FERRARI N.V.

Annual Report

2019

Ferrari N.V.
Official Seat:
Amsterdam, The Netherlands
Dutch Trade Registration Number:
64060977

Administrative Offices:
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FERRARI N.V.

Annual Report
2019

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Board Report

Board of Directors and Auditors

Board of Directors

Executive Chairman
John Elkann

Chief Executive Officer
Louis C. Camilleri

Vice Chairman
Piero Ferrari

Directors
Delphine Arnault
Giuseppina Capaldo
Eddy Cue
Sergio Duca
Maria Patrizia Grieco
Adam Keswick
Elena Zambon

Independent Auditors

Ernst & Young Accountants LLP

Letter from the Chairman and the Chief Executive Officer

Dear Shareholders,

2019 was a highly significant year from a financial perspective and our overall strategic positioning. The strong results delivered reflect the work of a Company pursuing its long term vision focussed on supporting the continued vitality of its brand through innovation, whilst maintaining an enviable competitive edge.

The Ferrari Group either met or exceeded all of its financial targets for the year. As a result, we are confident that the 2022 industrial plan will be successfully completed. We delivered 10,131 cars, a 9.5% increase on the previous year. The increase of our industrial free cash flow from Euro 375 million in 2018 to Euro 675 million was also a source of particular satisfaction.

We presented five new models this year, a record for Maranello, that ensures we are able to satisfy the varied requirements of our existing and new clients. Our first production hybrid model, the SF90 Stradale, opened a new chapter in our history, whilst the Ferrari Roma is a coupé that effortlessly translates the elegance of the Ferrari Grand Touring cars of the 1950s and 60s into very modern styling, allowing us to tap into the needs of a new client segment. We also unveiled the F8 Tributo, a two-seater V8 mid-rear-engined berlinetta, in addition to its drop-top version, the F8 Spider, and 812 GTS, which hails a return exactly 50 years since the last series spider sported a front-mounted V12.

The presentation of the two spiders was the highlight of Universo Ferrari, the first event dedicated exclusively to Ferrari in its hometown. Held in September 2019 this exhibition opened its doors to over 14,000 customers, prospects and Ferrari enthusiasts, who had a unique chance to experience the multifaceted nature of our marque.

We now have the most complete range in our history and are continuing to garner international plaudits. Our V8 turbo engine has been named “International Engine of the Year” for the fourth consecutive occasion, whilst the styling of the Ferrari Monza SP1 secured us our fifth consecutive “Red Dot: Best of the Best” award. Ferrari has also been awarded the title of the world’s strongest brand for the second consecutive year by Brand Finance.

The same exclusive range approach is also applied to our brand diversification strategy, which has led to the termination of numerous licensing agreements and the exit from merchandise categories that do not reflect the Company's inherent values. We are extremely pleased to have entered into a long term manufacturing agreement with the Giorgio Armani Group, in order to elevate the standards and quality of a selected array of apparel products.

We ended the Formula 1 World Championship in a position that fell short of what our remarkable history deserves. We are conscious that we need to do more and better and will be intensifying our efforts and the investments necessary to achieve our sole objective: to win the Championship.

The GT Racing Season ended on a very positive note once again with a tally of 25 international titles crowned by our 36th victory in the 24 Hours of Le Mans. Ferrari's track car range is now more competitive than ever, thanks to the new 488 GT3 EVO 2020 and 488 Challenge EVO, unveiled during the Finali Mondiali at Mugello.

We are also increasing our commitment to sustainability in every area of the Company. Aside from hybrid and first steps in electric technology, our work has been focusing on energy consumption in our facilities. In fact, we are pleased to say that this year there was a decrease in energy consumption per car manufactured. We are determining our comprehensive carbon footprint to enable us to set ambitious targets to become ultimately carbon neutral over the longer term. In the course of the year, we also further invested in one of our most important assets, our people, by making 12% more training hours available.

The extraordinary results we achieved this year are a tribute to all those who make up the Ferrari Group. We would like to thank all of them for their outstanding personal and professional contribution, and for the very clear passion and sense of responsibility displayed in their work each and every day.

We also take this opportunity to thank you, our shareholders, for remaining our trusted partners and supporters in this crucial period of growth and innovation for Ferrari.

April 16, 2020

John Elkann	**Louis Carey Camilleri**
Chairman	*Chief Executive Officer*

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, 2019 and 2018, and for the years ended December 31, 2019, 2018 and 2017 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, and with Part 9 of Book 2 of the Dutch Civil Code. 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"). We refer to these consolidated financial statements 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 Annual Report 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.

Certain totals in the tables included in this Annual Report 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, industry growth and other trends and projections and estimated company earnings are “forward-looking statements” that contain risks and uncertainties. In some cases, words such as “may”, “will”, “expect”, “could”, “should”, “intend”, “estimate”, “anticipate”, “believe”, “outlook”, “continue”, “remain”, “on track”, “design”, “target”, “objective”, “goal”, “plan” 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.

These factors 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, as well as the popularity of Formula 1 more broadly;
- our ability to keep up with advances in high performance car technology 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 growth strategy and, particularly, our ability to grow our presence in growth and emerging market countries;
- our low volume strategy;
- 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 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;
- the impact of increasingly stringent fuel economy, emissions and safety standards, including the cost of compliance, and any required changes to our products;

- the challenges and costs of integrating hybrid and electric technology more broadly into our car portfolio over time;
- product warranties, product recalls and liability claims;
- 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, including our ability 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 Annual Report 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, 2016 and 2015 and the audited consolidated statement of financial position at December 31, 2017, 2016 and 2015.

This financial information has been prepared in accordance with IFRS.

For the purposes of the financial information set forth in this section, the restructuring activities undertaken as part of the separation from FCA (the "Separation") have been retrospectively reflected as though it had occurred effective January 1, 2015, with the exception of the debt owing to FCA and subsequent refinancing, which were reflected from the dates on which they occurred. References to "FCA" or "FCA Group" refer to Fiat Chrysler Automobiles N.V., together with its subsidiaries. See "*Overview—History of the Company*" for additional details regarding the Separation.

The following information should be read in conjunction with "*Certain Defined Terms and Note on Presentation—Note on Presentation*", "*Risk Factors*", "*Operating Results*" 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,				
	2019	2018	2017	2016	2015
Net revenues	3,766	3,420	3,417	3,105	2,854
EBIT	917	826	775	595	444
Profit before taxes	875	803	746	567	434
Net profit	699	787	537	400	290
Net profit attributable to:					
Owners of the parent	*696*	*785*	*535*	*399*	*288*
Non-controlling interests	*3*	*2*	*2*	*1*	*2*
Basic earnings per common share (€)(1) (2)	3.73	4.16	2.83	2.11	1.52
Diluted earnings per common share (€)(1) (2) (3)	3.71	4.14	2.82	2.11	1.52
Dividend approved per common share (€)(4) (5)	1.03	0.71	—	—	—
Dividend approved per common share ($)(4) (5) (6)	1.16	0.88	—	—	—
Distribution approved per common share (€)(7) (8)	—	—	0.635	0.46	—
Distribution approved per common share ($)(6) (7) (8)	—	—	0.682	0.52	—

(1) For 2015, retrospectively reflects the issuance of 188,923,499 common shares as if the Separation had occurred on January 1, 2015. See also Note 12 to the Consolidated Financial Statements.

(2) 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 for 2018 in the section "Non-GAAP Financial Measures" as well as Note 10 to the Consolidated Financial Statements, both included elsewhere in this Annual Report, for additional information.

(3) 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, 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 years ended December 31, 2017 and 2016. For the year ended December 31, 2015 there were no potentially dilutive instruments. See Note 12 to the Consolidated Financial Statements for additional information.

(4) 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. The distribution was made from the retained earnings reserve.

(5) 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. The distribution was made from the retained earnings reserve.

(6) 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.

(7) 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. The distribution was made from the share premium reserve which is a distributable reserve under Dutch law.

(8) Following approval of the annual accounts by the shareholders at the Annual General Meeting of the Shareholders on April 15, 2016, a cash distribution of €0.46 per outstanding common share was approved, corresponding to a total distribution of €87 million. The distribution was made from the share premium reserve which is a distributable reserve under Dutch law.

/ Selected Financial and Other Data

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATA

(€ million, except number of shares issued)	At December 31,				
	2019	2018	2017	2016	2015
Cash and cash equivalents	898	794	648	458	183
Deposits in FCA Group cash management pools[(1)]	—	—	—	—	139
Total assets	5,446	4,852	4,141	3,850	3,875
Debt	2,090	1,927	1,806	1,848	2,260
Total equity/(deficit)[(2)]	1,487	1,354	784	330	(19)
Equity/(Deficit) attributable to owners of the parent	*1,481*	*1,349*	*779*	*325*	*(25)*
Non-controlling interests	*6*	*5*	*5*	*5*	*6*
Share capital	3	3	3	3	4
Common shares issued and outstanding (in thousands of shares)[(3)]	185,283	187,921	188,954	188,923	188,923

[(1)] Deposits in FCA Group cash management pools related to our participation in a group-wide cash management system at FCA prior to the Separation, where the operating cash management, main funding operations and liquidity of the Group were centrally coordinated by dedicated treasury companies with the objective of ensuring effective and efficient management of our funds. Following the completion of the Separation on January 3, 2016, these arrangements were terminated and we manage our liquidity and treasury function on a standalone basis.

[(2)] The deficit at December 31, 2015 is a result of the effects of the restructuring activities undertaken as part of the Separation.

[(3)] For 2015, the number of common shares issued retrospectively reflects the issuance of common shares (net of treasury shares), all with a nominal value of €0.01, as if the Separation had occurred on January 1, 2015.

OTHER STATISTICAL INFORMATION

	For the years ended December 31,				
	2019	2018	2017	2016	2015
Shipments (number of cars)	10,131	9,251	8,398	8,014	7,664
Average number of employees for the period	4,164	3,651	3,336	3,115	2,954

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, we enjoy a strong and loyal client base with most of our cars being sold to existing Ferrari owners and approximately 41% of our clients being 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.

The Non Financial Statement section of our 2019 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 and electric engine technology (already integrated in past models such as the LaFerrari and the LaFerrari Aperta, as well as in the new SF90 Stradale) will introduce a notable change in the overall driver experience compared to the combustion engine cars of our models to date. 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, we have recently 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 have focused on restoring the success of our Formula 1 racing team as our most recent Drivers' Championship and Constructors' Championship were in 2007 and 2008, respectively. We are focused on improving our racing results and restoring our historical position as the premier racing team. 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, 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.

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*".

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.

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. 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 will launch in the coming years. 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, 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 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, including more significant competition in entering and establishing ourselves in these markets.

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 new concept that takes inspiration from our iconic cars of the past and interprets them in a modern way with innovative

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technology and materials. In the GT range, we are developing a luxury high performance vehicle, the Purosangue, and we are planning a new line of cars powered by V6 engines. 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 sufficient 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 profitability.

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 10,131 cars in 2019, 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 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 nine range models (including five sports cars and four GT cars) and two special series cars, as well as our limited edition Icona cars. While we anticipate significantly 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 cars (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 that will sustain sales growth in the future.

Global economic conditions and macro events may adversely affect us.

Our sales volumes and revenues may be affected by overall general economic conditions. 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.

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.

We are also susceptible to risks relating to epidemics and pandemics of diseases. For example, the recent outbreak of coronavirus COVID-19 (“Coronavirus”), a virus causing potentially deadly respiratory tract infections originating in China, may negatively affect economic conditions regionally as well as globally, disrupt supply chains and otherwise impact operations. Governments in affected countries are imposing travel bans, quarantines and other emergency public safety measures. Those measures, though temporary in nature, may continue and increase depending on developments in the virus’ outbreak. The ultimate severity of the Coronavirus outbreak is uncertain at this time and therefore we cannot predict the impact it may have on our end markets, supply chain or operations; however, the effect on our results may be material and adverse.

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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 emerging markets, a downturn in mature economies such as the EU and the United States may negatively affect our financial performance. The EU economies in particular suffered a prolonged period of slow growth since the 2008 financial crisis. In addition, uncertainties regarding future trade arrangements and industrial policies in various countries or regions, such as in the United Kingdom following the referendum in 2016 to leave the European Union (see further *"We may be adversely affected by the UK determination to leave 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 China only represents approximately 9 percent of our net revenues and a limited proportion of our growth in the short term, slowing economic conditions in China 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 and emerging markets may adversely affect our business"*.

Developments in China and other growth and emerging markets may adversely affect our business.

We operate in a number of growth and emerging 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 in these emerging markets 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. See "*Global economic conditions and macro events may adversely affect us*" for a discussion of the recent Coronavirus outbreak, which, for example, may negatively affect sales of our cars in Hong Kong and China in the coming periods.

Our exposure to growth and emerging countries is likely to increase, as we pursue expanded sales in such countries. Economic and political developments in emerging 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.

Maintaining and strengthening our position in these growth and emerging markets is a key component of our global growth strategy. However, initiatives from several global luxury automotive manufacturers have increased competitive pressures for luxury cars in several emerging 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 and macro events may adversely affect us*".

We may be adversely affected by the UK determination to leave 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, opening the transition period that is currently set to last until December 31, 2020, during which the future terms of the UK's relationship with the European Union, including the terms of trade between the UK and the member states in the EU, will be negotiated. Any effect of Brexit is expected to depend on the agreements, if any, that may be negotiated between the UK and the EU with respect to reciprocal market access and custom arrangements, during the transitional period and more permanently. Failure to reach appropriate agreements could adversely affect European or worldwide economic or market conditions. It is possible that there will be greater restrictions on imports and exports between the UK and European Union countries and increased regulatory complexities which may prove challenging and costly. The UK's withdrawal from the EU could also negatively impact economic conditions in Europe more generally, which in turn could adversely impact global economic conditions. For instance, the negotiating process surrounding the terms of the departure of the UK from the EU may continue to contribute to significant volatility in exchange rates, wider risks to supply chains across the European Union and ultimately lead to changes in market access or trading terms, including to customs duties, tariffs and/or industry-specific requirements and regulations and generally increased legal and regulatory complexity and costs. In 2019, approximately 10 percent of our cars and spare parts 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. Our employees, particularly in our production facilities in and around Maranello, Italy include many highly skilled engineers, technicians and artisans. 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 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.

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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 the future, 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. Supply of raw materials, parts and components may also be disrupted or interrupted by natural disasters, as was the case in 2012 following the earthquake in the Emilia Romagna region of Italy. If any further 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. See "*Global economic conditions and macro events may adversely affect us*" for a discussion of the recent Coronavirus outbreak, which may affect our supply chain directly or indirectly dependent on certain Chinese supplies. As a consequence, should the current disruption in Chinese industrial activity and logistics persist or deteriorate, this may disrupt and potentially halt our production temporarily unless alternative supplies are secured.

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 a 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 "*Global economic conditions and macro events may adversely affect us*" for a discussion of the

recent Coronavirus outbreak. As 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 also apply to our licensed products and franchised stores. In addition, there are unique 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, we expect to streamline our existing arrangements with licensing partners and decrease the volume of 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.

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. 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 activities*").

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. 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 current arrangements between racing teams and the operator of Formula 1. The new rules, which will come into effect in 2021, provide for, among other things, a new car design, a cap of $175 million per year 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 the new rules approved by the World Council may be subject to further changes during the course of 2020, the final set of rules that will become applicable as of 2021 will require significant changes to our racing cars, processes and operations. These changes may result in adverse effects on our revenues and results of operations. In particular, the new cap on expenses will affect 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 2020, which may be followed by further production runs in future periods. While Maserati is required to compensate us for certain production costs we may incur penalties from our suppliers. In the event that the sales of Maserati cars decline, or do not increase at the expected rate, such an event would adversely affect our revenues from the sale of engines.

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 homologation;
- 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.

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 have 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. In September 2016 we petitioned 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. NHTSA have not yet responded to our petition. If our petitions are rejected, we will not be able to benefit from the more favorable CAFE standards levels which we have petitioned for and this may require us to purchase additional CAFE credits in order to comply with applicable CAFE standards. Starting from 2019, we are no longer considered to be an SVM by NHTSA, because our

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global production exceeded 10,000 vehicles, and therefore we may be required to purchase further CAFE credits.

In the United States, considerable uncertainty is associated with emissions regulations under the current 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. In August 2018 the NHTSA and the EPA issued a common proposal, the "Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule for model years 2021-2026 Passenger Cars and Light Trucks" (SAFE Vehicles Rule). The SAFE Vehicles Rule, if finalized, would amend certain existing Corporate Average Fuel Economy (CAFE) and tailpipe carbon dioxide emissions standards for passenger cars and light trucks and establish new standards, all covering model years 2021 through 2026. The authorities' stated preferred alternative is to retain the model year 2020 standards (specifically, the footprint target curves for passenger cars and light trucks) for both programs through model year 2026, but comment has been sought on a range of alternatives. The SAFE Vehicles Rule has not been adopted in final form as of the date of this filing.

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 through 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). The SAFE Vehicles Rule mentioned above proposes to withdraw the waiver granted to California under the Clean Air Act to establish more stringent standards for vehicle emissions that are applicable to model years 2021 through 2025. In response to the proposed California waiver withdrawal, on December 12, 2018 the CARB amended its existing regulations to clarify that the "deemed-to-comply" provision shall not be available for model years 2021-2025 if the EPA standards for those years are altered via an amendment of federal regulations. On September 19, 2019, NHTSA and 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.

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, as well as vehicle safety legislation. In 2016, 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 targets 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 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 are implementing the requirements of the National 6 program even ahead of the mandated deadlines.

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 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. 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. Similarly, driving bans on combustion engine vehicles could be imposed, particularly in metropolitan areas, as a result of progress in electric and hybrid technology. Any such future developments 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. An update of the Administrative Measures on CAFC and NEV credits is awaited, following the adoption of the Stage V fuel consumption regulation. 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.

To comply with current and future environmental rules related to both fuel economy and pollutant emissions 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 operation.

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 2019, we launched the SF90 Stradale (shipments of which are expected to begin in 2020), the first series production Ferrari to feature Plug-in Hybrid Electric Vehicle (PHEV) architecture, integrating the internal combustion engine with three electric motors. Some of our past models, such as LaFerrari and LaFerrari Aperta, have 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), we recorded a provision regarding this matter in the second quarter of 2016 for an amount of €37 million. This provision amounted to €16 million as of December 31, 2019. For a description of these and other recent 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,

/ Risks Related to Our Business, Strategy and Operations

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 anti-corruption 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 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. Furthermore, such technology is capable of 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, 2019, our gross consolidated debt was approximately €2,090 million (which includes our financial services). See "*Operating Results—Liquidity and Capital Resources*". 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. Recent pronouncements of governments and central banks point to a change in the policy environment that may lead to a gradual contraction of monetary policies in coming periods. To the extent that interest rates rise generally, 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. 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 securitization programs. At December 31, 2019, an amount of $886 million was outstanding under revolving securitizations carried out by Ferrari Financial Services Inc. See "*Operating Results—*

/ Risks Related to Our Business, Strategy and Operations

Liquidity and Capital Resources". Should we lose the ability to access the securitization market at advantageous terms or at all, the funding of our wholesale financing business would become more difficult and expensive and our financial condition may 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.

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. 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 course of 2019, while the pound sterling remained subject to some volatility against the Euro, with an initial depreciation against the Euro followed by a reversal in trend in the second half of the year. If the U.S. Dollar were to depreciate against the Euro, we expect that it would adversely impact our revenues and results of operations. Foreign exchange volatility remained low in early 2020

and the Euro has not experienced any significant appreciation versus the main currencies to which Ferrari is exposed. The extent of adverse impacts from exchange rate fluctuations could increase if the portion of our business in countries outside of Eurozone increases.

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. In addition, in the last months of 2018, the United States administration declared that it is considering imposing new tariffs on imported cars; such decision was again postponed in May 2019, and a final decision has not been made by the United States administration to date. Considerable uncertainty surrounds the introduction and scope of tariffs by the United States or other countries, as well as the potential for additional trade actions by the United States or other countries. 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 applied for, and currently hold, 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. The AEO certificate was subject to mandatory audit review in 2019 and renewal of the AEO certification was obtained. 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 24.0 percent of our outstanding common shares and approximately 35.8 percent of our voting power (as of February 7, 2020). 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 7, 2020, Piero Ferrari, the Vice Chairman of Ferrari, holds approximately 10.2 percent of our outstanding common shares and approximately 15.2 percent of voting interest in us (as of February 7, 2020). The percentages of ownership and voting power above are calculated based on the number of outstanding shares net of treasury shares. As a result, he 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 FCA and Exor and its related companies.

Questions relating to conflicts of interest may arise between us and FCA, our former largest shareholder, 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 FCA. For example, Mr. John Elkann, our Executive Chairman, is the Chairman and an executive director of FCA and Chairman and Chief Executive Officer of Exor. Certain of our other directors and officers may also be directors or officers of FCA or Exor, our and FCA'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 24.0 percent of our outstanding common shares and approximately 35.8 percent of the voting power in us (as of February 7, 2020), while it holds approximately 29.0 percent of the outstanding common shares and approximately 42.1 percent of the voting power in FCA (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 FCA 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 FCA 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

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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 7, 2020, Exor had approximately 24.0 percent of our outstanding common shares and a voting interest in Ferrari of approximately 35.8 percent. As of February 7, 2020, Piero Ferrari held approximately 10.2 percent of our outstanding common shares and, as a result of the loyalty voting mechanism, had approximately 15.2 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 *Mercato Telematico Azionario* (“MTA”). The dual listing of our common shares may split trading between the NYSE and the MTA, 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.

FCA creditors may seek to hold us liable for certain FCA obligations.

One step of our Separation from FCA 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 existing at the time of the Separation. Nevertheless, in the event that FCA 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.

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.

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 (available until fiscal year 2019 according to current regulations), which result in a tax saving. Law no. 160/2019 or "Budget Law 2020", introduced new rules relating to tax breaks. In particular the hyper- and super-depreciation have been modified into a tax credit for the purchase of new capital assets. The Budget Law 2020 also introduced new tax credits for (i) technological innovation and ecological transition, and (ii) the design and creation of new products and samples.

These new measures continue to mitigate the amount of taxes due in Italy. Significant changes in regulations or interpretation might adversely affect the availability of such exemptions and result in higher tax charges.

Italian Law No. 190 of December 2014, as subsequently amended and supplemented (Finance Act 2015) 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. In September 2018 we received the mandatory ruling from the Italian tax authorities according to which we are able to significantly reduce our tax expenses. The ruling covers the period starting from 2015 and it remains in force until fiscal year 2019. The Group is progressing with the required activities to apply the Patent Box tax regime for the period from 2020 to 2024, in line with currently applicable tax regulations in Italy. The amount of the related tax benefits (if any) that the Group may receive from the tax regime remains subject to uncertainty.

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 team in Formula 1 history. From the inaugural year of Formula 1 in 1950 through the present, Scuderia Ferrari has won 238 Grand Prix races, 16 Constructor World titles and 15 Drivers' World titles. 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 166 authorized dealers operating 187 points of sale as of the end of 2019.

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 2019, for which shipments will commence in 2020) is comprised of five sports cars (SF90 Stradale, F8 Tributo, F8 Spider, 812 Superfast and 812 GTS), four GT cars (Ferrari Roma, Ferrari Portofino, GTC4Lusso and GTC4Lusso T) and two special series cars (488 Pista and 488 Pista Spider), as well as two versions of our first Icona car, the Ferrari Monza SP1 and the Ferrari Monza SP2. We also produce limited edition hypercars, *fuori serie* 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 2019, we unveiled the SF90 Stradale (our first series production Plug-in Hybrid Electric Vehicle (PHEV)), the F8 Tributo, the F8 Spider, the 812 GTS and the Ferrari Roma, with shipments of the F8 Tributo commencing in the fourth quarter of 2019 and shipments of the other cars expected to commence in 2020.

In 2019, we shipped 10,131 cars and recorded net revenues of €3,766 million, EBIT of €917 million, net profit of €699 million, and earnings before interest, taxes, depreciation, and amortization (EBITDA) of €1,269 million. For additional information regarding EBITDA, including a reconciliation of EBITDA to net profit, as well as other non-GAAP measures we present, see "*Operating Results—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 EMEA, Americas, Mainland China, Hong Kong and Taiwan, and Rest of APAC, representing respectively 48.3 percent, 28.6 percent, 8.3 percent and 14.8 percent of units shipped in 2019.

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 (the "Separation"), which was completed on January 3, 2016 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, the stock exchange managed by Borsa Italiana, under the ticker symbol RACE.

