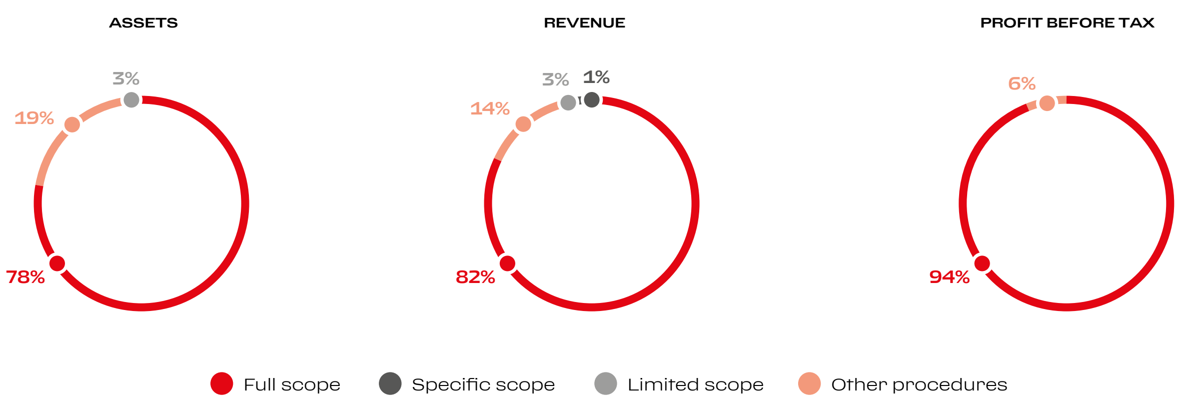
Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or on specific items.

All group entities were included in the scope of our group audit. We identified Ferrari S.p.A. and Ferrari North America Inc. as two group entities, which, in our view, required an audit of their complete financial information. Specific scope audit procedures on certain balances and transactions were performed on four other entities. Risk-based analytical procedures were performed on the remaining entities.

In establishing the overall approach to the audit, we determined the work to be performed by us, as group auditors, and by component auditors from Ernst & Young Global member firms and operating under our coordination and supervision. We have performed the following procedures:

- We have had regular virtual team meetings with EY Italy, all component auditors and management and reviewed the audit work performed on the group consolidation, financial statements and related disclosures, assessed the effect of COVID-19 and the key audit matter related to Ferrari S.p.A.: warranty and recall campaigns provision. We reviewed the audit files of the component auditor and determined the sufficiency and appropriateness of the work performed.
- Other component auditors included in the group audit scope received detailed instructions, including key risks and audit focus areas, and we determined the sufficiency and appropriateness of the work performed.

In total these procedures represent 98% of the group's total assets, 97% of net revenues and 100% of profit before taxes.



By performing the procedures mentioned above at components of the group, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion on the consolidated financial statements.

TEAMING AND USE OF SPECIALISTS

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences which are needed for the audit of a listed client in the automotive industry. We included specialists in the areas of IT audit, forensics, sustainability, treasury, share based payments and income tax and have made use of our own experts in the areas of valuations and actuaries.

OUR FOCUS ON CLIMATE RISKS AND THE ENERGY TRANSITION

Climate objectives will be high on the public agenda in the next decades. Issues such as CO_2 reduction impact financial reporting, as these issues entail risks for the business operation, the valuation of assets ('stranded assets') and provisions or the sustainability of the business model and access to financial markets of companies with a larger CO_2 footprint.

As part of our audit of the financial statements, we evaluated the extent to which climate-related risks and the possible effects of the energy transition are taken into account in estimates and significant assumptions, as well as in the design of relevant internal control measures by Ferrari N.V. Furthermore, we read the report of the board of directors and considered whether there is any material inconsistency between the non-financial information in section Risk Management Process and Internal Control Systems and, the Non Financial Statement and the financial statements.

Our audit procedures to address the assessed climate-related risks and the possible effects of the energy transition did not result in a key audit matter.