Industry Overview

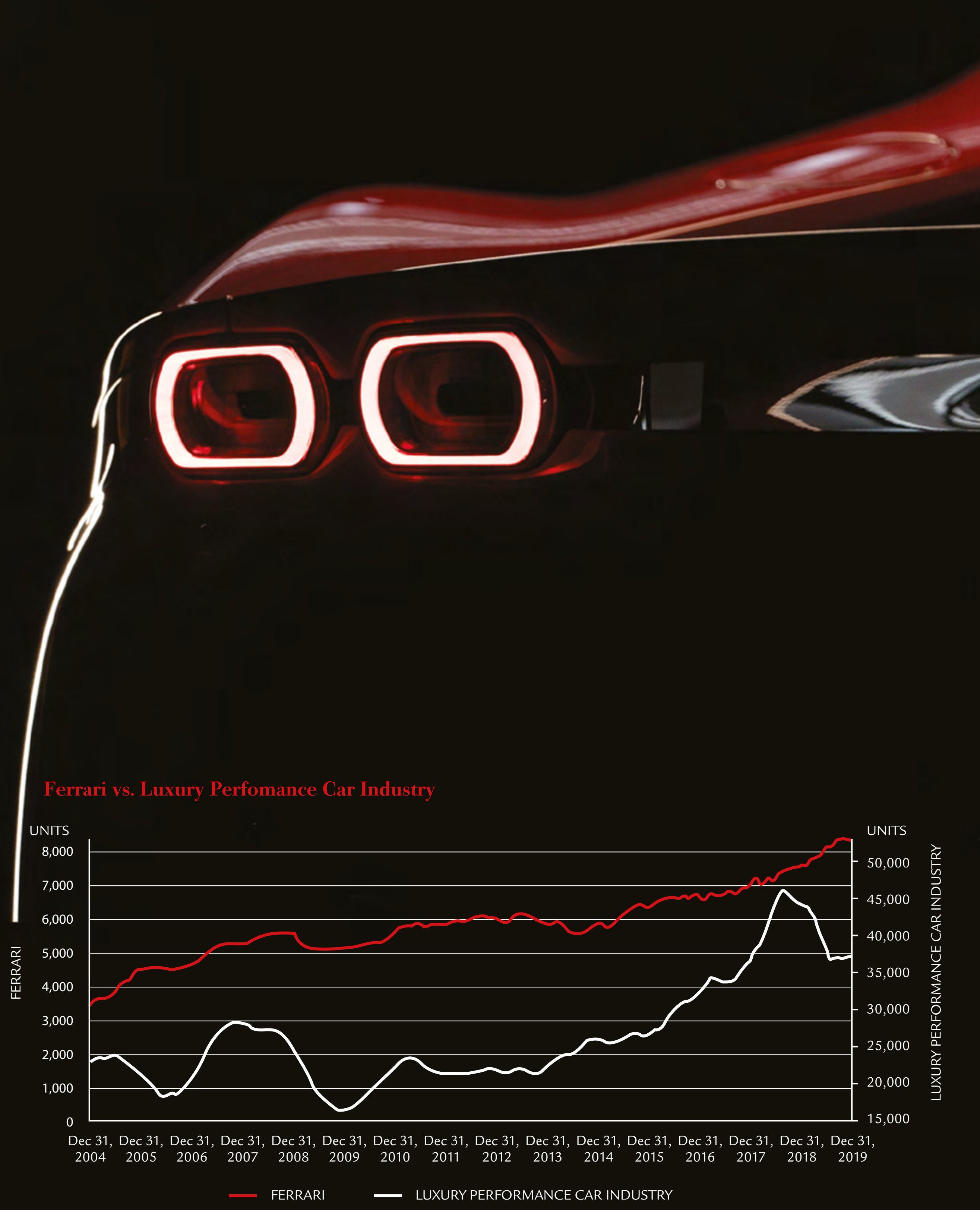
Within the luxury goods market, we define our target market for luxury performance cars as two-door cars powered by engines producing more than 500 hp and selling at a retail price in excess of Euro 150,000 (including VAT). The luxury performance car market historically has followed relatively closely 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.

Unlike in other segments of the broader luxury market, however, 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.

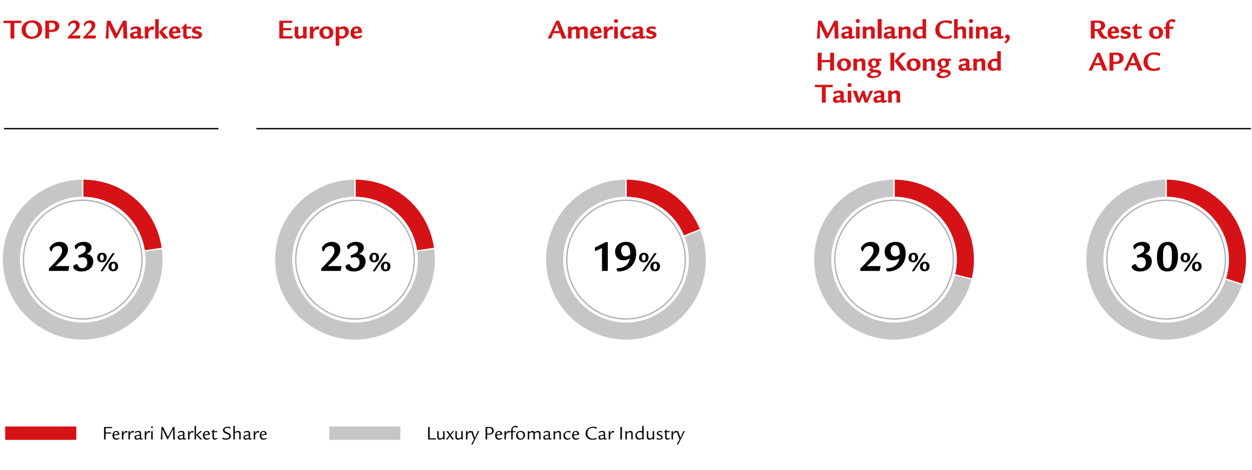


- Ferrari and Luxury Performance Car Industry data are updated to December 31, 2019.
- Data for the Luxury Performance Car Industry include all two door GT and sports cars with power above 500hp, and retail price above Euro 150,000 (including VAT) sold by Aston Martin, Audi, Bentley, BMW, Ferrari, Ford, Honda/Acura, Lamborghini, McLaren, Mercedes Benz, 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 87% of the total Ferrari shipments in 2019).
- 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.

/ Industry Overview

As shown in the chart above, our volumes in recent years have proven less volatile than our competitors'.

In 2019, our volumes in the largest 22 markets slightly increased compared to 2018, primarily driven by contribution from our range models. In 2019, we had a market share of 23 percent in the luxury performance car market; with 25 percent of market share in the sports car segment and 19 percent of market share in the GT segment. The chart below sets forth our market shares in 2019 based on volumes in our largest 22 markets by geographical area.



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- Ferrari is market leader in several countries, including France, Italy, Mainland China, 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 sports car models are the F8 Tributo, the F8 Spider, the 812 Superfast, the 812 GTS and our first series production Plug-in Hybrid Electric Vehicle (PHEV), the SF90 Stradale, as well as our latest special series models, the 488 Pista and 488 Pista Spider, and our principal competitors are Lamborghini, McLaren, Ford, Honda, Porsche, Mercedes, Aston Martin and Audi. Our GT range models are the Ferrari Portofino, the GTC4Lusso, the GTC4Lusso T, and the most-recent, the Ferrari Roma, and our principal competitors are Rolls-Royce, Bentley, BMW, Aston Martin and Mercedes.

In recent years, the market has shifted somewhat with an increased focus on the GT cars segment and the lower priced range of the sports car market, with larger automotive groups expanding their offering of premium cars to enter the luxury performance car market.

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.

Overview of Our Business

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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 2019, for which shipments will commence in 2020) is comprised of five sports cars (SF90 Stradale, F8 Tributo, F8 Spider, 812 Superfast and 812 GTS), four GT cars (Ferrari Roma, Ferrari Portofino, GTC4Lusso and GTC4Lusso T) and two special series cars (488 Pista and 488 Pista Spider), as well as two versions of our first Icona car, the Ferrari Monza SP1 and the Ferrari Monza SP2. We also produce limited edition hypercars, *fuori serie* 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 2019, we unveiled the SF90 Stradale (our first series production Plug-in Hybrid Electric Vehicle (PHEV)), the F8 Tributo, the F8 Spider, the 812 GTS and the Ferrari Roma, with shipments of the F8 Tributo commencing in the fourth quarter of 2019 and shipments of the other cars expected to commence in 2020.

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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 EMEA, Americas, Mainland China, Hong Kong and Taiwan, and Rest of APAC, representing respectively 48.3 percent, 28.6 percent, 8.3 percent and 14.8 percent of units shipped in 2019.

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 Formula 1 World Championship, which is one of the most watched annual sports series in the world, with approximately 405.5 million unique television viewers in 2019 in the top 20(*) markets

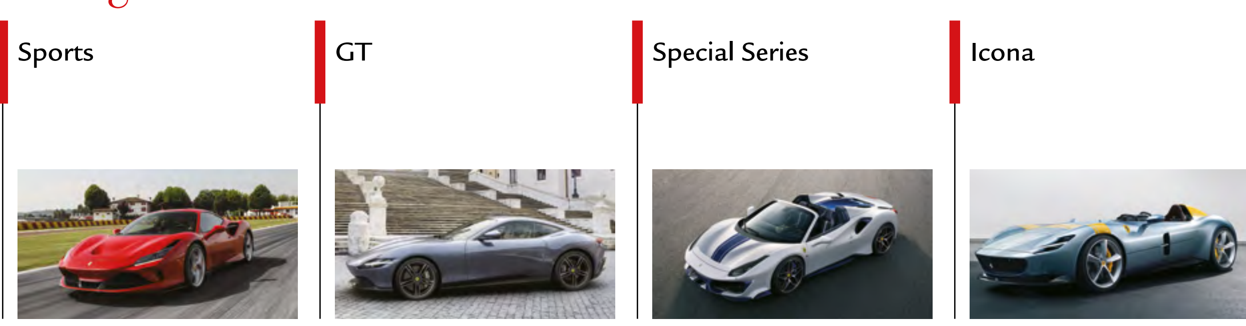
(*) Top 20 markets are, in alphabetical order, Australia, Austria, Belgium, Brazil, China, Finland, France, Germany, Greece, Italy, Mexico, Netherlands, Pan Africa, Pan Latin America, Pan Middle East, Pan Russia, Poland, Russia, United Kingdom and United States.

(*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.

We license the Ferrari brand to a selected number of producers and retailers of luxury and lifestyle goods. In addition, we design, source and sell Ferrari-branded products through a network of 20 Ferrari-owned stores and 24 franchised stores (including 15 Ferrari Store Junior), as well as on our website. As one of the world's most recognized premium luxury brands, we believe we are well positioned to selectively expand the presence of the Ferrari brand in attractive and growing lifestyle categories consistent with our image, including sportswear, watches, accessories, consumer electronics and theme parks which, we believe, enhance the brand experience of our loyal clients and Ferrari enthusiasts.

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 selectively 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

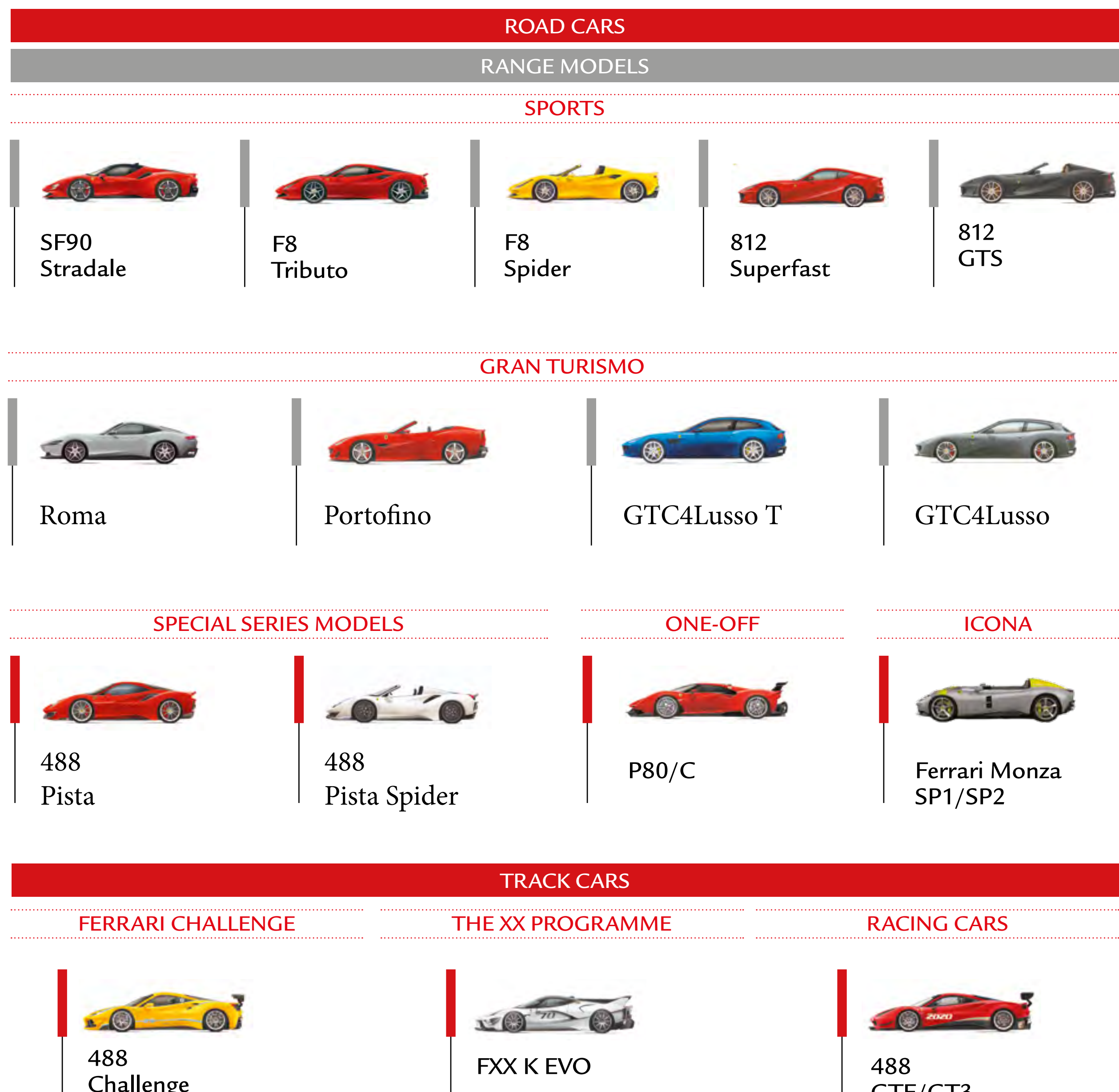


/ Sports and GT Range, Special Series and Icona: Ferrari Line-Up Strategic Pillars

Our product offering comprises four main strategic pillars: the sports range, the GT range, special series and Icona. Our current product range includes five sports cars, four GT cars and two special series cars, as well as our Icona cars, introduced in September 2018 with the Ferrari Monza SP1 and SP2. 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) and that can allow our existing clients to use a Ferrari in every moment of their lives. Our diversified product offering includes different architectures (such as front-engine and mid-rear engine), engine sizes (V8 and V12), technologies (atmospheric, turbo-charged, hybrid, electric), body styles (such as coupes and spiders), and seats (2 seaters, 2+2 seaters and 4 seaters).

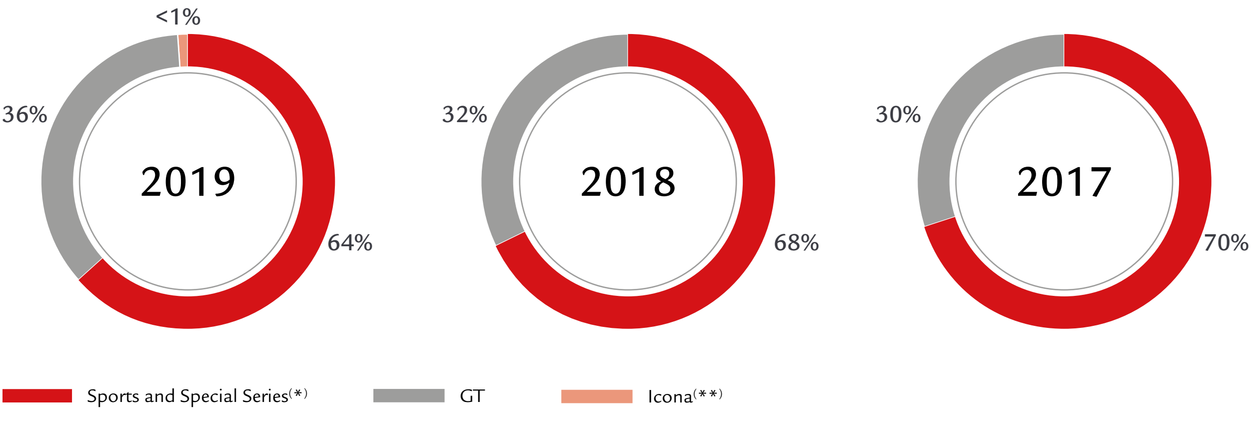
We are also actively engaged in after sales activities driven, among other things, by the objective of preserving and extending the market value of the cars we sell. We believe our cars' performance in terms of value preservation after a period of ownership significantly exceeds that of any other brand 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 purchases.

The most complete Ferrari Product Range ever



/ Sports and GT Range, Special Series and Icona: Ferrari Line-Up Strategic Pillars

The charts below set forth the percentage of our unit shipments (excluding the XX Programme, racing cars, Fuori Serie, one-off and pre-owned cars) for the years ended December 31, 2019, 2018 and 2017 by pillar:



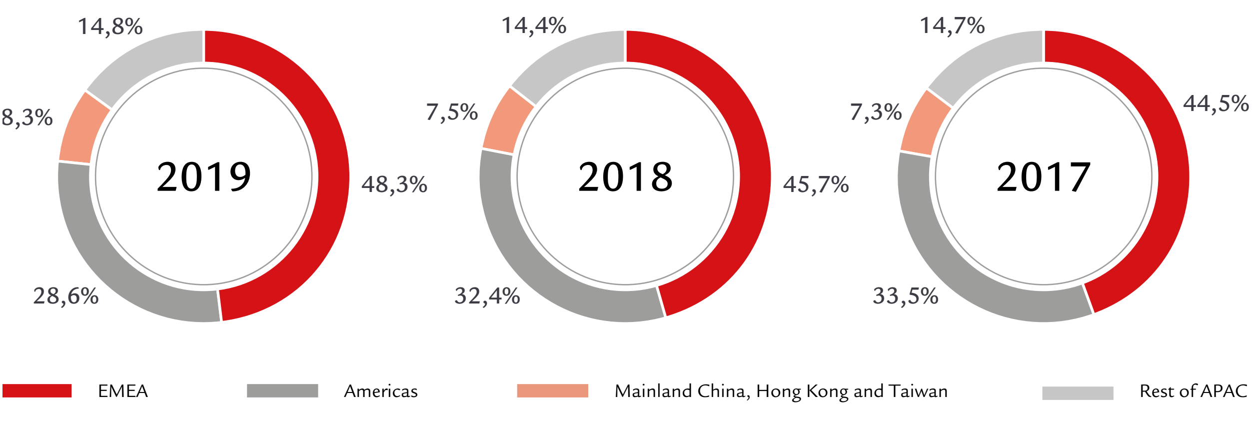
(*) Includes shipments of the LaFerrari and LaFerrari Aperta.
(**) Shipments of Icona cars commenced in 2019, and contributed to less than 1 percent of our shipments for that year.

The table and charts below set forth our unit shipments[(1)] for the years ended December 31, 2019, 2018 and 2017, by geographic market:

NUMBER OF CARS AND % OF TOTAL CARS

	For the years ended December 31,					
	2019	%	2018	%	2017	%
EMEA						
UK	1,120	11.1%	981	10.6%	843	10.0%
Germany	967	9.5%	803	8.7%	710	8.5%
Italy	559	5.5%	479	5.2%	417	5.0%
Switzerland	454	4.5%	380	4.1%	339	4.0%
France	452	4.5%	399	4.3%	346	4.1%
Middle East[(2)]	309	3.1%	326	3.5%	331	3.9%
Other EMEA[(3)]	1,034	10.1%	859	9.3%	751	9.0%
Total EMEA	**4,895**	**48.3%**	**4,227**	**45.7%**	**3,737**	**44.5%**
Americas[(4)]	**2,900**	**28.6%**	**3,000**	**32.4%**	**2,811**	**33.5%**
Mainland China, Hong Kong and Taiwan	**836**	**8.3%**	**695**	**7.5%**	**617**	**7.3%**
Rest of APAC[(5)]	**1,500**	**14.8%**	**1,329**	**14.4%**	**1,233**	**14.7%**
Total	**10,131**	**100.0%**	**9,251**	**100.0%**	**8,398**	**100.0%**

(1) Excluding the XX Progamme, racing cars, Fuori Serie, one-off and pre-owned cars
(2) Middle East includes the United Arab Emirates, Saudi Arabia, Bahrain, Lebanon, Qatar, Oman and Kuwait
(3) Rest of 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 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. 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 five models: the SF90 Stradale, our first series production car which features PHEV technology that combines a V8 engine (780 hp) with three electric motors that allow the car to reach 1000 hp; the F8 Tributo and the F8 Spider are equipped with a mid-rear V8 engine (720 hp), a 4 time winner of the engine of the year award; the 812 Superfast and the 812 GTS are equipped with a front V12 engine (800 hp).

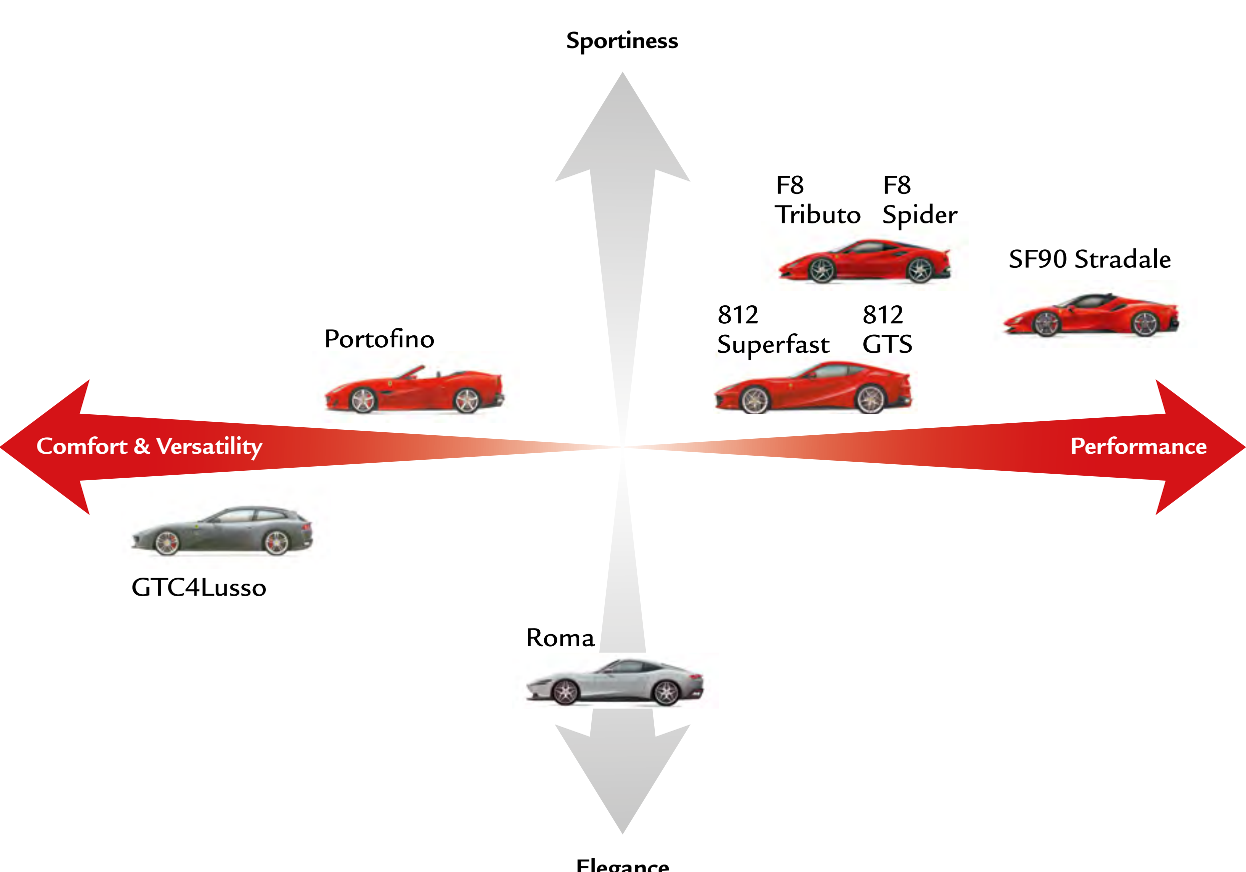
GT Range

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 class, we offer three models equipped with our V8 engine, the Ferrari Roma (620 hp), combining sportiness and elegant design; the Ferrari Portofino (600 hp) and the GTC4Lusso T (610 hp), the first Ferrari 4 seater equipped with a V8 turbo engine. We also offer one GT model equipped with our V12 engine, the GTC4Lusso (690 hp), our sport-luxury 4 seater and 4 wheel drive.

/ Sports and GT Range, Special Series and Icona: Ferrari Line-Up Strategic Pillars

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

Customer value proposition



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. Our current special series cars are the 488 Pista, powered by a 720 hp V8 engine, and its retractable hard top version, the 488 Pista Spider (720 hp).

Icona

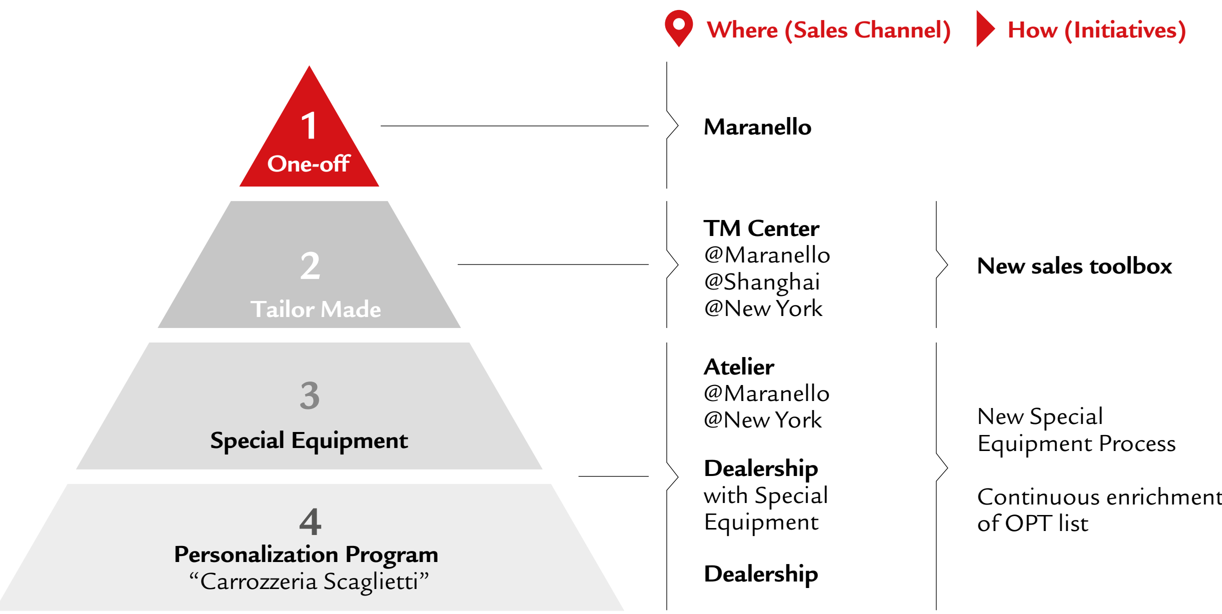
In September 2018, we introduced a new pillar of our product portfolio: the Icona, a unique concept that takes inspiration from the iconic cars of our history and reinterprets them in a modern fashion, pairing timeless design with state-of-the-art materials and technology. The first examples of this 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.

Limited Edition Hypercars, Fuori Serie and One-Offs

In line with our tradition of hypercars starting with the 288GTO 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. Furthermore, in connection with certain events or celebrations, we also launch very limited edition cars (our *fuori serie*). These models can be offered globally, or may be limited to specific local markets. Based on an exotic product concept not available on the standard Ferrari model range, these cars feature completely unique design and specifications compared to our other models.

Finally, 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 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 natural aspirated engine in 2016) and the P80/C, a real track car taking inspiration from past Ferrari Sport Prototipo models.

Personalization Offer



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

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, Fuori Serie 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 road 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 from 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 editions, 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 110 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 entirely designed our most recent cars, including the Ferrari Roma, the SF90 Stradale, the F8 Tributo and F8 Spider, the 812 GTS and the Ferrari Monza SP1 and SP2.

/ Design

During its 10 year history, the Ferrari Design Centre has received prestigious design awards for several cars it has designed, among which in the last 2 years:

- Ferrari Monza SP2: The Most Beautiful Supercar of the Year - Festival Automobile International, Paris (2019);
- 488 Pista: iF Design Award (2019);
- SP38: iF Design Award - Ferrari (2019);
- Portofino: iF Design Award (2019); UIGA - Auto Europa Sportiva (2019);
- Ferrari Monza SP1: iF Gold Design Award (2019); Red Dot Best of The Best (2019); 2019 Good Design Award;
- 488 Pista: Red Dot Design Award (2019);
- SP38: Red Dot Design Award (2019);
- SF90 Stradale: 2019 Good Design Award;
- SP38: Design Award for Concept Cars & Prototypes - Concorso d'Eleganza Villa d'Este (2018);
- Ferrari Portofino: Red Dot Best of the Best Award (2018);
- 812 Superfast: Red Dot Design Award (2018);
- FXX K EVO: Red Dot Design Award (2018);
- J50: iF Gold Design Award (2018);
- LaFerrari Aperta: iF Design Award (2018).

Product Development

Product development and technological innovation

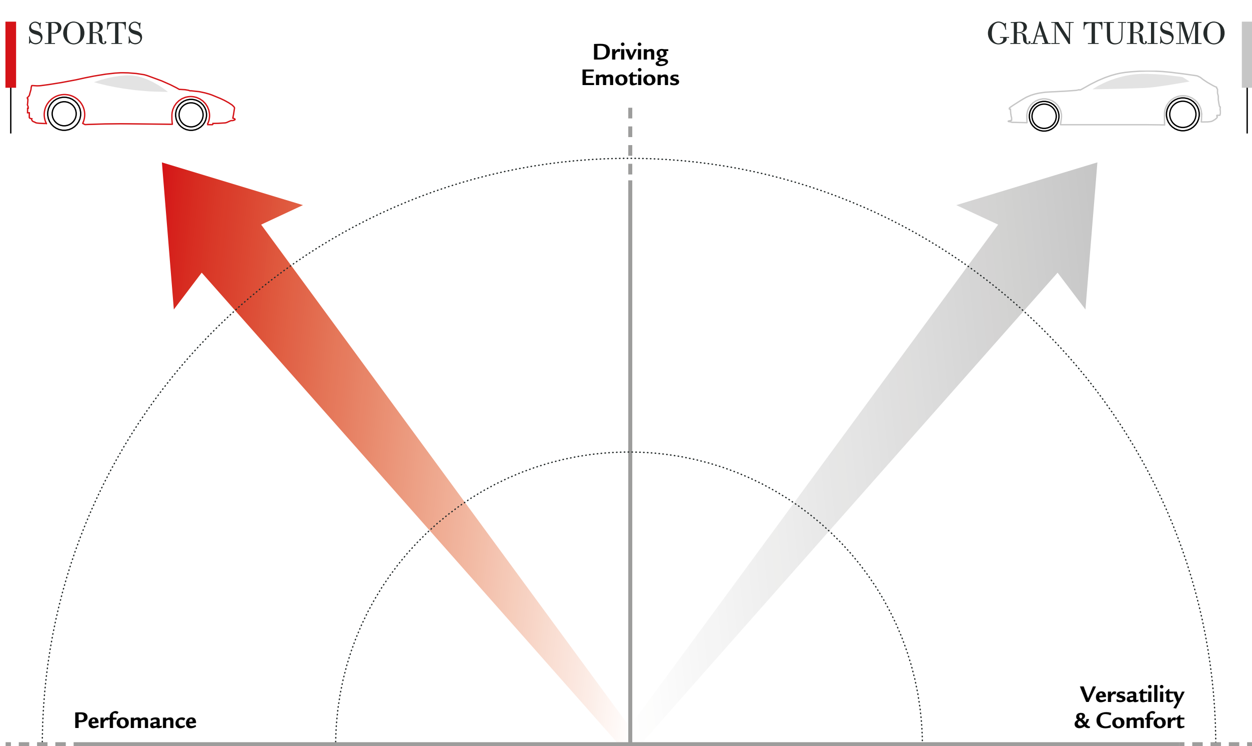
Our development efforts take into account the three defining dimensions of Ferrari cars; performance; versatility and comfort; and driving emotions.

Performance reflects features such as weight, horsepower, torque, 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 rearwheeldrive or allwheeldrive and, in future, electric-powered driving. Comfort results from the ease of the riding experience and on board 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 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 lead to a direct 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 fun to drive - driving emotions.



Innovation principles

We believe there are five key guidelines to innovation at Ferrari: focus on the three key defining dimensions described above; leveraging on Formula 1 know-how; first mover positioning in core areas such 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 engines

We believe internal combustion engines will remain important in Ferrari's powertrain mix and therefore we continue to invest significantly in new combustion engine technologies and the development or use of bio-fuels. In 2018 we won the "Engine of the Year" award for the newest edition of our V8 turbocharged engine mounted on the 488 Pista.

Going forward, Ferrari will have three engine families: we will maintain and develop the V12 naturallyaspirated engine family, long the pinnacle of Ferrari engines; we will implement the next technological step ups for the V8 family; and we will develop 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 naturallyaspirated engine. For example, the specific power output of the 488 Pista was increased to 184 horsepower without meaningful turbo lag.

In the future, we intend to use hybrid and electric technology, as well as Formula 1 technology, to increase specific power output without turbo lag.

We are deploying considerable resources for the development of hybrid and electric powertrains, which will be mounted on an increasingly larger

/ Product Development

proportion of our car models; this is intended to improve performance and driving experience while also satisfying customer preferences and regulatory requirements regarding emissions. With the SF90 Stradale we developed the first series production car in our range with Plug-in-Hybrid Electric Vehicle (PHEV) technology.

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.

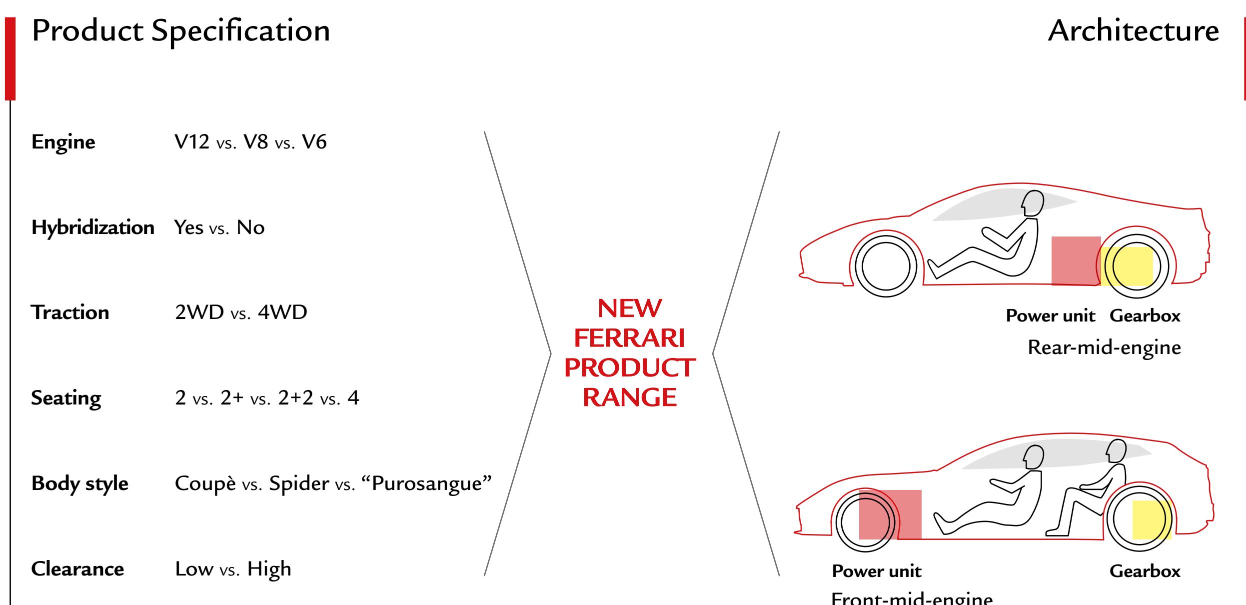
We expect that our core architectures will be he rear-mid-engine architecture and the front-mid-engine architecture, each comprising several variants.

Rear-mid-engine architecture

The rear-mid-engine architecture is designed to integrate multiple power units with a higher specific power output than the 488 Pista. In this architecture, combustion engines can be combined with an electric motor to realize hybridization, including a battery to enable electric range. In combination, we have developed a new and highly innovative 8-shift doubleclutch 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 the architecture to different powertrains, the wheelbase may vary. The first example of this new architecture is the SF90 Stradale.

Front-mid-engine architecture

The front-mid-engine architecture, also a transaxle powertrain concept, is even more flexible than the rear-mid-engine architecture. This architecture is able to accommodate an allwheeldrive



powertrain, will allow for hybridization, and will have a flexible wheelbase suited to a variety of engines as well as seat configurations including twoseaters and fourseaters. It will be accessible, spacious and comfortable. Key to this architecture will be the new 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 humanmachine interface (HMI) technologies. Using stateoftheart 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 headup 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.

Autonomous driving

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 breaking 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 and artificial intelligence, and we will select and customize those innovations compatible with the Ferrari experience. These technologies will also have an important impact on the electronic architecture of our cars.

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 750 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 our cars' aluminum bodyworks. 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.

As at December 31, 2019, our production processes employed over 1,720 engineers, technicians and other personnel (approximately 1,300 workers, including approximately 240 temporary production

/ Production and Procurement

employees and approximately 180 white collar 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. Production could be increased even further with the introduction of a second shift on car assembly lines in addition to the single shift currently 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. In the past few years we have reduced our cycle time by approximately three percent per year. We are also committed to improve the reliability of our cars, reduce their defects, and optimize their 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, cylinders 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 cylinders 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, and our own shell and sand casting molds. Once all components are ready, engines are assembled, on different lines for our V8 engines, V12 engines and for 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 2019 we produced an average of approximately 117 engines per day, including approximately 11 V12, 45 V8 (including 5 V8 turbo and 3 V8 aspirated for Maserati) and 61 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 aluminium 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.

Painting

Our paint shop was inaugurated in 2004. 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 degrees. Primers

are then applied and fixed at 190 degrees 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 the larger surfaces, while it is done by hand for some other localized areas and in the summer of 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 and unique 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 in a building constructed in 2008. 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 specific 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 of the Ferrari Monza SP1 and SP2.

Personalization and Road Tests

During the process of assembly 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, check the whole car, 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 2019, we sold approximately 1,000 V8 turbo engines and approximately 800 V8 aspirated engines to Maserati. These were the last V8 aspirated engines to be sold to Maserati, as they have stopped the production of the GranTurismo and GranCabrio.

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. We have a multi-year arrangement with Maserati to provide V6 engines, up to 2020. Under the framework agreement, Maserati is required to compensate us for certain costs we may incur, such as penalties from our suppliers, if there is a shortfall in the annual volume of engines actually purchased by Maserati in that year. In 2019, we sold approximately 14,000 V6 engines to Maserati in four different versions, ranging from 330 hp to 450 hp.

/ Production and Procurement

In order to meet the V6 volumes and specifications requirements, in 2012 we built a dedicated assembly facility at 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 then assembled in Maranello on our highly automated V6 assembly line.

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 several 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, 2019, 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 400 employees at December 31, 2019, is organized in four geographic areas covering our principal regional end markets: (i) EMEA, which is also responsible for South Africa and India, (ii) Americas, (iii) Mainland China, Hong Kong and Taiwan, and (iv) Rest of APAC (which includes the rest of Asia and Oceania).

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, 2019, our network comprised 166 dealers operating 187 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.

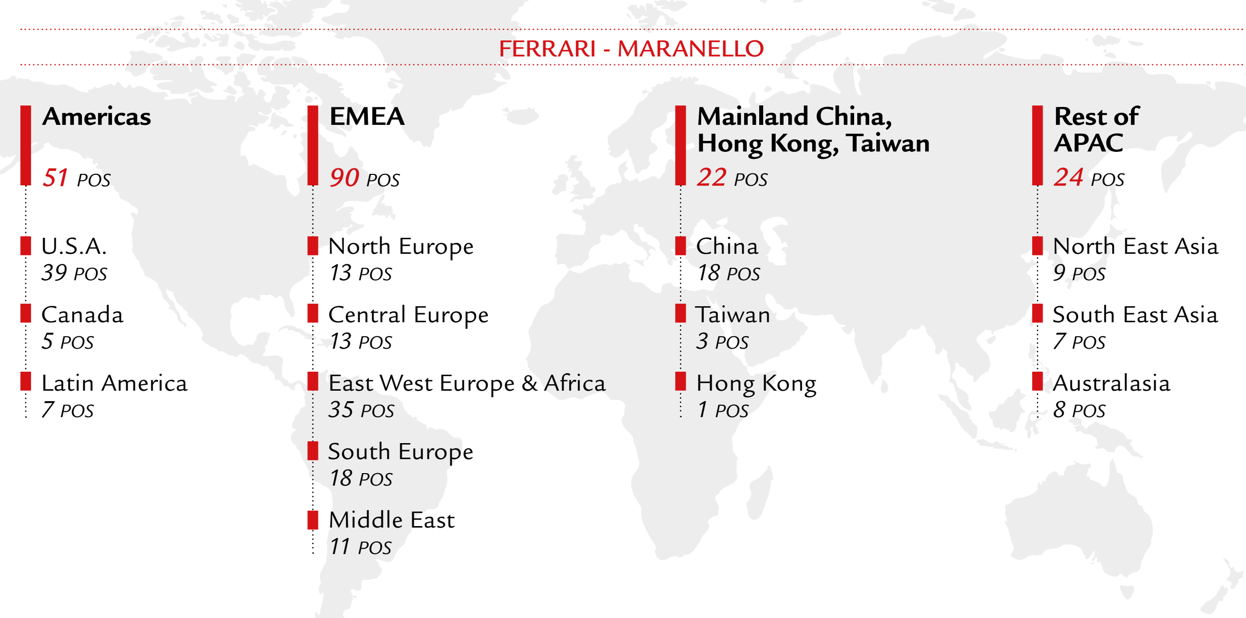
We believe that our careful and strict selection of the dealers that sell our cars is a key factor for promoting the integrity and success of our brand. Our selection criteria are based on the candidates' reputation, financial stability and proven track records. We are also intent on selecting dealers who are able to provide a purchase and after-sales experience aimed at exceeding our clients' high expectations. Furthermore, our dealers are committed to promote and market 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. 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. We train and monitor dealers intensively. We collect and observe data relating to their 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 provide 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 187 points of sale at December 31, 2019:



/ Production and Procurement

Our sales are diversified across our dealer network, with the largest dealer representing approximately 2.5 percent of sales, and our 15 largest dealers representing 22.5 percent of sales.

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 and 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 design. The sale of parts is a profitable component of our product mix and it 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 230 facilities worldwide. 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.

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.

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 participation in motor shows and other public events.

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 2019, more than 70 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.

During the fourth quarter of 2019, we launched the MyFerrari App, an app created to enhance our clients' connection to the Ferrari world through the direct distribution of tailored content. This new channel enables clients to directly access features and services, expanding their relationship with both the brand and their preferred official Ferrari dealer.

Client events

We organize a number of client events in Maranello as well as other locations.

Our factory in Maranello is the core of our client engagement strategy and a symbolic hub attracting clients and prospects worldwide. Upon invitation, clients and prospects can visit the factory, witness some of its workings and experience several Ferrari core values such as heritage, exclusivity and customization. At the factory, clients also have the opportunity to configure their cars through our personalization and bespoke program (see "—*Sports and GT Range, Special Series and Icona: Ferrari Line-Up Strategic Pillars—Personalization Offer*").

Every new model launch is carefully staged and selected clients and prospects have preferential access to the new car. The new model presentation begins with the release of images providing a preliminary view of its design. Clients are then invited to a preview or world premiere. A public model presentation generally follows at motor shows where clients are provided access to the Ferrari stand. Further country and regional events follow before delivery of the first cars to dealers.

In May 2019, clients from all over the world were invited to the world premiere of our first series production Plug-in Hybrid Electric Vehicle (PHEV) - the SF90 Stradale - with a presentation and gala dinner hosted at the Fiorano race circuit.

In September 2019, Ferrari launched "Universo Ferrari" exhibition, the first ever immersive exhibition dedicated to the world of Ferrari, set in a dedicated location overlooking the Fiorano Circuit. This new event format hosted the premieres of two new Spider models - the 812 GTS and F8 Spider, and had over 14,000 attendees including clients, prospective clients, and fans.

In November 2019, clients were invited to the Stadio dei Marmi in Rome for the world premiere of the new Ferrari Roma, an event in the "La Nuova Dolce Vita" spirit of the new luxury model.

/ Client Relations

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 to 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 our newer 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 the International Edition*) 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 events.

Another exclusive driving experience was initiated in October 2019, led by experts of the Ferrari Classiche Academy, and aimed at classic car enthusiasts and clients interested in learning more about Ferrari's 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 these celebrated models on our own Fiorano race circuit.

GT Racing activities

In addition to several track day activities, organized by local sales departments and dealers to allow clients to enjoy their cars on ad-hoc rented tracks, Ferrari has a central department responsible for professionally organizing races and racing courses, *Corse Clienti*. The *Corse Clienti* activities take place on some of the world's most famous race tracks, and include both competitive races, such as the Ferrari Challenge Championships (Europe, UK, North America and the Asia-Pacific series), and non-competitive events, such as with *XX Programme* and *F1Clienti* activities, dedicated to clients who own respectively, non-homologated GT laboratory cars and F1 single-seaters previously used by the Scuderia Ferrari in the Formula 1 Championship. Ferrari Challenge and XX Programme/F1 Clienti events are run together in the so-called *Ferrari Racing Days*, which are open to the public and intended for a wider audience, and in 2019 were held in Laguna Seca, Shanghai and Nurburgring.

These track activities reach their climax at the *Finali Mondiali,* an annual gathering of all Ferrari client racing programs under Corse Clienti, which last year took place from October 24 to 27 at the Mugello Circuit to celebrate the winners of the Challenge Series. The new Ferrari 488 Challenge EVO and 488 GT3 EVO were unveiled to our sporting customers from all over the world, while over the weekend 43,000 spectators in the stands were treated to the traditional Ferrari Show, with the 488 GTE celebrating 70 years of Ferrari victories at Le Mans, and the F60 celebrating the 90th anniversary of Scuderia Ferrari.

During the 2019 season, the *Competizioni GT* department supported both the Ferrari 488 GTE and the Ferrari GT3 cars that competed in the most important international championships. The 488 GTE, with a team composed of Alessandro Pier Guidi, James Calado and Daniel Serra, won the Le Mans 24 Hours competition in the WEC, and the same team also won the Petit Le Mans competition, the last round of the IMSA series. The 488 GT3, gave clear proof of its exceptional competitiveness and reliability, allowing Ferrari to grow its impressive record of victories, with 285 since its debut and 67 titles across

various international series. In 2019 the new program, *Club Competizioni GT*, was successfully launched. The initiative is aimed at bringing back to the track the most beautiful Ferrari GT racing cars of the last 30 years and is dedicated to clients who love on-track racing and wish to unleash their cars' maximum potential, without short, time-constrained testing sessions and outside of competitive race settings.

Ferrari Classiche

The Ferrari Classiche department aims to provide Ferrari customers with a point of reference for 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 proximity of 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 Formula 1 World Championship with Scuderia Ferrari is the core element of our marketing effort and an important source of technological innovation for the engineering, development and production of our sports, GT and special series cars. The Formula 1 World Championship is the pinnacle of motorsports with a total global TV cumulative audience of 1.922 billion in 2019, the highest number since 2012, which represents an increase of 9% compared to 2018. In terms of unique television viewers, during 2019 the sport remained stable in the top 20 markets(*) at approximately 405.5 million (+0.3 percent) (*Source: Formula 1 Press Office*).

(*) Top 20 markets are, in alphabetical order, Australia, Austria, Belgium, Brazil, China, Finland, France, Germany, Greece, Italy, Mexico, Netherlands, Pan Africa, Pan Latin America, Pan Middle East, Pan Russia, Poland, Russia, United Kingdom and United States.

/ Formula 1 Activities

In 2019 the number of users across Formula 1's social media platforms again grew significantly, with the total number of followers on Facebook, Twitter, Instagram and YouTube reaching 24.9m (+32.9 percent compared to 2018). Again in 2019, Formula 1's social media channels were the fastest growing of all major sports leagues in the world.

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 recently been joined by racing venues in China, Bahrain, United Arab Emirates, Singapore and Azerbaijan. A new venue in Vietnam has been launched in 2020, while the Dutch Grand Prix has returned after several decades. 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 2019 comprised four-time World Champion Sebastian Vettel, who joined Ferrari at the beginning of 2015, and Charles Leclerc, the first graduate of the Ferrari Driver Academy training scheme to race for our Formula 1 race team.

For Scuderia Ferrari, 2019 was very much a year of reorganization, with many team members taking on new roles, including Mattia Binotto, who stepped up to the role of Team Principal, and one half of the driver line-up was renewed. During the past season, Scuderia Ferrari achieved three wins, nine pole positions, 19 podiums and 504 points. Its drivers led for a total of 406 laps, approximately a third of the total number of race laps over the entire season, and the team finished second in the Constructors' Championship.

Participation in the Formula 1 World Championship is regulated by bilateral Team Agreements entered into between Formula 1 World Championship Limited (FOWC), Formula 1's commercial rights holder, and each competing Formula 1 racing team (including Scuderia Ferrari) and by regulations issued by the Federation Internationale de l'Automobile (FIA), the motorsport's governing body.