OUR FOCUS ON FRAUD AND NON-COMPLIANCE WITH LAWS AND REGULATIONS

OUR RESPONSIBILITY

Although we are not responsible for preventing fraud or non-compliance and we cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error.

OUR AUDIT RESPONSE RELATED TO FRAUD RISKS

We identify and assess the risks of material misstatement of the financial statements due to fraud. During our audit we obtained an understanding of the entity and its environment and the components of the system of internal control, including the risk assessment process and the board of director's process for responding to the risks of fraud and monitoring the system of internal control and how the audit committee exercises oversight, as well as the outcomes.

We refer to section Risk Management Process and Internal Control Systems of the board of directors report for its (fraud) risk assessment.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption in co-operation with our forensic and legal specialists. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

As in all of our audits, we addressed the risks related to management override of controls, however, when identifying and assessing fraud risks, we rebutted the presumption that there are risks of fraud in revenue recognition. For the risk related to management override of controls we have performed procedures among others to evaluate key accounting estimates for management bias that may represent a risk of material misstatement due to fraud, in particular relating to important judgment areas and significant accounting estimates as disclosed in Note 2 and Note 23 to the financial statements. We have also used data analysis to identify and address high-risk journal entries.

These risks did however not require significant auditor's attention in addition to the following fraud risk identified during our audit.

Risks related to management override of controls	
Fraud Risk	In our audit approach we considered that the risks related to management override of controls would primarily impact the warranty and recall campaigns provision due to the complexity of the process and assumptions involved in estimating the warranty liabilities for new models (and recall campaign) for which management does not have sufficient historical data and for which management performs an estimation of reasonably expected costs based on available data. We considered whether these assumptions in the determination of the warranty and recall campaigns provision indicate a management bias that may represent a risk of material misstatement due to fraud and determined this as key audit matter.
Our audit approach	We describe the audit procedures responsive to the risk of management override in the description of our audit approach for the key audit matter 'Warranty and recall campaigns provision'.

We considered available information and made enquiries of relevant executives, directors (including internal audit, legal, compliance, human resources and regional directors) and the audit committee.

The fraud risk we identified, enquiries and other available information did not lead to specific indications for fraud or suspected fraud potentially materially impacting the view of the financial statements.

OUR AUDIT RESPONSE RELATED TO RISKS OF NON-COMPLIANCE WITH LAWS AND REGULATIONS

We assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the board of directors, reading minutes, inspection of internal audit and compliance reports, and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

OUR AUDIT RESPONSE RELATED TO GOING CONCERN

As disclosed in section 'Going concern' in Note 1 to the financial statements, the board of directors made a specific assessment of the company's ability to continue as a going concern and to continue its operations for at least the next 12 months.

We discussed and evaluated the specific assessment with the board of directors exercising professional judgment and maintaining professional skepticism.

We considered whether the board of directors' going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Based on our procedures performed, we did not identify serious doubts on the entity's ability to continue as a going concern for the next 12 months.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

OUR KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matter to the audit committee. The key audit matter is not a comprehensive reflection of all matters discussed.

In comparison with previous year, our key audit matter did not change.

	Warranty and recall campaigns provision
Risk	As more fully described in the notes 2 and 23 to the consolidated financial statements, the group establishes a provision for product warranties at the time a sale is recognized to guarantee the performance of vehicles from defects that may become apparent within a certain period or term. In addition, the group periodically initiates recall campaigns to address various client satisfaction, safety and emissions issues related to cars sold. The provision includes the management's estimate of the expected cost to fulfill the obligations over the contractual warranty or campaign period. Such estimate is developed using assumptions related to expected costs to be incurred based on the group's historical claims or costs experience, including the costs of parts and services. As part of our risk assessment we considered the risk of management override of controls. As at December 31, 2021, the warranty and recall campaigns provision amounts to €109 million. Future costs of these actions are subject to numerous uncertainties, including the enactment of new laws and regulations, the number of vehicles affected by warranty actions or recall campaigns and the nature of the corrective action that may result in the reassessment of the established provision. The costs related to this provision are recognized within cost of sales. Auditing the warranty and recall campaign provision was complex in consideration of the judgment required to develop assumptions around future costs to be incurred for warranty and recall campaigns, especially for newly launched models or vehicles, and the complexity of the calculation involved.
Our audit approach	The procedures performed to address the matter in our audit included, among others, obtaining an understanding of the warranty and recall campaign provisioning process and evaluating the group's accounting policy thereon. We evaluated the design and tested operating effectiveness of internal controls relevant to this area, specifically related to the management's assumptions developed to estimate future costs to be incurred. We evaluated the methodology, including calculation, and assumptions used by the management in estimating future costs for warranty programs and recall campaigns, and assessed any changes, or the lack thereof, from the prior year. We tested the completeness and accuracy of the underlying data and the journal entries recorded by the management. We further completed analytical procedures over the accrued provision and retrospective analyses comparing the provisions recorded by the group against actual spending for warranty and recall service costs to evaluate the cost assumptions used by the management. Lastly, we evaluated the adequacy of the warranty and recall campaign disclosures included in the notes to the consolidated financial statements, including significant judgements made by the management.
Key observations	We concur with the assessment and recording of the warranty and recall campaigns provision and the related disclosures as included in the notes to the consolidated financial statements.

REPORT ON OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The annual report contains other information in addition to the financial statements and our auditor's report thereon.

Based on the following procedures performed, we conclude that the other information:
- is consistent with the financial statements and does not contain material misstatements
- contains the information as required by Part 9 of Book 2 for the management report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code and as required by Sections 2:135b and 2:145 sub section 2 of the Dutch Civil Code for the remuneration report.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 and Section 2:135b sub-Section 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.
The board of directors is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by Part 9 of Book 2 of the Dutch Civil Code.
The board of directors is responsible for ensuring that the remuneration report is drawn up and published in accordance with Sections 2:135b and 2:145 sub section 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS AND ESEF

ENGAGEMENT

We were engaged by the audit committee as auditor of Ferrari N.V. on September 29, 2015, as of the audit for the year 2015 and have operated as statutory auditor ever since that date.

NO PROHIBITED NON-AUDIT SERVICES

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

EUROPEAN SINGLE ELECTRONIC REPORTING FORMAT (ESEF)

Ferrari N.V. has prepared the annual report in ESEF. The requirements for this are set out in the Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (hereinafter: the RTS on ESEF).

In our opinion, the annual report, prepared in the XHTML format, including the partially marked-up consolidated financial statements, as included in the reporting package by Ferrari N.V., complies in all material respects with the RTS on ESEF.

The board of directors is responsible for preparing the annual report, including the financial statements, in accordance with the RTS on ESEF, whereby the board of directors combines the various components into a single reporting package.

Our responsibility is to obtain reasonable assurance for our opinion whether the annual report in this reporting package complies with the RTS on ESEF.

Our procedures, taking into account Alert 43 of the NBA (the Netherlands Institute of Chartered Accountants), included amongst others:

- obtaining an understanding of the company's financial reporting process, including the preparation of the reporting package
- obtaining the reporting package and performing validations to determine whether the reporting package containing the Inline XBRL instance document and the XBRL extension taxonomy files, has been prepared in accordance with the technical specifications as included in the RTS on ESEF
- examining the information related to the consolidated financial statements in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

RESPONSIBILITIES OF BOARD OF DIRECTORS FOR THE FINANCIAL STATEMENTS

The board of directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the board of directors is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the board of directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the board of directors should prepare the financial statements using the going concern basis of accounting unless the board of directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The board of directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

OUR RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The 'Information in support of our opinion' section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

Our audit further included among others:
- performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion on the effectiveness of the company's internal control
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

COMMUNICATION

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

In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, February 25, 2022

Ernst & Young Accountants LLP

O.E.D. Jonker

Ferrari N.V.
Official Seat:
Amsterdam, The Netherlands
Dutch Trade Registration Number:
64060977

Administrative Offices:
Via Abetone Inferiore 4
I-41053, Maranello (MO)
Italy