The Team Agreements cover the 2013-2020 racing seasons and govern the terms by which the racing teams take their share of commercial profits. The FIA sets both the sporting and technical regulations for the competitions. In return for their participation in Formula 1 races the teams receive a share of a prize fund based on the profits earned from Formula 1 related commercial activities managed by FOWC, including in particular, television broadcasting royalties 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 defray part 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. New regulations were introduced in 2019, relating to aerodynamics, drivers' weight, fuel allowance and the requirement for drivers to wear biometric gloves for additional safety. The discussions to establish the sport's regulations which will apply from 2021 onwards continued during 2019. The new rules were approved by the World Council on October 31, 2019, with the understanding that they will be subject to further discussions between F1, the FIA and the teams over the coming months, which may lead to further changes between now and 2021. 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 regulation 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 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 makes 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 focused on combining minimal lap times with maximum efficiency, leading to advances in kinetic energy recovery system, 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 high brand visibility we achieve through participation in the Formula 1 World Championship has historically enabled us to benefit from significant sponsorship. Philip Morris International has been Scuderia Ferrari's partner for over forty years and currently remains our Title Partner. Starting from October 2018, the "Mission Winnow" logo has appeared on the cars' livery and drivers' overalls. Mission Winnow is a Philip Morris International global campaign aimed at driving change by constantly searching for better ways of doing things. Shell has also been a long term Sponsor and Technical Partner of Scuderia Ferrari (supporting the team continuously since 1996). The other partners of the Team are divided into three different categories (Sponsor, Official Supplier and Supplier) and include Ray-Ban, Kaspersky lab, UPS, Lenovo, Weichai, Mahle, Hublot, AMD, OMR and Alfa Romeo among others. Visibility and placement of a sponsor's logo reflects the level of sponsorship fees. Historically, our sponsors have sought advertising opportunities on the chassis of our cars, on clothes worn by our team members and drivers, and in the right to associate their brand to Ferrari in their marketing activities and communications.

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.

The Mugello Circuit

We acquired the international Mugello circuit in Scarperia, near Florence, in 1988. We have renovated its buildings, 5.2 km race track and other testing and racing facilities, making Mugello what we believe to be one of the world's finest circuits of its type, with FIA Grade 1 and FIM Grade A certifications, the highest level of homologation for a racetrack.

/ Formula 1 Activities

We promote the Mugello circuit to event organizers who regularly rent the circuit to host leading car and motorbike races, including the MotoGP World Championship since 1992. In 2019, the circuit hosted 16 race weekends and 250 days of track activities. Almost 121,000 spectators attended the 2019 MotoGP World Championship (71,000 on the Sunday), one of the largest audiences ever recorded in the 29 years of the Mugello circuit's history.

In 2011, the Mugello circuit won its fifth "Best Grand Prix" award, the highest honor given in the motor sport world to MotoGP organizers. The Mugello circuit is the only track race to have received this award five times.

Brand Activities

Ferrari is one of the world's leading luxury brands. We 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 exclusively in our monobrand stores and on our website www.store.ferrari.com

Ferrari owns and manages two museums, one in Maranello and one in Modena, which attracted more than 600,000 visitors in 2019.

Licensing, Entertainment and Theme Parks

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 2019, we commenced our participation in eSports (*i.e.*, electronic sports) with the launch of an entertainment platform and the selection of a team which took part in two of the main world championships: F1 Pro Series 2019 and SRO E-Sport GT Series, which our team won.

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.

Retail

Through our network of stores (franchised or directly managed), we offer a wide range of Scuderia Ferrari branded products, including a line of apparel and accessories exclusively sold in our stores and on our website. All products sold in our stores and on our website are either directly sourced from our selected network of suppliers or manufactured by our licensees.

As at December 31, 2019, there were a total of 44 retail Ferrari stores, including those in Maranello, Milan, Rome, Macau, Miami, Los Angeles, Johannesburg, Dubai and Abu Dhabi, of which 24 are franchised stores (including 15 Ferrari Store Junior) and 20 stores owned and operated by us.

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.

Brand Diversification Strategy

In November 2019, management presented the principles of its brand diversification strategy, recognizing Ferrari as a unique brand with a dual identity: exclusive, but also inclusive in relation to our F1 fan communities. 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" pillar, a refined collection of products that will embody Ferrari's DNA;
- "Entertainment" pillar, to reach out to a wider and younger customer base while leveraging Ferrari's unique racing roots; and
- "Car Adjacencies" pillar, a collection of exclusive luxury products and services to complement the Ferrari experience.

Financial Services

We offer retail client financing for the purchase of our cars and 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 Australia.

We also offer direct dealer financing in the United States through FFS Inc.

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 of sports, GT and special series cars, 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, 2019, the consolidated financial services portfolio was €966 million and originated in the United States.

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.

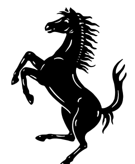
We file patent applications in Europe, and around the world (including in the United States) to protect technology and improvements considered important to our business. No single patent is material to our business as a whole.

We also own a number of registered trademarks, designs and patents, including approximately 493 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 4,000 applications/ registrations in approximately 140 countries, in most of the main classes for goods and services:

- “Ferrari” (word)
- “Ferrari” logotype:

Ferrari

- 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.

Properties

Our principal manufacturing facility is located in Maranello (Modena), Italy. It has an aggregate covered area of approximately 690 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 sports and GT 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 7.3 thousand square meters.

In 2019 we completed the office area and workshop area of the New Technical Center, covering approximately 9 thousand square meters, for the development of engines and hybrid systems. The entire building and the engine and hybrid test benches, for a total of approximately 20 thousand square meters, are expected to be completed during the course of 2020. We also purchased land of approximately 16 thousand square meters in Maranello in 2019, to be used for future developments.

Adjacent to the plant is our Fiorano track, of approximately 3,000 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, 2019 was €1,070 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; 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 Uomo,* which includes, among other programs, *Formula Benessere Program* (offering medical assistance to employees and their families) and *Formula Estate Junior* (offering Summer Campus to the children of employees).

At December 31, 2019, we had a total of 4,285 employees, including 123 managers and senior managers. Of these, 4,043 were based at our Maranello facility, and 242 in offices around the world (including 22 managers and senior managers), mostly in North America and China.

Approximately 12 percent of the employees were trade union members in 2019. Our employees' principal trade unions are *Federazione Italiana Metalmeccanici* (FIM-CISL), *Federazione Italiana Sindacati Metalmeccanici e Industrie Collegate* (FISMIC), *Unione Italiana Lavoratori Metalmeccanici* (UILM-UIL) 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. Our other employees are covered by two agreements: the first one entered into by FCA, CNH Industrial N.V. and Ferrari with FIM-CISL, UILM-IUL, FISMIC and *Unione Generale del Lavoro* (UGL) 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.

	At December 31,		
	2019	**2018**	**2017**
White-collar employees and middle-managers	1,983	1,691	1,531
Italy	*1,772*	*1,517*	*1,358*
Rest of the world	*211*	*174*	*173*
Workers	2,179	2,050	1,757
Italy	*2,170*	*2,047*	*1,754*
Rest of the world	*9*	*3*	*3*
Managers and senior managers	123	110	92
Total	**4,285**	**3,851**	**3,380**

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

Current European legislation limits fleet average greenhouse gas emissions for new passenger cars to 130 grams of CO_2 per kilometer. Due to our SVM status under EU regulations we benefit from a derogation from the 130 grams per kilometer emissions requirement available to small volume and niche manufacturers. 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 continues 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 are 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.

/ Regulatory Matters

In 2019, the European Union set new 2025 and 2030 emissions targets, calling for respectively a 15% and 37.5% reduction of the target 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, SVMs have the possibility to continue to apply for alternative emissions reduction and are required to submit the application at the latest by 31 October of the first year in which the derogation shall apply.

The regulation 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. In addition, the Commission will have 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 provides also specific provisions on in-service conformity testing and on detecting strategies which may artificially improve the CO_2 performance.

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.

In August 2018 the NHTSA and the EPA issued a common proposal, the "Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule for model years 2021-2026 Passenger Cars and Light Trucks" (SAFE Vehicles Rule). The SAFE Vehicles Rule, if finalized, would amend certain existing CAFE and tailpipe carbon dioxide emissions standards for passenger cars and light trucks and establish new standards, all covering model years 2021 through 2026. More specifically, NHTSA is proposing new CAFE standards for model years 2022 through 2026 and amending its 2021 model year CAFE standards because they are no longer deemed to be maximum feasible standards, and EPA is proposing to amend its carbon dioxide emissions standards for model years 2021 through 2025 because they are no longer deemed appropriate and reasonable in addition to establishing new standards for model year 2026. The authorities' stated preferred alternative is to retain the model year 2020 standards (specifically, the footprint target curves for passenger cars and light trucks) for both programs through model year 2026, but comment has been sought on a range of alternatives. The SAFE Vehicles Rule has not been adopted in final form as of the date of this filing.

On September 27, 2019 EPA and NHTSA issued the "Safer Affordable Fuel-Efficient Vehicles Rule Part One: One National Program" 84 Fed. Reg. 51310. 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. The litigation is pending and the impact on Ferrari of the rule and the challenges cannot be determined until the conclusion of the litigation.

Under current regulation, for model years 2017-2025, the EPA allows a SVM, defined as 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 have 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 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 EPA for model years 2017-2021. EPA approved Ferrari proposed standards for model years 2017-2020, whereas it requires a small reduction of the model year 2021 standard.

In September 2016, we petitioned 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. NHTSA have not yet responded to our petition. If our petitions are rejected, we will not be able to benefit from the more favorable CAFE standards levels which we have petitioned for and this may require us to purchase additional CAFE credits in order to comply with applicable CAFE standards. Starting from 2019, we are no longer considered to be an SVM by NHTSA, because our global production exceeded 10,000 vehicles, and therefore we are required to apply for Large Vehicle Manufacturer ("LVM") standards, and consequently, to purchase further CAFE credits.

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 EPA and NHTSA, and confirmed in March 2017 that the standards defined in 2012 may be still considered appropriate. The SAFE Vehicles Rule mentioned above proposes to withdraw the waiver granted to California under the Clean Air Act to establish more stringent standards for vehicle emissions that are applicable to model years 2021 through 2025. In response to the proposed California waiver withdrawal, on December 12, 2018 the CARB amended its existing regulations to clarify that the "deemed to comply" provision shall not be available for model years 2021-2025 if the EPA standards for those years are 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 targets 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. Consequently, an update of the Administrative Measures on CAFC and NEV Credits is awaited, keeping the additional flexibility for SVMs and relaxing the minimum CAFC yearly improvement rate required.

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.

On 13th of December 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 judgment is currently expected towards the end of 2020.

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 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 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).

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 level 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.

To comply with current and future environmental rules related to both fuel economy and pollutant emissions, 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

/ Regulatory Matters

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.

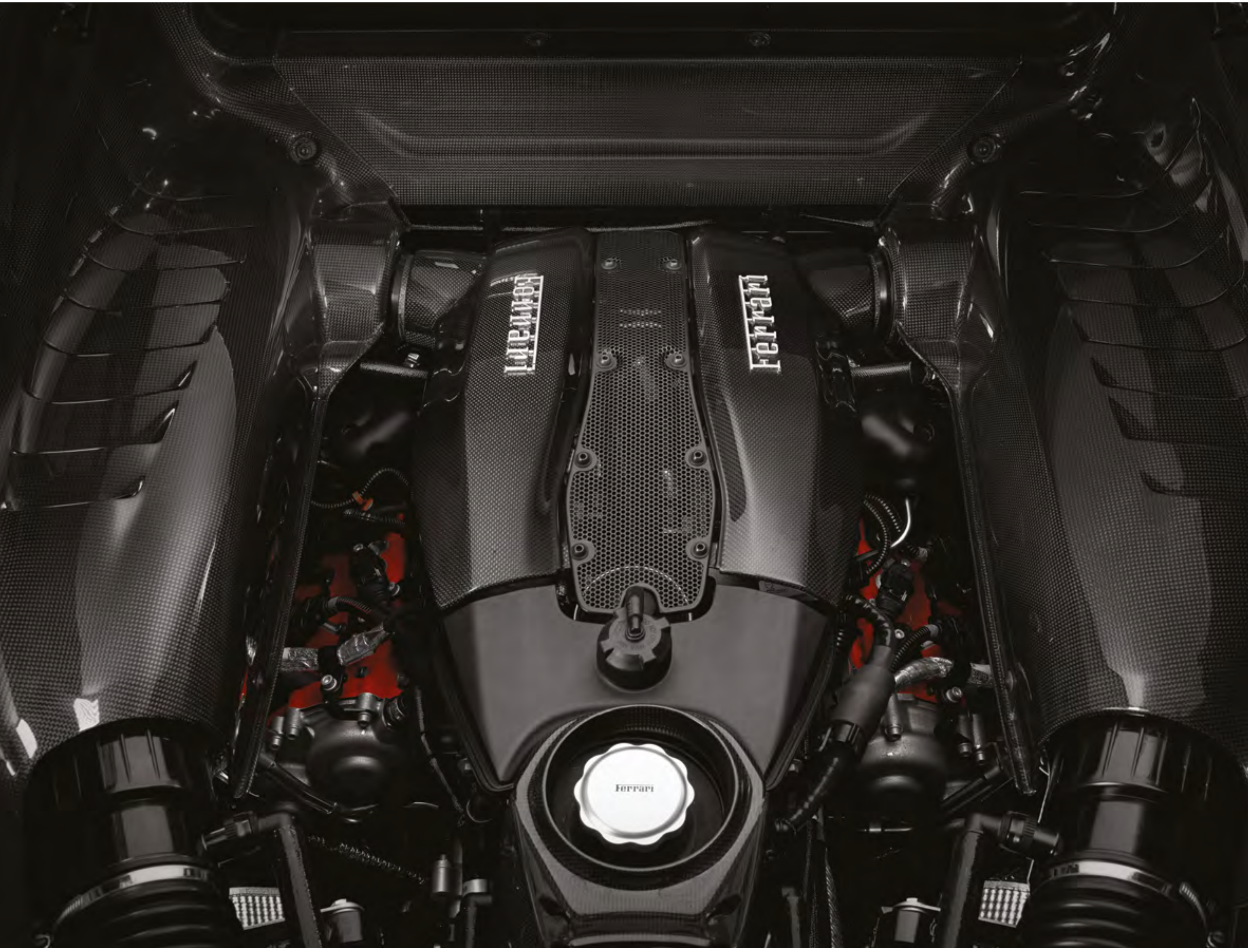
Under U.S. federal law, all vehicles sold in the United States must comply with Federal Motor Vehicle Safety Standards ("FMVSS") promulgated by the NHTSA. Manufacturers need to provide certification that all vehicles are in compliance with those standards. In addition, if a vehicle contains a defect 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). Because of our status as SVM, Ferrari is required to be compliant at the end of the phase-in period.

On May 4, 2016, the NHTSA published a Consent Order Amendment (the "Amended Consent Order") to the November 3, 2015 Takata Consent Order regarding a defect which may arise in the non-desiccated Takata passenger airbag inflators mounted on certain Ferrari cars. As a result of such Amended Consent Order, Ferrari filed a Part 573 Defect Information Report on May 23, 2016 with the NHTSA and has initiated a global recall relating to certain cars produced between 2008 and 2011. In December 2016, the NHTSA issued a Third Amendment to the Coordinated Remedy Order ("ACRO") which included the list of Ferrari vehicles sold in the United States up to model year 2017 to be recalled. As a consequence of the ACRO, Ferrari decided to extend the Takata global recall campaign to all vehicles worldwide mounting non-desiccated Takata passenger airbag inflators. In January 2017 Ferrari, in accordance with the Amended Consent Order and the ACRO, filed with the NHTSA a Part 573 Defect Information Report to include model year 2012 Zone A vehicles. In January 2018, Ferrari, in accordance with the Amended Consent Order and the ACRO, also filed with the NHTSA a Part 573 Defect Information Report to include model year 2013 Zone A vehicles. In January 2019, Ferrari, in accordance with the Amended Consent Order and the ACRO, filed with the NHTSA a Part 573 Defect Information Report to include model year 2014 - 2018 vehicles. In January 2020, Ferrari, in accordance with the Amended Consent Order and the ACRO, filed with the NHTSA a Part 573 Defect Information Report to include vehicles that had received the so-called "like-for-like" repair. As a result of the ACRO and the decision to extend the worldwide Takata airbag inflator recall, Ferrari recognized provisions of €37 million in 2016 for the estimated charges for Takata airbag inflators recalls to cover the cost of the worldwide global Takata recall due to uncertainty of recoverability of the costs from Takata. At December 31, 2019 the provision amounted to €16 million.

In 2016 the NHTSA published Phase II draft guidelines for driver distraction, for portable and aftermarket devices, and the associated compliance costs may be substantial. These guidelines, together with previously published Phase I provisions focus,

among other things, on the need to modify the design of car devices and other driver interfaces to minimize driver distraction. Compliance with these new requirements, as well as other possible future NHTSA requirements, may be difficult and/or costly. We are in the process of evaluating these guidelines and their potential impact on our results of operations and financial position and determining what steps and/or countermeasures, if any, we will need to make. However, NHTSA rulemaking on driver distraction guidelines has not progressed since early 2017, and the announced Phase III draft on voice-activated controls has not yet been published.

In 2017 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 is expected to be enforced in 2020.



Operating Results

Results of Operations

Consolidated Results of Operations – 2019 compared to 2018 and 2018 compared to 2017

The following is a discussion of the results of operations for the year ended December 31, 2019 as compared to the year ended December 31, 2018, and for the year ended December 31, 2018 as compared to the year ended December 31, 2017. The presentation includes line items as a percentage of net revenues for the respective periods presented to facilitate year-over-year comparisons.

(€ million, except percentages)	For the years ended December 31,					
	2019	**Percentage of net revenues**	**2018**	**Percentage of net revenues**	**2016**	**Percentage of net revenues**
Net revenues	3,766	100.0%	3,420	100.0%	3,417	100.0%
Cost of sales	1,805	47.9%	1,623	47.4%	1,651	48.3%
Selling, general and administrative costs	343	9.1%	327	9.6%	329	9.6%
Research and development costs	699	18.6%	643	18.8%	657	19.2%
Other expenses, net	5	0.1%	4	0.1%	7	0.2%
Result from investments	3	0.1%	3	0.1%	2	0.1%
EBIT	**917**	**24.4%**	**826**	**24.2%**	**775**	**22.7%**
Net financial expenses	42	1.2%	23	0.7%	29	0.9%
Profit before taxes	**875**	**23.2%**	**803**	**23.5%**	**746**	**21.9%**
Income tax expense	176	4.6%	16	0.5%	209	6.1%
Net profit	**699**	**18.6%**	**787**	**23.0%**	**537**	**15.8%**

Net revenues

The following table sets forth an analysis of our net revenues for the periods indicated:

(€ million, except percentages)	For the years ended December 31,						Increase/(Decrease)			
	2019	Percentage of net revenues	2018	Percentage of net revenues	2017	Percentage of net revenues	2019 vs. 2018		2018 vs. 2017	
Cars and spare parts[1]	2,926	77.7%	2,535	74.1%	2,456	71.9%	391	15.4%	79	3.2%
Engines[2]	198	5.3%	284	8.3%	373	10.9%	(86)	(30.3)%	(89)	(23.8)%
Sponsorship, commercial and brand[3]	538	14.3%	506	14.8%	494	14.5%	32	6.4%	12	2.4%
Other[4]	104	2.7%	95	2.8%	94	2.7%	9	10.0%	1	1.4%
Total net revenues	**3,766**	**100.0%**	**3,420**	**100.0%**	**3,417**	**100.0%**	**346**	**10.1%**	**3**	**0.1%**

[1] Includes net revenues generated from shipments of our cars, including any personalization net revenues 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 the revenues generated 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 and management of the Mugello racetrack.

2019 compared to 2018

Net revenues for 2019 were €3,766 million, an increase of €346 million, or 10.1 percent (an increase of 8.2 percent on a constant currency basis), from €3,420 million for 2018.

The increase in net revenues was attributable to the combination of (i) a €391 million increase in cars and spare parts, (ii) a €32 million increase in sponsorship, commercial and brand, and (iii) a €9 million increase in other net revenues, partially offset by (iv) an €86 million decrease in engines.

Cars and spare parts

Cars and spare parts net revenues were €2,926 million for 2019, an increase of €391 million, or 15.4 percent, from €2,535 million for 2018.

The €391 million increase in net revenues was composed of increases in all four of our main geographical regions, including: (i) a €209 million increase in EMEA, (ii) a €77 million increase in Mainland China, Hong Kong and Taiwan, (iii) a €76 million increase in Americas (including positive foreign currency translation impact driven by the strengthening of the U.S. Dollar compared to the Euro) and (iv) a €29 million increase in the Rest of APAC.

The increase in net revenues was primarily attributable to positive volume impact, positive contribution from our personalization programs and positive foreign currency impact. In particular, total shipments increased by 880 cars, or 9.5 percent, compared to the prior year, primarily attributable to an 11.2 percent increase in V8 models and a 4.6 percent increase in V12 models. The increase in shipments was mainly driven by deliveries of the Ferrari Portofino, the 812 Superfast, the 488 Pista and 488 Pista Spider, and the initial deliveries of the F8 Tributo, as well as the initial deliveries of our Ferrari Monza SP1 and SP2 in the

last four months of 2019. These effects were partially offset by lower shipments of the 488 GTB and 488 Spider, which concluded their lifecycle in 2019, as well as deliveries in 2018 of the LaFerrari Aperta and the strictly limited edition Ferrari J50.

Considering our four main geographical areas, the increase in shipments in 2019 compared to 2018 of 9.5 percent was composed of: (i) an increase in Mainland China, Hong Kong and Taiwan of 20.3 percent, (ii) an increase in EMEA of 15.8 percent, and (iii) an increase in Rest of APAC of 12.9 percent, partially offset by (iv) a decrease in Americas of 3.3 percent, reflecting a deliberate geographical rebalancing driven by the pace of product phase-ins and waiting lists.

Engines

Net revenues generated from engines were €198 million for 2019, a decrease of €86 million, or 30.3 percent, from €284 million for 2018. The €86 million decrease was attributable to a decrease in net revenues generated from the sale of engines to Maserati.

Sponsorship, commercial and brand

Net revenues generated from sponsorship, commercial agreements and brand management activities were €538 million for 2019, an increase of €32 million, or 6.4 percent, from €506 million for 2018. The increase was primarily attributable to higher revenues from Formula 1 racing activities and positive foreign currency exchange impact.

2018 compared to 2017

Net revenues for 2018 were €3,420 million, an increase of €3 million, or 0.1 percent (an increase of 3.2 percent on a constant currency basis), from €3,417 million for 2017.

The increase in net revenues was attributable to the combination of (i) a €79 million increase in cars and spare parts, (ii) a €12 million increase in sponsorship, commercial and brand and (iii) a €1 million increase in other net revenues, partially offset by (iv) an €89 million decrease in engines.

Cars and spare parts

Cars and spare parts net revenues were €2,535 million for 2018, an increase of €79 million, or 3.2 percent, from €2,456 million for 2017.

The €79 million increase in net revenues was composed of (i) a €70 million increase in EMEA, (ii) a €30 million increase in Rest of APAC and (iii) a €2 million increase in Americas, partially offset by (iv) a €23 million decrease in Mainland China, Hong Kong and Taiwan.

The increase in net revenues was primarily attributable to positive volume impact across all major geographical regions, as well as greater contribution from our personalization programs and pricing increases, partially offset by negative foreign currency exchange impact. In particular, total shipments increased by 853 cars, or approximately 10 percent, comprised of an increase in V12 models of approximately 20 percent and an increase in V8 models of approximately 7 percent. The increase in

volumes was driven by shipments of the Ferrari Portofino, the 812 Superfast, the newly launched 488 Pista and deliveries of the strictly limited edition Ferrari J50 and FXX K EVO, partially offset by the phase out of the California T in 2018 and the F12berlinetta and limited series F12tdf in 2017, as well as a decrease in shipments of the LaFerrari Aperta, which finished its limited series run in 2018.

Engines

Net revenues generated from engines were €284 million for 2018, a decrease of €89 million, or 23.8 percent, from €373 million for 2017. The €89 million decrease was mainly attributable to a decrease in net revenues generated from the sale of engines to Maserati.

Sponsorship, commercial and brand

Net revenues generated from sponsorship, commercial agreements and brand management activities were €506 million for 2018, an increase of €12 million, or 2.4 percent, from €494 million for 2017. The increase was primarily related to sponsorship revenues and a higher 2017 championship ranking compared to 2016, partially offset by other brand related activities and negative foreign currency exchange impact.

COST OF SALES

(€ million, except percentages)	For the years ended December 31,						Increase/(Decrease)			
	2019	Percentage of net revenues	2018	Percentage of net revenues	2017	Percentage of net revenues	2019 vs. 2018		2018 vs. 2017	
Cost of sales	1,805	47.9%	1,623	47.4%	1,651	48.3%	182	11.2	(28)	(1.7)%

2019 compared to 2018

Cost of sales for 2019 was €1,805 million, an increase of €182 million, or 11.2 percent, from €1,623 million for 2018. As a percentage of net revenues, cost of sales increased from 47.4 percent in 2018 to 47.9 percent in 2019.

The increase in cost of sales was primarily attributable to an increase in volumes, a change in product mix, higher industrial costs and, to a lesser extent, higher depreciation and negative foreign currency exchange impact, partially offset by a decrease in costs related to lower Maserati engine volumes and a release of provisions related to favorable developments in emissions regulations that occurred in the third quarter of 2019.

2018 compared to 2017

Cost of sales for 2018 was €1,623 million, a decrease of €28 million, or 1.7 percent, from €1,651 million for 2017. As a percentage of net revenues, cost of sales decreased from 48.3 percent in 2017 to 47.4 percent in 2018.

The decrease in cost of sales was primarily attributable to a lower Maserati engine volumes and lower industrial costs, including warranty charges, partially offset by an increase in volumes, as well as higher

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depreciation. The increase in cost of sales related to volumes was driven by the 812 Superfast, the Ferrari Portofino and the newly-launched 488 Pista, partially offset by the phase-outs of the F12tdf, the F12berlinetta and the California T.

SELLING, GENERAL AND ADMINISTRATIVE COSTS

(€ million, except percentages)	For the years ended December 31,						Increase/(Decrease)			
	2019	Percentage of net revenues	2018	Percentage of net revenues	2017	Percentage of net revenues	2019 vs. 2018		2018 vs. 2017	
Selling, general and administrative costs	343	9.1%	327	9.6%	329	9.6%	16	4.8%	(2)	(0.5)%

2019 compared to 2018

Selling, general and administrative costs for 2019 were €343 million, an increase of €16 million, or 4.8 percent, from €327 million for 2018. As a percentage of net revenues, selling, general and administrative costs decreased from 9.6 percent in 2018 to 9.1 percent in 2019.

The increase in selling, general and administrative costs was primarily attributable to product launches for new cars in our product offering as well as costs incurred to support the organic growth of the business.

2018 compared to 2017

Selling, general and administrative costs for 2018 were €327 million, a decrease of €2 million, or 0.5 percent, from €329 million for 2017. As a percentage of net revenues, selling, general and administrative costs were substantially unchanged.

RESEARCH AND DEVELOPMENT COSTS

(€ million, except percentages)	For the years ended December 31,						Increase/(Decrease)			
	2019	Percentage of net revenues	2018	Percentage of net revenues	2017	Percentage of net revenues	2019 vs. 2018		2018 vs. 2017	
Research and development costs expensed during the year	559	14.9%	528	15.4%	556	16.3%	31	6.0%	(28)	(5.2)%
Amortization of capitalized development costs	140	3.7%	115	3.4%	101	2.9%	25	21.2%	14	14.6%
Research and development costs	**699**	**18.6%**	**643**	**18.8%**	**657**	**19.2%**	**56**	**8.7%**	**(14)**	**(2.1)%**

2019 compared to 2018

Research and development costs for 2019 were €699 million, an increase of €56 million, or 8.7 percent, from €643 million for 2018. As a percentage of net revenues, research and development costs were 18.6 percent in 2019 compared to 18.8 percent in 2018.

The increase in research and development costs was primarily to support innovation activities on our product range and components, as well as expenses incurred in relation to Formula 1 racing activities. Additionally, amortization of capitalized development costs increased by 21.2 percent as a result of an increase in capitalized development costs in prior years.

2018 compared to 2017

Research and development costs for 2018 were €643 million, a decrease of €14 million, or 2.1 percent, from €657 million for 2017. As a percentage of net revenues, research and development costs were 18.8 percent in 2018 compared to 19.2 percent in 2017.

The decrease in research and development costs was attributable to a decrease of €28 million in research and development costs expensed, primarily driven by lower research and development costs for Formula 1 activities and lower research activities for our GT and sports cars, partially offset by an increase of €14 million in amortization of capitalized development costs.

EBIT

(€ million, except percentages)	For the years ended December 31,						Increase/(Decrease)			
	2019	**Percentage of net revenues**	**2018**	**Percentage of net revenues**	**2017**	**Percentage of net revenues**	**2019 vs. 2018**		**2018 vs. 2017**	
EBIT	917	24.4%	826	24.2%	775	22.7%	91	11.0%	51	6.6%

2019 compared to 2018

EBIT for 2019 was €917 million, an increase of €91 million, or 11.0 percent, from €826 million for 2018. As a percentage of net revenues, EBIT increased from 24.2 percent in 2018 to 24.4 percent in 2019.

The increase in EBIT was primarily attributable to the combined effects of (i) positive volume impact of €99 million, (ii) positive product mix and price impact of €78 million, (iii) an increase in research and development costs of €56 million, (iv) an increase in selling, general and administrative costs of €16 million, (v) an increase of industrial costs of €31 million mainly due to the operational startup costs in connection with the introduction of new models, including higher depreciation of fixed assets and other variable costs, (vi) negative contribution of €33 million due to lower engine sales to Maserati and other supporting activities, and (vii) positive foreign currency exchange impact of €50 million (including foreign currency hedging instruments) primarily driven by the strengthening of the U.S. Dollar compared to the Euro.

The positive volume impact was attributable to an increase in total shipments, driven by the 488 Pista family, the Ferrari Portofino and the 812 Superfast, as well as the initial deliveries of the new F8 Tributo, partially offset by lower shipments of the 488 GTB and the 488 Spider, which concluded their lifecycle in 2019. The positive product mix and price impact was primarily attributable to the combined positive effects of the Ferrari Monza SP1 and SP2 in the fourth quarter of 2019, our personalization program and deliveries of the FXX K EVO, partially offset by negative product mix from range models as well as prior year shipments of the LaFerrari Aperta and the strictly limited edition Ferrari J50.

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2018 compared to 2017

EBIT for 2018 was €826 million, an increase of €51 million, or 6.6 percent, from €775 million for 2017. As a percentage of net revenues, EBIT increased from 22.7 percent in 2017 to 24.2 percent in 2018.

The increase in EBIT was primarily attributable to the combined effects of (i) positive volume impact of €118 million, (ii) negative product mix and price impact of €17 million, (iii) a decrease in research and development costs of €14 million, (iv) a decrease in selling, general and administrative costs of €2 million, (v) net positive contribution from other supporting activities of €26 million, (vi) negative foreign currency exchange impact of €92 million (including foreign currency hedging instruments) primarily driven by fluctuations in the U.S. Dollar, the Pound Sterling and the Japanese Yen compared to the Euro.

The positive volume impact of €118 million was attributable to an increase in total shipments, driven by the 812 Superfast, the Ferrari Portofino and the 488 Pista. The negative product mix and price impact of €17 million was primarily attributable to the combined impact of lower sales of LaFerrari Aperta and the strong performance of the Ferrari Portofino, partially offset by the 812 Superfast, as well as pricing increases and deliveries of the strictly limited edition Ferrari J50 and the FXX K EVO. The net positive contribution from other supporting activities of €26 million was primarily attributable to sponsorship activities, a higher 2017 championship ranking compared to 2016 and a pronouncement on a prior year's legal dispute, partially offset by a lower contribution from other brand related activities and engines supplied to Maserati.

NET FINANCIAL EXPENSES

(€ million, except percentages)	For the years ended December 31,			Increase/(Decrease)			
	2019	**2018**	**2017**	**2019 vs. 2018**		**2018 vs. 2017**	
Net financial expenses	42	23	29	19	78.6%	(6)	(19.5)%

2019 compared to 2018

Net financial expenses for 2019 were €42 million compared to €23 million for 2018, representing an increase of €19 million. The increase in net financial expenses was primarily attributable to the net costs of hedging and foreign exchange losses of €11 million and €8 million of costs incurred in connection with the partial repurchase of bonds following a cash tender offer in July 2019, as well as the recognition of unamortized issuance costs.

2018 compared to 2017

Net financial expenses for 2018 were €23 million compared to €29 million for 2017, representing a decrease of €6 million. The decrease in net financial expenses was primarily attributable to (i) a decrease in interest expenses and (ii) a decrease in net foreign exchange losses. The decrease in interest expenses was mainly driven by lower interest on bank borrowings due to the full repayment of a bank loan in November 2017, partially offset by higher interest on bonds due to a new bond issued in November 2017. For the year ended December 31, 2017, net financial expenses included gains resulting from exercising the Delta Topco option.

INCOME TAX EXPENSE

(€ million, except percentages)	For the years ended December 31,			Increase/(Decrease)			
	2019	2018	2017	2019 vs. 2018		2018 vs. 2017	
Income tax expense	176	16	209	160	n.m.	(193)	(92.2)%

2019 compared to 2018

Income tax expense for 2019 was €176 million, an increase of €160 million, compared to €16 million for 2018.

In September 2018, the Group signed an agreement with the Italian Revenue Agency in relation to the Patent Box tax regime, which provides a tax benefit for companies that generate income through the use, both direct and indirect, of copyrights, patents, trademarks, designs and know-how. For further information see Note 10 "*Income Taxes*" to our Consolidated Financial Statements included elsewhere in this Annual Report. Income taxes for 2018 included the positive impact of the Patent Box benefit relating to the years 2015 to 2017 of €141 million.

The effective tax rate (net of IRAP) was 17.0 percent for 2019 compared to (1.1) percent for 2018 (total effective tax rate of 20.2 percent and 2.0 percent for 2019 and 2018, respectively).

2018 compared to 2017

Income tax expense for 2018 was €16 million, a decrease of €193 million, or 92.2 percent, from €209 million for 2017. The decrease in income tax expense was primarily attributable to the positive impact from the application of the Patent Box tax regime (as described above), including €141 million of Patent Box benefits related to the years 2015 to 2017 (of which €139 million was from direct use and €2 million was from indirect use of copyrights, patents, trademarks, designs and know-how) and the estimated Patent Box tax benefit relating to the year 2018, which amounted to €61 million.

Recent Developments

See "*Subsequent Events and 2020 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 to purchase raw materials, parts and components for car production, as well as to fund selling, general, administrative, research and development, and other expenses. 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 to transition our product portfolio to hybrid technology. We also make investments for initiatives to enhance manufacturing efficiency, improve capacity, 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 current liquidity will be sufficient to meet our obligations and fund our business and capital expenditures.

See *"Net Debt and Net Industrial Debt"* 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, as wells as the timing of capital expenditure and tax payments. In particular, our inventory levels increase in the periods leading up to the launches of new models, during the phase out of existing models 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 (except when we provide dealer financing or sell invoices to a factor) while we tend to pay most suppliers between 60 and 90 days after we receive the raw materials or components. Additionally, we also receive advance payments from our customers, mainly for our hypercars and limited edition cars (and starting in the first quarter of 2019, our Icona cars). We maintain sufficient inventory of raw materials and components to ensure continuity of our production lines but 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 to ensure prompt deliveries in certain regions we may warehouse cars in local markets for longer periods of time. As a result of the above, including the advances received from customers for certain models, we generally receive payment for cars shipped before we are required to make payment for the raw materials and components used in manufacturing the cars.

Our investments for capital expenditure and research and development are, among other factors, influenced by the timing and the number of new model 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 research and development costs are also influenced by the timing of research costs for our Formula 1 activities, for which expenditure is generally higher in the first and last quarters of the year. We significantly increased our capital expenditure in 2018 and 2019 to further our investments in hybrid technology and to support the expansion of our product range.

The payment of income taxes also affects our working capital. We have typically paid our income taxes in two advances, however, as a result of signing an agreement in September 2018 with the Italian Revenue Agency in relation to our application of the Patent Box tax regime for the years 2015 to 2019, our tax expense was significantly reduced and we did not pay the second advance in relation to 2018 taxes or the first advance in relation to 2019 taxes. In the fourth quarter of 2019, we paid the second advance in relation to 2019 taxes, which was significantly reduced as a result of the Patent Box tax benefit. The Group is progressing with the required activities to apply the Patent Box tax regime for the period from 2020 to 2024, in line with currently applicable tax regulations in Italy. See Note 10 "*Income Taxes*" to the Consolidated Financial Statements for additional details related to the Patent Box.

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, 2019, 2018 and 2017. For additional details of our cash flows, see our Consolidated Financial Statements included elsewhere in this Annual Report.

(€ million)	For the years ended December 31,		
	2019	**2018**	**2017**
Cash flows from operating activities	1,306	934	663
Cash flows used in investing activities	(701)	(637)	(379)
Cash flows used in financing activities	(502)	(152)	(85)
Translation exchange differences	1	1	(9)
Total change in cash and cash equivalents	**104**	**146**	**190**

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, €35 million of other non-cash expenses and income (including net gains on disposals of property, plant and equipment and intangible assets as well as non-cash result from investments) and €14 million in provisions accrued. Other non-cash expenses were primarily attributable to share-based compensation expense under the equity incentive plan; 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.

These cash inflows were partially offset by:

(i) €77 million of cash absorbed from receivables from financing activities driven by an increase in the financial services portfolio;

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(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) income tax paid of €33 million.

Operating Activities - Year Ended December 31, 2018

For the year ended December 31, 2018, our cash flows from operating activities were €934 million, primarily the result of:
(i) profit before tax of €803 million, adjusted to add back €289 million of depreciation and amortization expense, €30 million of other non-cash expenses and income (including net gains on disposals of property, plant and equipment and intangible assets as well as non-cash result from investments), €23 million of net finance costs and €16 million in provisions accrued. Other non-cash expenses were primarily attributable to share-based compensation expense under the equity incentive plan; and
(ii) €62 million related to cash absorbed by the net change in inventories, trade payables and trade receivables. In particular, the movement was attributable to (a) cash generated from trade payables of €40 million driven by higher capital expenditures and an increase in volumes, (b) cash generated by trade receivables of €27 million, partially offset by (c) cash absorbed by inventory of €5 million.

These cash inflows were partially offset by:
(i) €107 million related to cash absorbed from receivables from financing activities driven by an increase in the financial services portfolio in the U.S.;
(ii) €83 million related to cash absorbed by the change in other operating assets and liabilities, primarily attributable to a decrease in advances for the LaFerrari Aperta and the Ferrari J50;
(iii) €11 million of net finance costs paid; and
(iv) income tax paid of €88 million, primarily related to the payment of the remaining balance of 2017 taxes as well as the first advance in relation to 2018 taxes.

Operating Activities - Year Ended December 31, 2017

For the year ended December 31, 2017, our cash flows from operating activities were €663 million, primarily the result of:
(i) profit before tax of €746 million, adjusted to add back €261 million of depreciation and amortization expense, €39 million related to other non-cash expenses and income (including net gains on disposal of property, plant and equipment and intangible assets as well as non-cash result from investments), €29 million of net finance costs and €13 million in provisions accrued. Other non-cash expenses were primarily attributable to share-based compensation expense under the equity incentive plan and equity-settled Non-Executive Directors' compensation.

These cash inflows were partially offset by:
(i) €73 million related to cash absorbed by the change in other operating assets and liabilities, primarily attributable to a decrease in advances for the LaFerrari Aperta in 2017, partially offset by advances received for the Ferrari J50;

(ii) €61 million related to cash absorbed by the net change in inventories, trade payables and trade receivables. In particular, the movement was attributable to (a) cash absorbed by inventory of €88 million driven by projected volume growth in line with our 2018 production outlook, (b) cash absorbed by trade receivables of €2 million, partially offset by (c) cash generated from trade payables of €29 million, driven by an increase in volumes;
(iii) €44 million related to cash absorbed from receivables from financing activities driven by an increase in the financial services portfolio in the U.S.;
(iv) €32 million of net finance costs paid; and
(v) income tax paid of €215 million, primarily related to the payment of the remaining balance of 2016 taxes and advances of 2017 taxes.

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. These cash flows were partially offset by proceeds from the disposal of property, plant and equipment.

Investing Activities - Year Ended December 31, 2018

For the year ended December 31, 2018, our net cash used in investing activities was €637 million, primarily the result of:
(i) €338 million for additions to intangible assets, mainly related to externally acquired and internally generated development costs and, (ii) €301 million of capital expenditures additions to property, plant and equipment, mainly related to plant and machinery for new models. These cash flows were partially offset by proceeds from the sale of property, plant and equipment.

Investing Activities - Year Ended December 31, 2017

For the year ended December 31, 2017, our net cash used in investing activities was €379 million, primarily the result of:
(i) €203 million for additions to intangible assets, mainly related to externally acquired and internally generated development costs and, (ii) €189 million of capital expenditures additions to property, plant and equipment, mainly related to plant and machinery for new models. These cash flows were partially offset by €8 million of proceeds from exercising the Delta Topco option and proceeds from the sale of property, plant and equipment.

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 the 2021 Bond and an aggregate nominal amount of €115 million of the 2023 Bond;

(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.

These cash outflows were 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 U.S.; and
(iii) €12 million related to the net change in other debt.

Financing Activities - Year Ended December 31, 2018

For the year ended December 31, 2018, net cash used in financing activities was €152 million, primarily the result of:
(i) €133 million of dividends paid to owners of the parent;
(ii) €100 million paid to repurchase common shares under the Company's share repurchase program;
(iii) €8 million related to the net change in other debt;
(iv) €4 million related to the net change in bank borrowings; and
(v) €2 million of dividends paid to non-controlling interests in our Chinese distributor, Ferrari International Cars Trading (Shanghai) Co. Ltd.

These cash outflows were partially offset by:
(i) €95 million of proceeds net of repayments related to our revolving securitization programs in the U.S.

Financing Activities - Year Ended December 31, 2017

For the year ended December 31, 2017, net cash used in financing activities was €85 million, primarily the result of:
(i) €791 million related to the net change in bank borrowings, including €795 million related to the full repayment of a bank loan under a previous credit facility, primarily with the proceeds of the 2021 Bond;
(ii) €120 million related to a cash distribution of reserves to holders of our common shares;
(iii) €8 million related to the net change in other debt; and
(iv) €1 million of dividends paid to non-controlling interests in our Chinese distributor, Ferrari International Cars Trading (Shanghai) Co. Ltd.

These cash outflows were partially offset by:
(i) €694 million of net proceeds related to the issuance of the 2021 Bond, which were used, together with additional cash held, for the full repayment of a bank loan under a previous credit facility; and
(ii) €141 million of proceeds net of repayments related to our revolving securitization programs in the U.S.

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 with 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). Starting in 2019 we changed the definition of Net Industrial Debt. See "*Non-GAAP Financial Measures*" below for further information.

The following table sets forth a reconciliation of Net Debt and Net Industrial Debt at December 31, 2019 and 2018:

(€ million)	At December 31,	
	2019	**2018**
Cash and cash equivalents	898	794
Total liquidity	**898**	**794**
Bonds and notes	(1,186)	(1,198)
Asset-backed financing (Securitizations)	(788)	(683)
Lease liabilities[1]	(60)	-
Borrowings from banks	(33)	(36)
Other debt	(23)	(10)
Total debt	**(2,090)**	**(1,927)**
Net Debt (A)	**(1,192)**	**(1,133)**
Net Debt of Financial Services Activities (B)	(855)	(763)
Net Industrial Debt (A-B)	**(337)**	**(370)**

[1] As a result of adopting IFRS 16 - Leases on January 1, 2019, the Group recognized right-of-use assets and related lease liabilities of 63 million in relation to leases which had previously been classified as operating leases under IAS 17. For further details, see Note 2 *"Significant Accounting Policies"* to the Consolidated Financial Statements included elsewhere in this Annual Report.

Following a cash tender offer, on July 16, 2019 the Company executed a partial repurchase of the 2023 Bond and 2021 Bond for aggregate nominal amounts of €115 million and €200 million respectively. 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 million.

For further details on total debt, see Note 24 *"Debt"* to the Consolidated Financial Statements included elsewhere in this Annual Report.

Cash and cash equivalents

Cash and cash equivalents were €898 million at December 31, 2019 compared to €794 million at December 31, 2018. See *"Cash Flows"* above for further details.

Approximately 77 percent of our cash and cash equivalents were denominated in Euro at December 31, 2019 (approximately 78 percent at December 31, 2018). 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

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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 €115 million at December 31, 2019 (€78 million at December 31, 2018), is subject to certain repatriation restrictions and may only be repatriated 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,	
	2019	**2018**
Euro	690	616
Chinese Yuan	110	73
U.S. Dollar	63	50
Japanese Yen	12	24
Other currencies	23	31
Total	**898**	**794**

Cash collected from the settlement of receivables or lines of credit pledged as collateral 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 €28 million and €26 million at December 31, 2019 and 2018, respectively.

Total Available Liquidity

Our total available liquidity (defined as cash and cash equivalents plus undrawn committed credit lines) at December 31, 2019 was €1,248 million (€1,294 million at December 31, 2018).

The following table summarizes our total available liquidity:

(€ million)	At December 31,	
	2019	**2018**
Cash and cash equivalents	898	794
Undrawn committed credit lines	350	500
Total available liquidity	**1,248**	**1,294**

The undrawn committed credit lines consist of a revolving credit facility. The revolving credit facility in place at December 31, 2018, which was due to mature in November 2020, was canceled in December 2019 and replaced with a new €350 million unsecured committed revolving credit facility (the “RCF”), which has a five-year tenor with two further one-year extension options on the Company’s request and the approval of each participating bank. For further details see Note 24 *“Debt”* to the Consolidated Financial Statements included elsewhere in this Annual Report.

Free Cash Flow and Free Cash Flow from Industrial Activities

Free Cash Flow and Free Cash Flow from Industrial Activities are two of our primary 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 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). Starting in 2019 we changed the definition of Free Cash Flow and Free Cash Flow from Industrial Activities. See "*Non-GAAP Financial Measures*" below for further information.

The following table sets forth our Free Cash Flow and Free Cash Flow from Industrial Activities for the years ended December 31, 2019, 2018 and 2017:

(€ million)	For the years ended December 31,		
	2019	**2018**	**2017**
Cash flows from operating activities	1,306	934	663
Investments in property, plant and equipment and intangible assets	(706)	(639)	(392)
Free Cash Flow	**600**	**295**	**271**
Free Cash Flow from Financial Services Activities	(75)	(80)	(37)
Free Cash Flow from Industrial Activities	**675**	**375**	**308**

Free Cash Flow for the year ended December 31, 2019 was €600 million compared to €295 million for the year ended December 31, 2018 and €271 million for the year ended December 31, 2017. 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, 2019 was €675 million, compared to €375 million for the year ended December 31, 2018. The increase was primarily attributable to an increase in Adjusted EBITDA, a positive change in cash generated from other operating assets and liabilities, driven by advances received for the Ferrari Monza SP1 and SP2, as well as a decrease in income taxes paid, partially offset by an increase in capital expenditures.

Free Cash Flow from Industrial Activities for the year ended December 31, 2018 was €375 million compared to €308 million for the year ended December 31, 2017. The increase was primarily attributable to an increase in Adjusted EBITDA, a decrease in tax payments due to the Patent Box benefit and the positive impact from changes in working capital, partially offset by an increase in capital expenditures.

Non-GAAP Financial Measures

We monitor and evaluate our operating and financial performance using several non-GAAP financial measures including: EBITDA, Adjusted EBITDA, Adjusted EBIT, Adjusted Net Profit, Adjusted Basic and Diluted Earnings per Common Share, Net Debt, Net Industrial Debt, Free Cash Flow and Free Cash Flow from Industrial Activities, 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 regarding our performance and 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.

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 presented to demonstrate how the underlying business has performed prior to the impact of the adjustments, 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, 2019, 2018 and 2017, and provides a reconciliation of these non-GAAP measures to net profit:

(€ million)	For the years ended December 31,		
	2019	**2018**	**2017**
Net profit	699	787	537
Income tax expense	176	16	209
Net financial expenses	42	23	29
Amortization and depreciation	352	289	261
EBITDA	**1,269**	**1,115**	**1,036**
Release of charges for Takata airbag inflator recalls	-	(1)	-
Adjusted EBITDA	**1,269**	**1,114**	**1,036**

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 such information in order to present how the underlying business has performed prior to the impact of such 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, 2019, 2018 and 2017:

(€ million)	For the years ended December 31,		
	2019	2018	2017
EBIT	**917**	**826**	**775**
Release of charges for Takata airbag inflator recalls	-	(1)	-
Adjusted EBIT	**917**	**825**	**775**

Adjusted Net Profit

Adjusted Net Profit represents net profit as adjusted for certain income and costs (net of tax effect) which are significant in nature, expected to occur infrequently, and that management considers not reflective of ongoing operational activities. The tax effect is calculated by applying the corporate tax rate in Italy, which was 24.0 percent for all years presented, and the Italian Regional Income Tax ("IRAP"), which was 3.9 percent for all years presented. We provide such information in order to present how the underlying business has performed prior to the impact of such 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, 2019, 2018 and 2017:

(€ million)	For the years ended December 31,		
	2019	2018	2017
Net profit	**699**	**787**	**537**
Patent box benefit for the period 2015-2017	-	(141)	-
Release of charges for Takata airbag inflator recalls (net of tax effect)	-	(1)	-
Adjusted Net Profit	**699**	**645**	**537**

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 effect) which are significant in nature, expected to occur infrequently, and that management considers not reflective of ongoing operational activities. The tax effect is calculated by applying the corporate tax rate in Italy, which was 24.0 percent for all years presented, and the Italian Regional Income Tax ("IRAP"), which was 3.9 percent for all years presented. We provide such information in order to present how the underlying business has performed prior to the impact of such items, which may obscure the underlying performance and impair comparability of results between the periods.

/ Non-GAAP Financial Measures

The following table sets forth the calculation of Adjusted Basic and Diluted Earnings per Common Share for the years ended December 31, 2019, 2018 and 2017:

		For the years ended December 31,		
		2019	2018	2017
Net profit attributable to owners of the Company	€ million	696	785	535
Patent box benefit for the period 2015-2017	€ million	-	(141)	-
Release of charges for Takata airbag inflator recalls (net of tax effect)	€ million	-	(1)	-
Adjusted profit attributable to owners of the Company	**€ million**	**696**	**643**	**535**
Weighted average number of common shares for basic earnings per share	thousand	186,767	188,606	188,951
Adjusted basic earnings per common share	**€**	**3.73**	**3.41**	**2.83**
Weighted average number of common shares[(1)] for diluted earnings per common share	thousand	187,535	189,394	189,759
Adjusted diluted earnings per common share	**€**	**3.71**	**3.40**	**2.82**

(1) The weighted average number of common shares for diluted earnings per share was increased to take into consideration the theoretical effect of (i) the potential common shares that would be issued under the equity incentive plan for the years ended December 31, 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 "*Earnings per Share*" to the Consolidated Financial Statements, included elsewhere in this Annual Report, for the calculation of the basic and diluted earnings per common share.

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 total 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). Prior to the first quarter of 2019, we defined Net Industrial Debt as Net Debt adjusted to exclude (a) the funded portion of the self-liquidating financial receivables portfolio, which is the portion of our receivables from financing activities that we fund with external debt or intercompany loans but not (b) the cash and cash equivalents of the financial activities, since such cash was considered also available for use in our industrial activities. We believe the current definition provides a more comprehensive disclosure of our underlying financial leverage from industrial activities. Net Industrial Debt for the comparative period has been restated to conform to the current presentation.

The following table sets forth a reconciliation of Net Debt and Net Industrial Debt at December 31, 2019, and 2018:

(€ million)	At December 31,	
	2019	**2018**
Cash and cash equivalents	898	794
Debt	(2,090)	(1,927)
Net Debt (A)	**(1,192)**	**(1,133)**
Net Debt of Financial Services Activities (B)	(855)	(763)
Net Industrial Debt (A-B)	**(337)**	**(370)**

Free 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 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 the first quarter of 2019, we defined Free Cash Flow as cash flows from operating activities less cash flows used in investing activities, and we defined Free Cash Flow from Industrial Activities as Free Cash Flow adjusted for the change in the self-liquidating financial receivables portfolio (which is the change in our receivables from financing activities). In order to align our definition of Free Cash Flow to other more common definitions and to allow the definition of Free Cash Flow from Industrial Activities to exclude all cash flows from operating activities not attributable to the industrial activities, even if such cash flows were available for industrial activities, we determined it was appropriate to redefine Free Cash Flow and Free Cash Flow from Industrial Activities starting in 2019. Free Cash Flow and Free Cash Flow from Industrial Activities for the comparative periods have been restated to conform to the current presentation.

The following table sets forth our Free Cash Flow and Free Cash Flow from Industrial Activities for the years ended December 31, 2019, 2018 and 2017:

(€ million)	For the years ended December 31,		
	2019	**2018**	**2017**
Cash flows from operating activities	1,306	934	663
Investments in property, plant and equipment and intangible assets	(706)	(639)	(392)
Free Cash Flow	**600**	**295**	**271**
Free Cash Flow from Financial Services Activities	(75)	(80)	(37)
Free Cash Flow from Industrial Activities	**675**	**375**	**308**

For further information on Free Cash Flow and Free Cash Flow from Industrial Activities, see "*Liquidity and Capital Resources-Free Cash Flow and Free Cash Flow from Industrial Activities*" above.

/ Non-GAAP Financial Measures

Constant Currency Information

The *"Results of Operations"* discussion below 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 Annual Report, 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 impact of hedging provide additional useful information to investors regarding the operating performance on a local currency basis.

Subsequent Events and 2020 Outlook

Subsequent Events

Under the common share repurchase program, from January 1, 2020 to February 14, 2020, the Company has repurchased an additional 209,326 common shares for a total consideration of €153.2 million. At February 14, 2020 the Company held in treasury an aggregate of 8,849,502 common shares.

On February 18, 2020, the Board of Directors of Ferrari N.V. recommended to the Company's shareholders that the Company declare a dividend of €1.13 per common share, totaling approximately €210 million. The proposal is subject to the approval of the Company's shareholders at the Annual General Meeting to be held on April 16, 2020.

2020 Outlook

The Group targets the following performance in 2020, increased across all metrics compared to the Plan announced at the Capital Markets Day on September 18, 2018:

- Net revenues: > Euro 4.1 billion (from > Euro 3.8 billion)
- Adj. EBITDA: Euro 1.38-1.43 billion (from > Euro 1.3 billion)
- Adj. EBIT: Euro 0.95-1.0 billion (from > Euro 0.9 billion)
- Adj. diluted EPS: Euro 3.90-3.95[1] per share (from > Euro 3.40[2] per share)
- Industrial free cash flow: ≥ Euro 0.4 billion (from > Euro 0.4 billion)

February 18, 2020

Board of Directors
John Elkann
Louis C. Camilleri
Pietro Ferrari
Sergio Duca
Delphine Arnault
Giuseppina Capaldo
Eddy Cue
Maria Patrizia Grieco
Adam Keswick
Elena Zambon

(1) *Calculated using the diluted number of common shares as of December 31, 2019 (186,052 thousand).*
(2) *Calculated using the weighted average diluted number of common shares as of June 30, 2018.*

Major Shareholders

Exor is the largest shareholder of Ferrari through its approximately 24.0 percent shareholding interest in our outstanding common shares (as of February 7, 2020). See "*Overview-History of the Company*". As a result of the loyalty voting mechanism, Exor's voting power is approximately 35.8 percent (as of February 7, 2020). In addition, as of February 7, 2020, Mr. Piero Ferrari holds approximately 10.2 percent of our outstanding common shares and, as a result of the loyalty voting mechanism, his voting power is approximately 15.2 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 52.99 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 7, 2020, were John Elkann, Jeroen Preller, Florence Hinnen, Tiberto Brandolini d'Adda, Alessandro Nasi, Andrea Agnelli, Luca Ferrero de' Gubernatis Ventimiglia and Eduardo Teodorani-Fabbri.

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 7, 2020:

Shareholder	Number of common shares	Percentage owned[1]
Exor N.V.[2]	44,435,280	24.0%
Piero Ferrari[2]	18,894,295	10.2%
BlackRock, Inc.[3]	11,229,807	6.1%
T. Rowe Price Associates, Inc.[4]	8,648,944	4.7%
Other public shareholders	101,877,301	55.0%

[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 7, 2020 Exor owned 44,435,280 special voting shares, including 6,854,893 special voting shares issued to Exor in April 2019 under the terms of the loyalty voting program, 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 by BlackRock, Inc. on February 5, 2020, 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 10,276,324 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 and, out of the common shares beneficially owned as set forth in the table, it has sole voting power over 3,143,852 common shares.

Based on the information in Ferrari's shareholder register and other sources available to us, as of February 7, 2020, approximately 58.2 million Ferrari common shares, or 31.4 percent of the outstanding Ferrari common shares, were held in the United States. As of the same date, approximately 1,850 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. 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

/ Shareholders' Agreement

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 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.

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.

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90 YEARS

Corporate Governance

Introduction

Ferrari N.V. (the "Company") 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 Fiat Chrysler Automobiles N.V. ("FCA"). 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 Mercato Telematico Azionario managed by Borsa Italiana S.p.A. ("MTA").

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 12, 2019, the number of the Directors was set at ten and the current slate of Directors was appointed. The term of office of the current Directors will expire following the Company's 2020 annual general meeting of shareholders. 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 16, 2020.

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 Elkan, Executive Chairman, and Mr. Camilleri, 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 Governance and Sustainability Committee, and (iii) a Compensation Committee. On certain key industrial matters, the CEO is supported by the

Senior Management Team (the "SMT"), which 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 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	Chairman and Executive Director
Louis C. Camilleri	1955	Chief Executive Officer and Executive Director
Piero Ferrari	1945	Vice Chairman and Non-Executive Director
Sergio Duca	1947	Senior Non-Executive Director
Delphine Arnault	1975	Non-Executive Director
Giuseppina Capaldo	1969	Non-Executive Director
Eddy Cue	1964	Non-Executive Director
Maria Patrizia Grieco	1952	Non-Executive Director
Adam Keswick	1973	Non-Executive Director
Elena Zambon	1964	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;
- Louis C. Camilleri: 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;
- Giuseppina Capaldo;
- Eddy Cue;
- Sergio Duca;
- Maria Patrizia Grieco;
- Adam Keswick; and
- Elena Zambon.

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

/ Board of Directors

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, 2019 to the year-end there were four meetings of the Board of Directors. The attendance rate at these meetings was 95.42 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 Fiat Chrysler Automobiles 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 Vice Chairman of GEDI Gruppo Editoriale S.p.A., board member of The Economist Group 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.

Louis C. Camilleri (Chief Executive Officer and Executive Director)
Mr. Camilleri currently serves as Chairman of the Board of Philip Morris International Inc. ("PMI"). From March 2008 to May 2013, he served as Chairman and Chief Executive Officer of PMI. From April 2002 and August 2002 until March 2008, he was Chief Executive Officer and Chairman of Altria Group, Inc. (formerly Philip Morris Companies, Inc.), respectively. From November 1996 to April 2002, he served as Senior Vice President and Chief Financial Officer of Altria Group, Inc. He had been employed continuously by Altria Group, Inc. and its subsidiaries (including PMI) in various capacities since 1978. Mr. Camilleri served on the Board of Directors of América Móvil, S.A.B. de C.V. from April 2011 to March 2019, and previously served on the Board of Telmex International SAB from December 2009. Mr. Camilleri was President and CEO of Kraft Foods International in 1995 and was a Director of Kraft Foods Inc. ("Kraft") from March 2001 to December 2007 and was Kraft's Chairman from September 2002 to March 2007. Mr. Camilleri received a degree in Economics and Business Administration from HEC Lausanne, the Faculty of Business & Economics of the University of Lausanne (Switzerland).

Born in 1955, British 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. Duca is member of the Statutory Auditors of BasicNet S.p.A. since 2017 and director of Tofaþ Türk Otomobil Fabrikasý Anonim Þirketi, as well as the Chairperson of the corporate governance committee, member of the risk management committee and member of the audit committee of Tofaþ Türk Otomobil Fabrikasý Anonim Þirketi. 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)
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 main 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.

Born in 1975, French citizenship.

/ Board of Directors

Giuseppina Capaldo (non-executive Director)
Ms. Capaldo is Full Professor of Private Law, at "La Sapienza" University of Rome. She is an independent member of the Board of Directors of Salini Impregilo S.p.A. (2012-present) and TIM S.p.A. (2018-present). She was an independent member of the Board of Directors of Exor S.p.A. from 2012 to 2015, Credito Fondiario S.p.A. (2014-2017) and Banca Monte dei Paschi di Siena S.p.A (December 2017-2018). She was a member of the Board of Directors of Ariscom S.p.A. (an Italian insurance company) from 2012-2015 and A.D.I.R. - Assicurazioni di Roma (2006-2010). She collaborated with the Macchi di Cellere Gangemi law firm in the Banking and Finance, Corporate and M&A sectors (2004-2007). She has been Deputy Rector for Resource Planning and Assets (since 2014) at La Sapienza University; Director of LLM "Financial Markets Law" (since 2009). Previously, she served as Deputy Rector for Strategic Planning (2008-2014); Head of Department of "Law and Business" (2007-2013); and Director of PhD "Contract Law and Business" (2007-2011). Ms. Capaldo has a degree in Economics and a degree in Law from "La Sapienza" University of Rome, has been a licensed certified public accountant since 1992 and is listed in the Register of Independent Auditors (since 1999). In addition, Ms. Capaldo has been qualified to practice law in Italy since 2003. She authored several publications in the areas of contract law, insurance law, financial law and market legal theory.

Born in 1969, Italian citizenship.

Eddy Cue (non-executive Director)
Mr. Cue currently serves as Apple Inc.'s Senior Vice President of Internet Software and Services. He joined Apple in 1989 and oversees Apple's industry-leading content stores including the iTunes Store, the App Store and the iBooks Store, as well as Apple Pay, Siri, Maps, iAd, the iCloud services, and Apple's productivity and creativity apps. Mr. Cue earned a bachelor's degree in Computer Science and Economics from Duke University. He was recognized by renowned cancer research center City of Hope with their 2014 Spirit of Life Award, honoring an individual whose work has fundamentally impacted the music, film and entertainment industry.

Born in 1964, American citizenship.

Maria Patrizia Grieco (non-executive Director)
Mrs. Maria Patrizia Grieco has been the Chairman of the board of directors of Enel since May 2014. After graduating in law at 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 to re-organize and reposition 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 Chairman from 2011. She has been a director of Fiat Industrial and CIR and she is currently on the boards of Anima Holding, Ferrari and Amplifon. Mrs. Grieco is also a member of the steering committee of Assonime and of the board of directors of Bocconi University. Maria Patrizia Grieco was appointed Chairman of the Italian Corporate Governance Committee in 2017. The purpose of the Committee is the promotion of good corporate governance practices of Italian listed companies.

Born in 1952, Italian citizenship.

Adam Keswick (non-executive Director)

Mr Adam Keswick joined the Board in 2007 and was Deputy Managing Director of Jardine Matheson from 2012 to 2016. He was appointed chairman of Matheson & Co. in August 2016. He has held a number of executive positions since joining the Jardine Matheson Group from N M Rothschild & Sons in 2001, including group strategy director and, thereafter, group managing director of Jardine Cycle & Carriage between 2003 and 2007. Mr Keswick is a director of Dairy Farm, Hongkong Land, Jardine Strategic and Mandarin Oriental. He is also a Director of Ferrari N.V., and Vice-Chairman of the Supervisory Board of Rothschild & Co, and is a Director of Yabuli China Entrepreneurs Forum. Mr Keswick attended Eaton College and Edinburgh University where he received his Master of Arts degree in 1995.

Born in 1973, British citizenship.

Elena Zambon (non-executive Director)

Ms. Zambon is President of Zambon S.p.A. - Pharmaceutical Multinational established in 1906 in Vicenza (Italy) and present in 20 countries with subsidiaries in Europe, America and Asia - on top of being President of Fondazione Zoé - Zambon Open Education. Elena is a member of the Board of Directors of UniCredit, Ferrari N.V. and IIT- Istituto Italiano di Tecnologia; former member of the Board of Directors of Italcementi SpA, Fondo Strategico Italiano, Italian sovereign fund, Akros Finanziaria S.p.A. and Salvagnini SpA. She is Board Member and Vice Chair of FBN - Family Business Network, and Honorary President of AIdAF - Italian Family Business. She is also Vice President of Aspen Institute Italia; member of the Advisory Board of Politecnico di Milano School of Management and member of the Bocconi University Campaign Board; Board Member of the Centro Internazionale di Studi di Architettura Andrea Palladio. After obtaining the degree in Business Economics at Bocconi University, Elena joined Citibank N.A. In 1994 she founded the Family Office of the Zambon family, which in 2000 was transformed into a Multi Family Office, creating Secofind, of which she is still Honorary President. Elena Zambon has been knighted by the President of Italy, she is an Accademico Olimpico and she received the “Olivettiano Entrepreneur” Award, the “Marisa Belisario” Award, the “Masi Prize” and the “Leonardo Prize”.

Born in 1964, Italian citizenship.

Composition of the Board of Directors

Pursuant to Dutch law, as from the 2017 financial year, Ferrari should strive to achieve that its Board of Directors contain a minimum of 30% male and 30% female board members and should explain in its annual report if this requirement is not met. Four of our current ten Directors are female and six are male, and therefore the Board of Directors complies with the above mentioned standard. The Company envisages to continue achieving sufficient diversity of views and the expertise needed for a good understanding of current affairs and longer-term risks and opportunities related to the Company's business and therefore adopted a Diversity Policy effective as of 31 December 2017 and a profile for non-executive Directors. The Diversity Policy stipulates that one of the targets is that "at least 30% of the seats of the Board of Directors are occupied by women and at least 30% by men".

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), Ms. Capaldo 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 2019 the Audit Committee met eight times and the average attendance rate was 95.83 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 remuneration report.

The Compensation Committee currently consists of Ms. Capaldo (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 2019 the Compensation Committee met once with 100 percent attendance of its members at such meeting. The Compensation Committee reviewed the remuneration report and the implementation of the Remuneration Policy. The amended Shareholders' Rights Directive (2017/828/EU) has been incorporated in Dutch law effective per December 1, 2019. The Compensation Committee considered the impact thereof on the Company's Remuneration Policy and the Company's Remuneration Report. On the basis of this assessment, the Compensation Committee proposed to the Board of Directors to amend the Remuneration Policy in 2020. Further information on the activities of the Compensation Committee are included in the remuneration report.

The Governance and Sustainability Committee

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) the identification of the criteria, professional and personal qualifications for candidates to serve as Directors, (ii) periodic assessment of the size and composition of the Board of Directors, (iii) periodic assessment of the functioning of individual Directors and reporting on this to the Board of Directors, (iv) proposals for appointment of executive and non-executive Directors, (v) supervision of the selection criteria and appointment procedure for senior management, (vi) monitoring and evaluating reports on the Group's sustainable development policies and practices, management standards, strategy, performance and governance globally, and (vii) reviewing, assessing and making recommendations as to strategic guidelines for sustainability-related issues, and reviewing the annual Sustainability Report.

The Governance and Sustainability Committee currently consists of Mr. John Elkann (Chairperson), Ms. Capaldo and Mr. Cue. The Governance and Sustainability Committee is elected by the Board of Directors and is comprised of at least three Directors. 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 2019 the Governance and Sustainability 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 Governance and Sustainability 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 FCA's largest shareholder, and an executive director of FCA. FCA, Exor and a number of companies in the FCA and Exor groups are related parties to Ferrari, see "Risk Factors - We may have potential conflicts of interest with FCA and Exor and its related companies" and Note 29 "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 29 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 7, 2020, Exor held approximately 24.0 percent of our outstanding common shares and approximately 35.8 percent of the voting power in us, Piero Ferrari held approximately 10.2 percent of our outstanding common shares and approximately 15.2 percent of the voting power in us and public shareholders hold approximately 49.0 percent of the voting power in us. The

/ Loyalty Voting Structure

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

/ Loyalty Voting Structure

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 31 December 2019, 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 63,349,111 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% 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.

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. In the event of an issuance of special voting shares, shareholders have no right of pre-emptions. 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%) 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.

/ General Meeting of Shareholders

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.

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.

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, consists of the following three levels of control:

- Level 1: operating areas, which identify and assess risk and establish specific actions for management of such risk;
- Level 2: departments responsible for risk control, which define methodologies and instruments for managing risk and monitoring such risk;
- Level 3: Internal Audit department, which conducts independent evaluations of the System in its entirety.

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 http://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 Anti-corruption, 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 31 December 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 Governance and Sustainability 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% of the seats of the Board of Directors are occupied by women and at least 30% 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% 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. In 2019 also the target relating to nationality has been achieved.

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. Sergio 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. John Elkann, our Executive Chairman and Executive Director, has a position on the Governance and Sustainability 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 Governance and Sustainability 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.

Report of the non-executive directors

Introduction

This is the report of the non-executive Directors of the Company over the financial year 2019, 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 Director 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 Governance and Sustainability 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 Governance and Sustainability Committee".

The non-executive Directors supervised the adoption and implementation of the strategies and policies by the Group, reviewed this annual report, including the Remuneration 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 2019, 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 95.42 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	Governance and Sustainability Committee	Compensation Committee
John Elkann[(1)]	4/4	0	1/1	0
Louis C. Camilleri	4/4	0	0	0
Piero Ferrari[(2)]	4/4	0	0	1/1
Sergio Duca[(1)]	4/4	8/8	1/1	0
Delphine Arnault	2/4	0	0	0
Giuseppina Capaldo[(1)] [(2)]	4/4	8/8	1/1	0
Eddy Cue[(1)] [(2)]	4/4	0	0	1/1
Lapo Elkann[(3)]	1/1	0	0	0
Amedeo Felisa[(3)]	1/1	0	0	0
Maria Patrizia Grieco	4/4	7/8	0	0
Adam Keswick	4/4	0	0	0
Elena Zambon[(2)]	4/4	0	0	1/1

(1) In 2019, the Governance and Sustainability Committee held one meeting, on February 26. Effective as of July 24, 2019 Mr. Eddy Cue was appointed member of the Governance & Sustainability Committee instead of Mr.Sergio Duca.

(2) In 2019, the Compensation Committee held one meeting on February 26. Effective as of July 24, 2019 Ms. Giuseppina Capaldo was appointed member and Chairperson of the Compensation Committee instead of Ms. Elena Zambon.

(3) Mr. Lapo Elkann and Mr. Amedeo Felisa were not re-appointed by the AGM held on April 12, 2019.

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 Remuneration 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 Governance and Sustainability Committee in this respect.

/ Report of the non-executive directors

In accordance with the Governance and Sustainability Committee Charter, the Governance and Sustainability Committee assists and advises the Board of Directors with respect to periodic assessment of the performance of individual Directors. In this respect, the Governance and Sustainability 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 Governance and Sustainability Committee.

In 2019, the Governance and Sustainability Committee's periodic assessments took place during the meeting held on February 26. During that meeting, the Governance and Sustainability 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 Governance and Sustainability 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 Governance and Sustainability Committee and the Compensation Committee based on the assessments made by the Governance and Sustainability 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 Governance and Sustainability 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 Governance and Sustainability Committee".

On the basis of the preparations by the Governance and Sustainability 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 director and nominate candidates for the Director appointments.

The non-executive Directors have supervised the performance of the Audit Committee, the Compensation Committee and the Governance and Sustainability Committee.

Statement by the board of directors

Based on the assessment performed, the Board of Directors believes that, as of December 31, 2019, 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 2 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 18, 2020

John Elkann
Executive Chairman

Louis C. Camilleri
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 18, 2020

Board of Directors
John Elkann
Louis C. Camilleri
Piero Ferrari
Sergio Duca
Delphine Arnault
Giuseppina Capaldo
Eddy Cue
Maria Patrizia Grieco
Adam Keswick
Elena Zambon

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 team in Formula 1 history. From the inaugural year of Formula 1 in 1950 through the present, Scuderia Ferrari has won 238 Grand Prix races, 16 Constructor World titles and 15 Drivers' World titles. 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 166 authorized dealers operating 187 points of sale as of the end of 2019.

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.

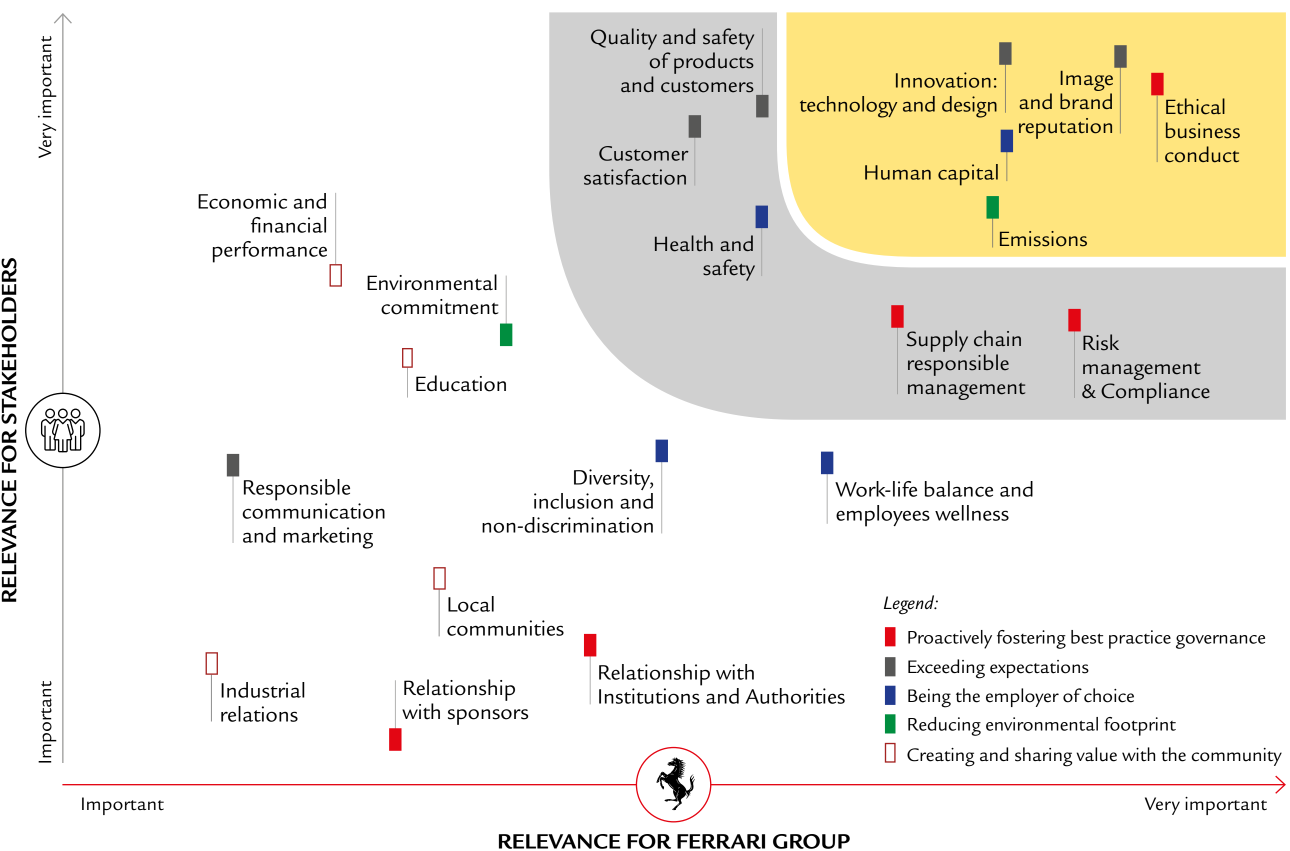
- *Controlled growth*
- *Regular new model introductions and enhancements*
- *Pursue excellence in racing*
- *Controlled growth in adjacent luxury and lifestyle categories*

Materiality Matrix and Stakeholder Engagement

Materiality Matrix of Ferrari Group

In 2019, 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, which led to the creation of our 5 sustainability strategic pillars: exceeding expectations; reducing environmental footprint; being the employer of choice; creating and sharing value with the community and; proactively fostering best practice governance. This process has been complemented through a qualitative analysis by our Senior Management Team ("SMT"), which resulted in the materiality matrix below.

Materiality Matrix of Ferrari Group



The materiality matrix highlights the assessed topics that are most relevant for the Group and our stakeholders and therefore represent our strategic sustainability priorities.

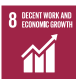
[1] The potentially relevant topics are identified by taking into consideration sector benchmarking analyses, UN Sustainable Development Goals (SDGs), and relevant international studies and publications.

Specifically, the most relevant topics are related to product responsibility: image and brand reputation, innovation, quality and safety of products and customers, customer satisfaction and supply chain responsible management. Special attention is also paid to ethical business conduct and risk management and compliance. The analysis also confirmed the importance of the development of human capital and the commitment to employees' health and safety. With a particular focus on reducing emissions, environmental responsibility is also a key aspect. Compared to last year's materiality matrix, we incorporated the material topics "Attention to enthusiasts" and "Sport fair play" into "Image and brand reputation" and "Ethical business conduct", respectively.

This materiality matrix translated into our sustainability approach characterized by:

EXCEEDING EXPECTATIONS:
Drive technological innovation while pursuing excellence in design and craftsmanship to fuel the passion of our customers and fans.

Material topic
- Image and brand reputation
- Innovation: technology and design
- Quality and safety of products and customers
- Customer satisfaction
- Responsible communication and marketing



SDGs

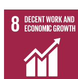
PROACTIVELY FOSTERING BEST PRACTICE GOVERNANCE:
Maintain Ferrari's corporate governance and risk management systems aligned with best practices to ensure an ethical business conduct while providing superior and sustainable returns to our shareholders.

Material topic
- Ethical business conduct
- Risk management and Compliance
- Supply chain responsible management
- Relationship with Institutions and Authorities
- Relationship with sponsors

SDGs

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



SDGs

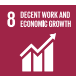
REDUCING ENVIRONMENTAL FOOTPRINT:
Increase our environmental awareness to continuously set and implement related programs and actions.

Material topic
- Emissions
- Environmental commitment

SDGs

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



SDGs

/ Materiality Matrix and Stakeholder Engagement

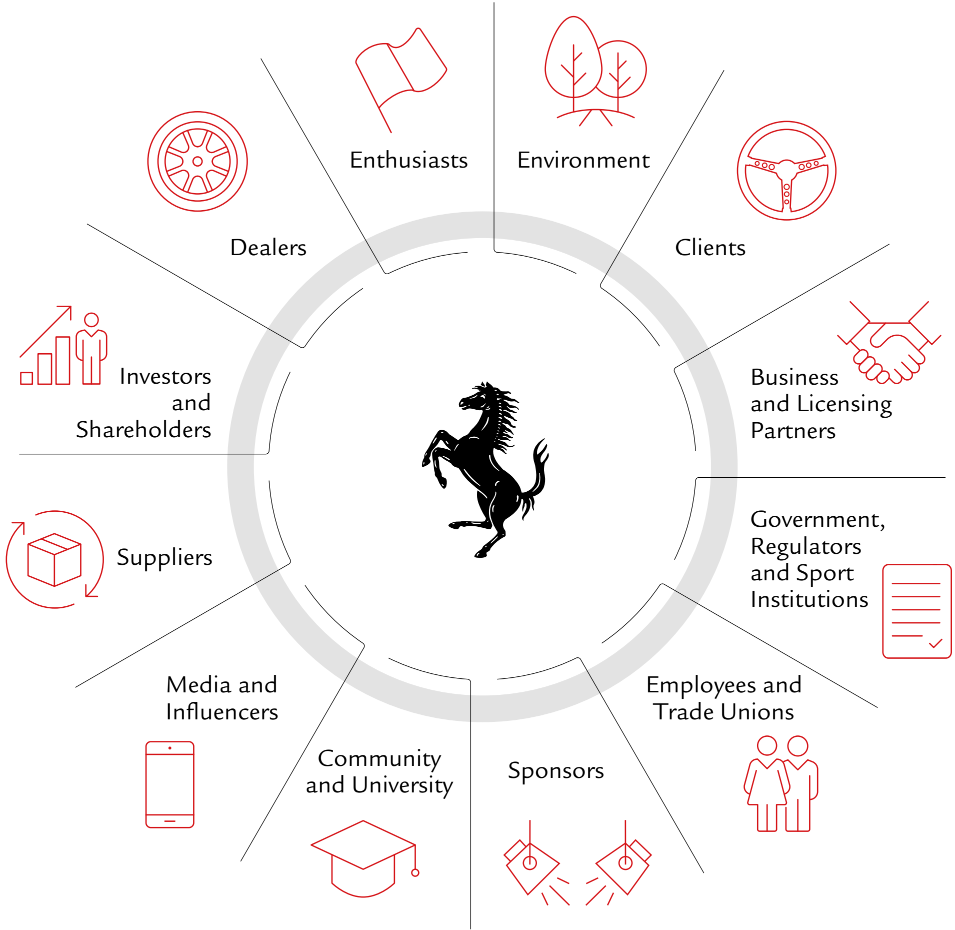
The above mentioned material topics have been linked to the Sustainable Development Goals (SDGs), that are impacted by our business. For the most material topics, the table below shows the pursued policies, the related key risks and risk trends and the relevant chapters within this Annual Report.

MOST SIGNIFICANT MATERIAL TOPICS	PURSUED POLICIES	KEY RISKS AND RISK TRENDS	RELEVANT CHAPTERS OF THE SUSTAINABILITY REPORT
IMAGE AND BRAND REPUTATION	Enhancing and protecting the value and exclusivity of the Ferrari brand.	• Brand image	*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	*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	*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	*Proactively fostering best practice governance*
CUSTOMER SATISFACTION	Being devoted to the highest level of customer satisfaction.	• Brand image • Competition	*Exceeding expectations*
HEALTH AND SAFETY	Enforcing a safety-first culture.	• Attraction, development and retention of talents	*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	*Proactively fostering best practice governance*

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 various needs, interests and expectations.

This Statement is addressed to all stakeholders involved in our activities, as shown in the following image:



In 2019, we carried out various stakeholder engagement activities in order to enhance the voice of our stakeholders. We engaged with our employees by explaining what sustainability stands for within Ferrari while taking into consideration their priorities. We also engaged with our top investors to better understand what they consider to be the main ESG drivers for Ferrari, as well as participating in a variety of ESG questionnaires such as the SAM Corporate Sustainability Assessment (CSA) and the CDP Climate Change questionnaire. 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 identifying our sustainability risks and opportunities, as well as supporting management in achieving the Company's objectives.

Proactively fostering best practice governance

Our Governance and Sustainability Committee

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) the identification of the criteria, professional and personal qualifications for candidates to serve as Directors, (ii) periodic assessment of the size and composition of the Board of Directors, (iii) periodic assessment of the functioning of individual Directors and reporting on this to the Board of Directors, (iv) proposals for appointment of executive and non-executive Directors, (v) supervision of the selection criteria and appointment procedure for senior management, (vi) monitoring and evaluating reports on the Group's sustainable development policies and practices, management standards, strategy, performance and governance globally, and (vii) reviewing, assessing and making recommendations as to strategic guidelines for sustainability-related issues, and reviewing the annual Sustainability Report.

The Governance and Sustainability Committee currently consists of Mr. John Elkann (Chairperson), Ms. Giuseppina Capaldo and Mr. Eddy Cue. Effective as of July 24, 2019 Mr. Eddy Cue was appointed member of the Governance & Sustainability Committee instead of Mr. Sergio Duca. The Governance and Sustainability Committee is elected by the Board of Directors and is comprised of at least three Directors. 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 2019 the Governance and Sustainability 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.

Integrity of Business Conduct

The foundation of Ferrari's governance model is the Code of Conduct that reflects our commitment to a culture dedicated to integrity, responsibility and ethical behavior. 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, the Code of Conduct is intended to be consistent with such guidelines and aims to ensure that all members of the Ferrari Group workforce act with the highest level of integrity, comply with applicable laws, and build a better future for our Company and the communities in which we do business. The complete Code of Conduct can be found on our website at
http://corporate.ferrari.com/en/governance/code-conduct

Ferrari's integrity system comprises the following primary elements:

- Principles that capture the Company's commitment to important values in business and personal conduct;
- Practices that are the basic rules that must guide our daily behaviors required to achieve our overarching Principles;
- Procedures that further articulate the Company's specific operational approach to 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 applies to all board members and officers, as well as full-time and part-time employees of the Ferrari Group. The Code of Conduct also applies to all temporary, contract and all other individuals and companies that act on behalf of the Ferrari Group.

The Code of Conduct is completed with the following Ferrari Practices: (i) Conducting Business, (ii) Interacting with External Parties, (iii) Managing our Assets and Information and (iv), Protecting our Workforce. These Practices, which further explain the Code of Conduct, can be consulted by all employees on the Company intranet.

Internal Audit investigates possible violations of the Code of Conduct during standard periodic audits and through specific Business Ethics Compliance (BEC) audits. In 2019, BEC surveys were carried out to measure employees' awareness on: Code of Conduct, Whistleblowing Procedure, Gift and Entertainment Expenses Management. In light of the results, dedicated training activities have been implemented accordingly.

The Company's governance model includes policies for respecting Human Rights, which prohibit child and forced labor and pay attention to safe working environment for our employees.

Anti-Bribery and Corruption

Ferrari's Code of Conduct includes, among others, rules related to anti-bribery, anti-corruption, competitive behavior and conflicts of interest. Ferrari is committed to the highest standards of integrity, honesty and fairness in all internal and external affairs and will not tolerate any kind of bribery. The laws of virtually all countries in which Ferrari operates prohibit bribery. Ferrari's policy is that no one - director, officer, or other employee, agent or representative - shall, directly or indirectly, give, offer, request, promise, authorize, solicit or accept bribes or any other perquisite (including gift 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. A violation of anti-bribery and anti-corruption laws is a serious offense for both companies and individuals, which can result in significant fines, reputational damage and imprisonment of individuals.

Whistleblowing

Violations of the Code of Conduct are determined through periodic activities carried out by our Internal Audit and Compliance Departments, through the analysis of the reports received in accordance with the Ethics Helpline Management Procedures and through checks which form part of the standard operating procedures.

The Ethics Helpline is a dedicated channel that allows employees, suppliers, dealers, consumers and other stakeholders to request advice about the application of the Code of Conduct, and to report any concerns about alleged situations, events, or actions that they believe may be inconsistent with the Code of Conduct. Stakeholders can also report alleged violations anonymously if permitted by local law. The Ethics Helpline can be accessed either by phone or by web intake (with multiple languages available) and is an essential element of the management process, in accordance with the Code of Conduct, in relation to raised concerns. It is managed by an independent provider, available 24 hours a day, seven days a week.

Furthermore, Ferrari employees may also seek advice concerning the application and interpretation of the Code of Conduct by contacting their immediate supervisor, Human Resources representatives or the Legal and Compliance Departments.

Internal Audit, with the support of the Legal Department, Human Resources and other business functions possibly involved, assesses all the allegations received. The results and potential disciplinary actions are then reported based on the necessary escalation process (the relevant internal functions are notified of the violations).

On November 15, 2017, Italian law for whistleblowing, which contains provisions for the

/ Proactively fostering best practice governance

protection of reporters of crimes or irregularities that have come to light in the context of a public or private employment relationship, was definitively adopted (Law n. 179/2017). The law concerns the protection of workers, public or private, who report or denounce crimes or other illegal conduct which they have come to know about in the context of their employment relationship. Our whistleblowing procedures are in line with the provisions of Law n.179/2017.

The violations of the Code of Conduct have been categorized according to the Principles of the Code of Conduct. Accordingly, Managing Our Assets and Information includes: Communicating Effectively, Protecting Ferrari Assets and Maintaining Appropriate Records. The category Interacting with External Parties comprises Avoiding Conflicts of Interest and Supporting Our Communities. Conducting Business covers Sustainably Purchasing Goods or Services, Transacting Business Legally and Engaging in Sustainable Practices. Finally, Protecting Our Workforce includes behaviors related to Maintaining a Fair and Secure Workplace, and Ensuring Health and Safety. For all Code of Conduct violations, the disciplinary measures taken are commensurate with the seriousness of the case and comply with local legislation.

WHISTLEBLOWING REPORTING AS OF DECEMBER 31, 2019

Category	Reports received in 2019	Total 2019 reports closed(*)	Reports in which a violation was confirmed
Conducting business	1	1	1
Interacting with external parties	4	4	1
Managing our assets and information	-	2	-
Protecting our workforce	16	9	2
Total	**21**	**16**	**7**

(*) Including 2 WB received in 2017

Periodic reporting is provided to the CEO as well as to the Audit Committee.

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). The Senior Management Team ("SMT") 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 most material topics identified by Ferrari are strongly connected with the following key risks and risk trends:

Topics	Key risks and risk trends
Image and brand reputation	BRAND IMAGE
Innovation: technology and design	BRAND IMAGE; COMPETITION
Customer satisfaction	BRAND IMAGE; COMPETITION

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.

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.

Topics	Key risks and risk trends
Ethical business conduct	NON-COMPLIANCE WITH LAWS, REGULATIONS, LOCAL STANDARDS (INCLUDING TAX) AND CODES
Emissions	
Risk management and Compliance	
Quality and safety of products and customers	
Supply chain responsible management	
Health and safety	

/ Proactively fostering best practice governance

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.

Topics	Key risks and risk trends
Human capital	ATTRACTION, DEVELOPMENT AND RETENTION OF TALENTS

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 potential 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.

A detailed description of how we respond to these risks can be found in the section *"Risk, Risk Management and Control Systems"* of the 2019 Annual Report.

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.

Conflict minerals

Ferrari supports the goal of preventing the exploitation of minerals violating human rights.
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. Many geopolitical experts believe that conflicts may increasingly arise over access to raw materials. For this reason, Ferrari places a high priority on responsible sourcing and the integrity of its suppliers.

The cars we produce contain various metals, which may include tantalum, tin, tungsten and/or gold (collectively, "3TG" or "Conflict Minerals").

Ferrari has developed strategies addressing Section 1502 of the Dodd-Frank Act, as well as subsequent rules promulgated by the U.S. Securities and Exchange Commission (collectively, the "Conflict Mineral Rules"), requiring companies to determine whether 3TG in their supply chain originated from the Democratic Republic of the Congo and its adjoining countries (collectively, the "Covered Countries"), and whether the procurement of those minerals supported the armed conflict in this region. 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.

We strive to ensure that legitimate business activities and the livelihoods of individuals in Covered Countries are not harmed by our efforts. To this end, we promote responsible sourcing in Covered Countries.

In accordance with the Organization for Economic Co-operation and Development (OECD) Guidance, 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. We have strengthened our engagement with suppliers, communicating our position on responsible sourcing and our expectations in terms of responsible supply chains. In addition, we have established a control and transparency system over our 3TG supply chain. Such system includes surveying our suppliers about the 3TG in their supply chain.

Among other things, 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 2018, 93% of Ferrari's direct suppliers by purchased value submitted responses to our survey. We are strongly committed to increase the coverage of our analysis and the response rate through targeted actions.

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

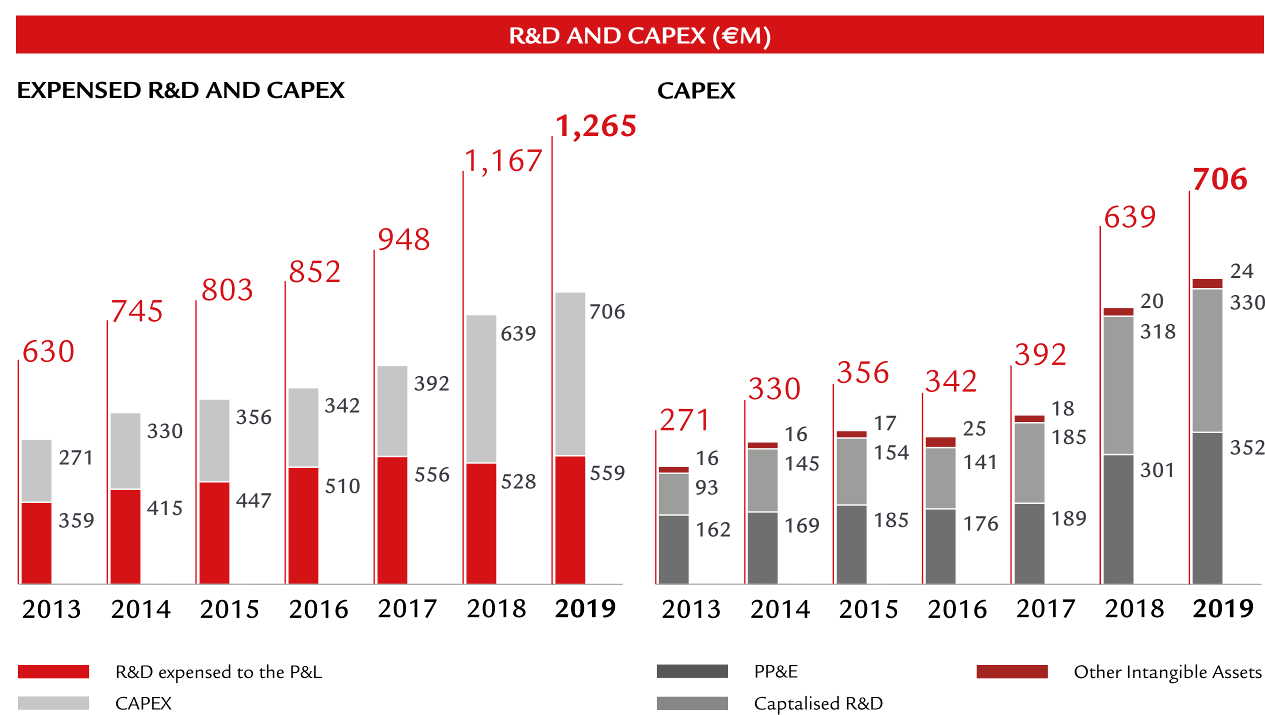
/ Exceeding expectations

Position Evo, for instance, rewards ideas put forward by individual staff members. In 2019, we received around 20,000 suggestions from employees, more than doubling from the previous year.

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.



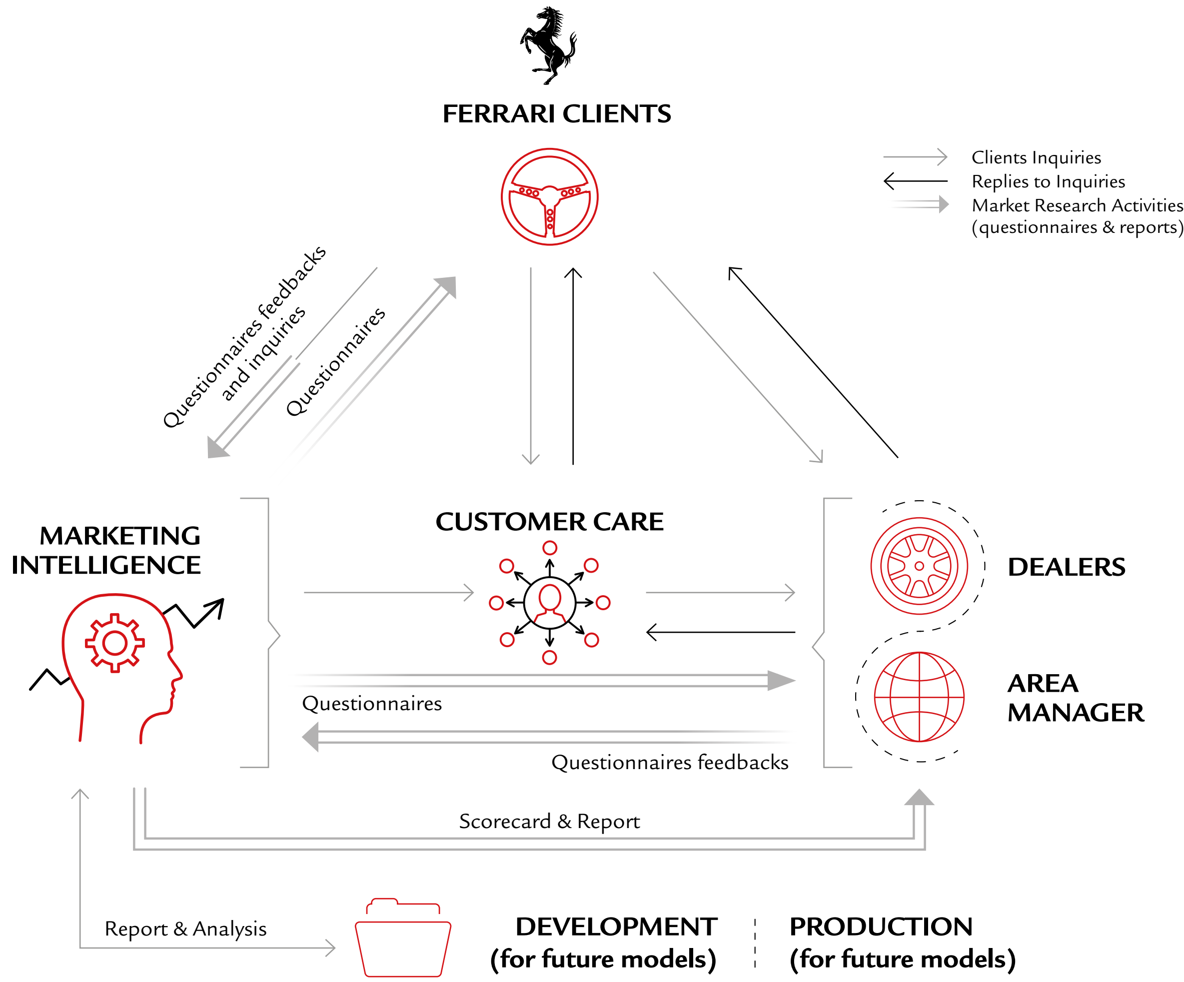
UNIVERSO
FERRARI

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.

Privacy and data protection

Customer personal data and information is one of Ferrari's cornerstones and a key component of our competitive advantage.

We care about processing personal data in a safe and transparent manner, as it is a fundamental part of our accountability towards our customers. We strive for safeguarding our network against security risks and incidents, preventing cyberattacks in order to guarantee the security and confidentiality of our Customers' information.

We 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).

Data protection 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" 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 ICT and security systems (e.g. system collecting consents and privacy notices, back-end systems managing direct personal data etc.), the enhancement of internal policies and procedures (e.g. data breach policy, data retention policy etc.), the guarantee of an effective and prompt response to requests from data subjects, the update of privacy notices, drafting of operating instructions for authorized persons within the Company as well as the designation of internal privacy referents within Company departments.

Regular training sessions, aimed at raising the awareness on the data privacy regulations and requirements, are organized and addressed to those employees involved in the processing of personal data.

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

/ Vehicle Safety

most recent trends and developments in terms of simplifying and easing the interaction between the car and the driver to avoid any distraction. In 2019, we extended ADAS to our entire fleet, after the initial introduction on the GTC4Lusso in 2018.

In 2019, we launched the SF90 Stradale, the first hybrid series-production car in Ferrari's history. This new model encapsulates the most advanced technologies developed in Maranello, including the HMI, which with its track derived "eyes on the street, 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 its road-going sports cars. The SF90 Stradale's steering wheel completes that transfer process from the racing competition and also ushers in a new era by introducing a series of touch commands that allow the driver to control virtually every 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.

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.

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 53 different nationalities.

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; 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 and 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.

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. In 2019, "Formula Benessere Donna", a preventative healthcare program specifically designed for women's health, was launched. All female employees are offered the opportunity of undergoing a free gynecological examination as well as mammary and thyroid gland ultrasound scans.

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 consist of a free day camp for employees' children aged 3 to 13, with various programs including sports, outdoor activities, excursions and workshops. The program, at its 10th edition, has a duration of 11 weeks (with a shorter 4-day version taking place

during Easter holidays) and 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 119 professional educators and is organized in collaboration with the local community.

Education is also the focus of a series of different initiatives that provide scholarships to talented junior high, high school and university students. In 2019, our scholarship program, named after our founder "Enzo Ferrari", was awarded to 56 talented students. The awards were handed by our Chairman during an event that saw the participation of all Ferrari Senior Managers. Moreover, in 2019 we reimbursed almost 600 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).

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 at the internal branch of a local bank, special rates for the employees' housing needs and discounts at the Ferrari Museums, Ferrari Stores and at the Ferrari company outlet.

To foster the sense of belonging, the Company organizes multiple events. In September 2019, the Ferrari Family Day, the open day dedicated to Ferrari employees and their families, was attended by 24,000 people. During the same month, the first edition of the Universo Ferrari event in Maranello welcomed employees during two dedicated evenings. More than 2,600 people among employees and their guests attended the Ferrari Challenge championship event Finali Mondiali at the Mugello Circuit. Approximately 4,400 people among employees and their family members attended the 2019 edition of Natale Bimbi.

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 strength and ambition, and our Company's requirements, underpinned by substantial investments in training. A total of over 57,600 hours (up 11.8% vs. 2018) of training have been provided right across the Company's employees in 2019. 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 since 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 our Company and employees.

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 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 which increases the professionalism of

junior talents and motivates senior employees, recognizing their competencies by asking them to become Maestri and 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.
While the Maestri transfer their know-how to other employees, we have also internally developed the "Department Team Leaders", who are expert workers in our R&D and Manufacturing processes. In the last few years, we have decided to invest strongly in the team leaders' professional and soft skills. We are creating a cross-functional group with the objective to become the point of reference for the rest of the team. Department Team Leaders (now around 125 employees) are also responsible for the Pit Stop and Pole Position programs among their shift colleagues.

In 2019, we consolidated the activities started in the previous year, 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. Additionally, in 2019 we started a specific training focusing on managerial and organizational skills necessary to meet our strategic plan.

- To shape and prepare the managerial class of the future for the business, innovation, management and human capital development challenges.
  - In 2019, 40 Ferrari talents, from all across the organization, started the second edition of the Ferrari Corporate Executive MBA, organized in partnership with the Bologna Business School. The objective of the masters 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 the studies, 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.

- To foster and support the inclusion, growth and development of our people.
  - In line with business and Company requirements and coherently with the needs expressed in the Performance & Leadership Management system, training activities were provided in the managerial, technical and linguistic fields, using various training tools such as: online courses, classroom courses, coaching programs and teambuilding activities.

The innovation of 2019 was gaining access to the Harvard Manage Mentor e-learning platform. The training offer, 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.

In addition, an online training campaign is launched every 3 months 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 anti-corruption and human rights topics. In 2019, a similar mandatory online campaign was launched on GDPR (General Data Protection Regulation) training.

/ Being the employer of choice

In 2019 we consolidated the activities started the previous year: we introduced the new employees to the "Ferrari way" to ensure know-how continuity and continued to build employee skills in order to meet the challenges of the future: 15 new cars between 2019-2022, 5 of which were presented during 2019, including the SF90 Stradale, our first hybrid series-production car.

AVERAGE HOURS OF TRAINING PER EMPLOYEE

	2019	2018	2017
Average Hours	**13.45**	**13.40**	**10.51**

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 45,000 applications during 2019, including specific as well as spontaneous applications from around the world for engineering, technical, marketing and financial positions.

We also undertake exchange 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. We offer company insight presentations, testimonials by Ferrari staff, selected case studies at university campus and, for partner universities we offer the 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. In 2019, alongside our graduate project "Ferrari F1 Engineering Academy", active since 2015, we launched three more Academy programs: "Ferrari GT Manufacturing Academy", "Ferrari GT Engineering Academy" and "Ferrari GT Marketing and Sales Academy" with dedicated communication 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.

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 2019, each employee received around Euro 5,500.

A huge part of our employees 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 internal career path.

In 2019, we further increased the number of employees who received a performance evaluation through our specific online tool: around 1,400 employees were evaluated on our system. 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 the professional aspirations and the final evaluation.

EMPLOYEES WHO RECEIVED A REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEW BY EMPLOYEE CATEGORY

Employee category	2019	2018	2017[2]
Managers and Senior Managers	86%	88%	86%
Middle Managers	73%	72%	69%
White Collars	66%	44%	35%
Workers	-%	-%	-%

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 analysis carried out in 2018 of the key positions covered by our employees has been updated: results 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' talent.

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[3]. 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. Periodic meetings are held with management to review safety issues in addition to formal meetings also being held with employee representatives. Periodic internal health and safety audits are performed to ensure compliance with our health and safety management system, current laws and best practices. In 2019, Ferrari S.p.A. further improved its health and safety management system obtaining the ISO 45001:2018 certification[4] two years in advance of the mandatory migration from the OHSAS 18001 standard (March 2021). The Mugello Circuit S.p.A. is certified OHSAS 18001:2007 since 2013[5].

HOURS OF HEALTH AND SAFETY TRAINING PER YEAR AND NUMBER OF PARTECIPANTS[6]

Employee category	2019	2018	2017
Training hours	22,313	21,358	15,386
Number of participants	2,927	2,439	1,656

(2) The 2017 data by employee category has been restated to align the subsidiaries' categories to the headquarters' definition.
(3) 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.
(4) The ISO 45001:2018 certification of Ferrari S.p.A. includes the Maranello and Modena plants where we produce all of our vehicles and spare parts.
(5) Ferrari S.p.A and Mugello Circuit S.p.A include 94.1% of all Ferrari Group employees.
(6) The figures provided refer to all employees and external staff of Ferrari S.p.A and Mugello Circuit S.p.A.. 2018 and 2017 data do not include Mugello Circuit S.p.A..

/ Occupational Health and Safety

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 2019 the hours of training are in line with 2018, mainly due to the mandatory periodic training update for employees started last year. 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.

The table below shows the trend in accidents over the last three years[7]. In 2019, the injury rate was 1.5, with 10 occurrences (12 in 2018) and no high-consequence work-related injuries or fatalities occurred. Each work-related injury is analyzed to determine the cause and appropriate measures to avoid recurrence have been implemented. The main types of work-related injury include fractures and burns.

NUMBER OF INJURIES AND INJURY RATE[8]

	2019	2018	2017
Total number of injuries	**10**	**12**	**7**
of which more than 3 days of absence(excl. high-consequence injury and fatalities)[9]	7	8	5
of which high-consequence injury	0	1	0
which fatalities	0	0	0
Total injury rate[10]	**1.5**	**2.2**	**1.3**
of which more than 3 days of absence(excl. high-consequence injury and fatalities)[11]	1.1	1.4	0.9
of which high-consequence injury	0	0.2	0
of which fatalities	0	0	0
Hours worked	6,471,529	5,524,896	5,417,338

During the course of 2019, no injuries have been recorded for agency workers in the Maranello and Modena plants, and Mugello racing circuit.

[7] For 2019, we reported our injury data using the new GRI Standard 403, published by the Global Reporting Initiative (GRI) in 2018, that replaces the previous version published in 2016. For comparison, the 2017 and 2018 data have been restated following the new standard. For previously published data, please refer to the 2018 Sustainability Report.

[8] 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 2019. 2018 and 2017 data do not include Mugello Circuit S.p.A.. All data does not include first aid medical treatments.

[9] Injuries that must be reported to INAIL (Italian National Institute for Insurance against Accidents at Work), according to Italian legislation.

[10] 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.

[11] Injuries that must be reported to INAIL (Italian National Institute for Insurance against Accidents at Work), according to Italian legislation.

Our employees in numbers

As of December 31, 2019, Group[12] employees were 4,285, an increase of 11% compared to December 31, 2018 (3,851). We expect to continue growing over the next few years in order to meet our strategic plan.

NUMBER OF EMPLOYEES

Number of employees	December 31, 2019	December 31, 2018	December 31, 2017
Total	**4,285**	**3,851**	**3,380**
of which women	*14.0%*	*13.0%*	*12.3%*

We also rely on external collaborators such as contractors, self-employed persons, workers hired through external agencies and interns.

PERCENTAGE OF EMPLOYEES PER EMPLOYEE CATEGORY BY GENDER

Employee category	December 31, 2019			December 31, 2018		
	Male	Female	Total	Male	Female	Total
Managers and Senior Managers	86.2%	13.8%	123	90.0%	10.0%	110
Middle Managers	85.5%	14.5%	566	85.9%	14.1%	545
White Collars	76.6%	23.4%	1,417	78.3%	21.7%	1,146
Workers	92.2%	7.8%	2,179	92.0%	8.0%	2,050
Total	**86.0%**	**14.0%**	**4,285**	**87.0%**	**13.0%**	**3,851**

As indicated in the table above, in 2019, compared to the previous year, the percentage of female employees grew from 13% to 14%. This was mainly due to an increase in the “Managers and Senior Managers” and “White Collars” categories.

PERCENTAGE OF EMPLOYEES BY AGE GROUP

	December 31, 2019				December 31, 2018			
	<30	30-50	>50	Total	<30	30-50	>50	Total
Total	**16.0%**	**66.1%**	**17.9%**	**4,285**	**13.7%**	**70.4%**	**15.9%**	**3,851**

The majority of the workforce is between the age of 30 and 50 (66.1%). The percentage of workers under 30 has increased from 13.7% to 16.0%, highlighting our capability to attract young talents.

[12] In this chapter, “The Group” refers to all the legal entities indicated as consolidated line by line by Ferrari N.V. in 2019 Annual Report.

/ Occupational Health and Safety

NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER

GROUP

EMPLOYEE HIRED	2019	2018
Number of employees	627	639
Turnover %	**14.6%**	**16.6%**

EMPLOYEE TURNOVER	2019	2018
Number of employees	193	168
Turnover %	**4.5%**	**4.4%**

ABSENTEE RATE IN ITALY[13]

	2019	2018
Employees	**1.37%**	**1.60%**

The absenteeism rate for 2019 was 1.37%, a relevant decrease from the past few years.

[13] 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 most significant environmental efforts are deployed through efficiencies in the manufacturing processes and a program for the reduction of polluting emissions.

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[14] (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 716,000 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 1,200,000 m^2 of green or tree-covered areas).

We directly operate 20 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 Technology Officer. Their effort is aimed at minimizing the impact of our activities on the environment, particularly in relation to the energy consumption of production facilities. A different team is in charge of overseeing regulatory developments while monitoring the emissions of Ferrari cars.

Part of the environmental impact of our activities are related to the product lifecycle. Ferrari cars are perceived as collectibles and therefore the number of cars demolished each year is very scarce.
In addition, the products are generally not considered means of transportation.

Plants and circuits

Environmental management systems

We have invested heavily to minimize our environmental impact since 2001, when the Company was given the ISO 14001 certification for our plants in Maranello and Modena.
In 2016, 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.

The Mugello Circuit S.p.A. obtained and renewed the certification for the environmental management system with ISO 14001 and the EMAS (Eco-Management and Audit Scheme).

Efficient energy use

Our culture embraces a rational use of energy, which is mainly used 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 S.p.A. has been purchasing electricity with Guarantee of Origin certificates.

[14] Maranello production facility is composed by the main offices and production buildings, the "Nuova Gestione Sportiva" building and the adjacent Fiorano track (of approximately 3,000 meters).

/ Reducing environmental footprint

In addition, from 2009, we started using electricity along with hot and cold water generated by the trigeneration plant[15]. In 2019, the trigeneration plant produced 83% of the electricity needed for the Maranello plant, while the remaining 17% originated from renewable sources[16].

ENERGY CONSUMPTION WITHIN THE ORGANIZATION

Unit of measurement: GJ	2019	2018
Non-renewable fuel consumption	**1,623,478**	**1,567,315**
Natural Gas (used for trigenerator)	*1,126,190*	*1,126,067*
Natural Gas (for other uses)	*433,987*	*392,995*
Gasoline (for production process)[17]	*53,701*	*46,848*
Diesel (for motor room and other uses)[18]	*9,600*	*1,405*
Total electricity bought for consumption	**116,354**	**92,190**
From renewable sources	*110,199*	*86,355*
From non-renewable sources	*6,155*	*5,835*
Electricity self-produced for consumption[19]	**3,344**	**3,142**
Electricity sold	**(9,250)**	**(7,752)**
Total	**1,733,926**	**1,654,895**

The total energy consumption within the Group for 2019 was 1,733,926 GJ, with an increase of 4.8% from 2018 (1,654,895 GJ). In light of the efficiencies we always strive to implement, this increase was lower than our production growth.

We are constantly implementing actions such as the replacement of traditional illumination systems to LED technology and the use of pumps with inverter technology in 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 new 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 2019 we completed the office area and workshop area of the New Technical Center, while the engine and hybrid test benches will be completed in 2020.

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 94,615 tCO_{2eq} in 2019, in line with 91,773 tCO_{2eq} in 2018, 92,609 tCO_{2eq} in 2017 and 93,086 tCO_{2eq} in 2016[20].

[15] Even if the trigenerator plant was bought by Ferrari in September 2016, data referring to energy consumption and emissions consolidate trigenerator plant data for the whole 2016 for comparative reasons.

[16] Thanks to our photovoltaic system and the purchase of Guarantee of Origin certificates.

[17] 2019 data include Ferrari's leased car fleet.

[18] 2019 data include Ferrari's leased car fleet.

[19] From photovoltaic.

[20] Regarding scope 2 emissions, measured in tons of CO_2,the percentage of methane and nitrous oxide has a negligible effect on the total greenhouse gas emissions (CO_2 equivalent) as indicated in the ISPRA Report "Atmospheric emission factors of CO_2 and other greenhouse gases in the electricity sector".

DIRECT AND ENERGY INDIRECT GHG EMISSIONS

Unit of measurement: tCO_2eq	2019	2018	2017	2016
Scope 1[21]	93,789	91,001	91,789	92,319
Scope 2 (market-based method)[22]	826	772	820	767
Scope 2 (location-based method)[23]	11,603	9,219	9,822	9,105

GHG Protocol (WRI, WBCSD) definitions

In 2019, our Scope 2 market-based GHG emissions are 826 tons CO2eq. If Ferrari had not purchased Guarantee of Origin certificates these emissions would have been higher by 14,785 tons[24].

Other significant air emissions are related mainly 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[25]

Unit of measurement: Kg	2019	2018
NO_X	43,991	59,613
SO_X	1,073	1,378
Volatile Organic Compounds (VOCs)	43,393	50,913
Dusts	2,155	4,260

Furthermore, a water-based painting process was introduced in 2004 with the aim of reducing VOC emissions.

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 by other business partners in their manufacturing process (e.g. leather scraps, processed sand used in the foundry, aluminum that cannot be smelted).

[21] 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.

[22] Market-based indirect greenhouse gas emissions, measured in tons of CO_2, were calculated using the Residual Mix emission factors indicated in "2018 European Residual Mixes, V.1.2", published by AIB. The Group purchases Guarantee of Origin (GO) certificates in order to reduce the impact of CO_2 emissions in the atmosphere. The 2016 and 2017 data have been re-calculated using the same emission factors used for 2018 data.

[23] Location-based indirect greenhouse gas emissions, measured in tons of CO_2, were calculated using the emission factor indicated in "Confronti internazionali; 2017", published by Terna. The 2016 and 2017 data have been re-calculated using the same emission factors used for 2018 data.

[24] Calculated using the market-based method and considering an alternative scenario in which Ferrari does not purchase Guarantee of Origin certificates for electricity.

[25] Only air emissions of the plants of Maranello and Modena have been considered. The 2018 data referring to Dusts has been restated to include Modena plant.

/ Reducing environmental footprint

WASTE BY TYPE[26]

NON HAZARDOUS WASTE

Unit of measurement: tons	2019	2018[27]
Total	**8,498.8**	**8,414.9**

HAZARDOUS WASTE

Unit of measurement: tons	2019	2018[28]
Total	**2,676.6**	**2,809.4**

Total waste for 2019 was equal to 11,175.4 tons, in line with 2018, notwithstanding a production increase. This result was mainly achieved through two initiatives that were introduced in 2018: the first is that we started recovering sand from the foundry to sell it as a by-product to a third party player that transforms it in a new product, following a circular economy principle. The second activity is the use of a longer-lasting cooling lubricant. Since the inception of these two activities, there has been a waste reduction of 10.2%.

Logistics

We produce all of our vehicles and spare parts in our Maranello and Modena plants, however, our network of third party dealers comprises 187 point of sales around the world. A meticulous work is constantly carried out to optimize logistical operations with the aim of reducing the impact on the environment 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[29], nor our production process can be considered water intensive, we have developed a series of initiatives to reduce water consumption in our manufacturing processes, such as cooling systems with water recirculation (e.g. cooling towers).

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.

WATER WITHDRAWAL BY SOURCE

Unit of measurement: m^3	2019	2018
Surface water	-	-
Wells	460,230	501,665
Municipal water or other water utilities	166,011	166,900
Total	**626,241**	**668,565**

[26] Data includes only waste generated by Ferrari S.p.A. in the plants of Maranello and Modena and third-party warehouses: waste of Mugello racing circuit has an impact of less than 2% of the total waste produced by the Group.

[27] For a better reporting of the total waste generated by the Group, waste generated by Ferrari S.p.A. and managed through third-party warehouses, not included in the previous Report, have been added to 2018 data.

[28] For a better reporting of the total waste generated by the Group, waste generated by Ferrari S.p.A. and managed through third-party warehouses, not included in the previous Report, have been added to 2018 data.

[29] Source: WRI Aqueduct 2014 (World Resources Institute, 2014).

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: m^3	2019	2018
Effluents / Water bodies	-	-
Public sewer system	369,426	383,861
Total	**369,426**	**383,861**

Vehicles environmental impact

Part of the environmental impact of our activities is related to our product lifecycle. Ferrari cars are perceived as collectibles and therefore the number of cars demolished each year is very scarce. In addition, the cars are generally not considered means of transportation.

Vehicles 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 2019 Annual Report).

We continue focusing on researching technologies that further reduced emissions, such as hybrid 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 technologies 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 technologies, we continue to target further reductions in CO_2 emissions and have set a target to reduce by 2020 CO_2 emissions by 15%[30] (compared to 2014) 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.

[30] The target considered the expectations until 2020 of Group's homologated shipments and the CO_2 emissions values according to requirements set by the European Union.

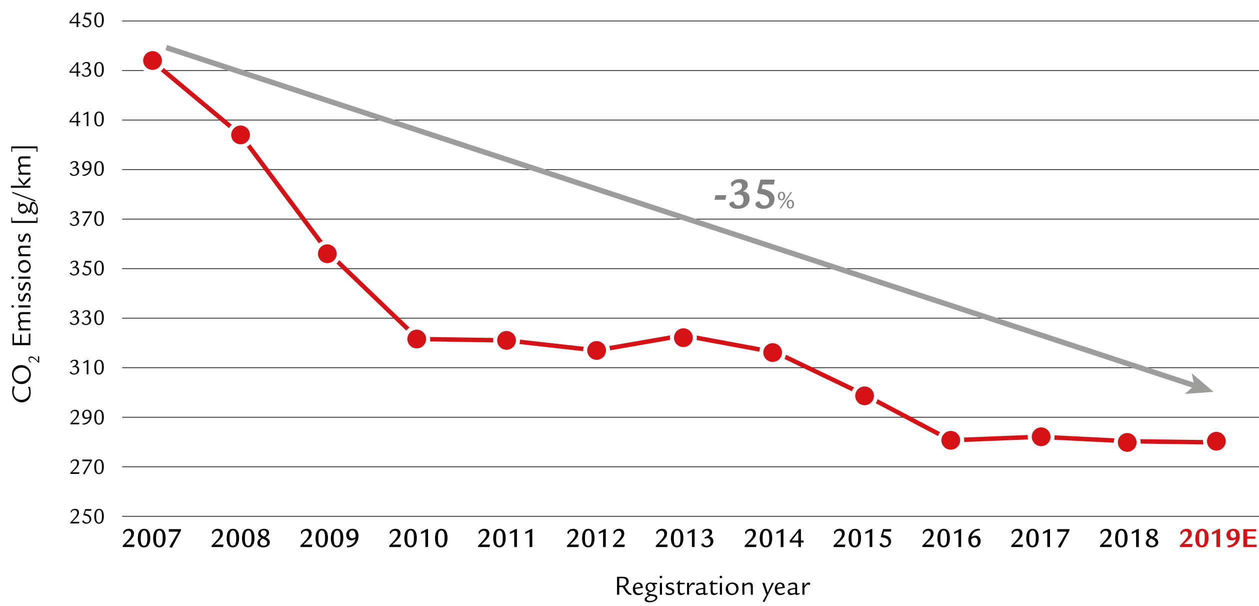
/ Reducing environmental footprint

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.

In 2019, we achieved a 35% reduction in CO_2 emissions (compared to 2007) for our European fleet through improvements in energy efficiency by increasing the energy produced for the same level of input and therefore reducing the cars' energy requirements.

Average Specific CO_2 Emissions - Ferrari EU Fleet[31]

(E) Estimate



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.

[31] For the purpose of this graph, 100% of the Ferrari fleet in EU has been taken into account to determine the average specific emissions of CO_2, despite the phase-in criteria granted in the years 2010-2014. 2019: provisional fleet average emissions of CO_2. 2018: preliminary data released by the European Commission.

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 for us, with particular reference to Maranello and Modena, where all our cars are manufactured. To keep 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 the development of the local community, mainly through collaborations with local universities 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 also at secondary school level. Ferrari has established long-term relationships with technical schools in Maranello and other towns nearby.

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 among the universities of Modena and Reggio Emilia, Bologna, Ferrara and Parma along with car companies in the region that represent the excellence of Italian brands, which of course includes Ferrari.

Ferrari Museum Maranello & Museo Enzo Ferrari (MEF)

The Ferrari Museum Maranello invites visitors to experience the Prancing Horse dream first-hand, offering visitors 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 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 hard-to-satisfy demand and scarcity value in our cars. We also support our brand value by promoting a strong connection between Ferrari and our community of enthusiasts.

Scuderia Ferrari Club is a not-for-profit consortium company founded in 2006 by Ferrari S.p.A. to coordinate the activities of the Scuderia's many Tifosi which have formed clubs around the world. Today the company has over 221 officially-recognized Clubs in 24 nations. An incredible mix of different nationalities, cultures and lifestyles all united by one enduring passion: Ferrari.

Methodology and scope

Through our Non-Financial Statement, we aim to provide our stakeholders with non-financial information, illustrate our sustainability strategy and our corporate social responsibility initiatives in 2019 (from January 1, 2019 to December 31, 2019) 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 • Proactively fostering best practice governance / Anti-Bribery and Corruption • Proactively fostering best practice governance / Whistleblowing • 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
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 • Proactively fostering best practice governance / Conflict Minerals
Fight against corruption and bribery	• Proactively fostering best practice governance / Integrity of Business Conduct • Proactively fostering best practice governance / Anti-Bribery and Corruption • Proactively fostering best practice governance / Whistleblowing
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 / Conflict Minerals

This Statement is an extract of our Sustainability Report, that is prepared in compliance with the "GRI Sustainability Reporting Standards" (2016) issued by the Global Reporting Initiative (GRI). This has been shared with the Executive Officers of the Group and with the Governance and Sustainability 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 the 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 Annual Report 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.

Risk, Risk Management and 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). The Senior Management Team ("SMT") 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 SMT 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.

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 risks identified 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 type of risks identified are as follows:

Risk category	Risk description:		Risk appetite
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 both 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 the plan 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 include areas such as valuation, currency, liquidity 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.

Key Risks and Risk Trends

Ferrari assesses risks according to their potential impact, likelihood and the entity's preparedness, that 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.

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**	Selective licensees of the Ferrari brand.
	Monitor and maximize residual values of Ferrari cars.
	Selective franchising partners.
	Dealer score cards.
	Ferrari Academy (in-house training center for dealers).

Unfavorable global economic conditions (S)

Deteriorating general economic conditions may affect disposable incomes 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 developments**	Expanding in emerging markets, diversifying and monitoring economic trends; developing growth plans in line with growth 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 of customers' orders and waiting lists.

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, 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:
Margin pressure **Shipments**	Focus on client relationships, including Maranello Experience, selected participation for new model launches and Ferrari clubs.
	Close contact with dealers and clients programs.
	Support residual values with the financing of pre-owned cars.
	Personalization services (Atelier and Tailor Made).

Dependence on manufacturing facilities in Maranello and Modena and relationship with single source suppliers (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.

/ Dependence on manufacturing facilities in Maranello and Modena and relationship with single source suppliers (O)

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.

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.

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 effect of possible damage from earthquakes.
	High quality reputable suppliers assessed by the Supplier Risk Management.
Single source suppliers for components	Identifying alternative suppliers for critical components.
	IT Disaster recovery.
Dependence on limited number of suppliers for raw materials	Insurance coverage.

Attraction, development and retention of talents (O)

Our success depends 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.

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 potential 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:
Requirement for skilled engineers	Preparing current successful employees for future key positions.
Requirement to attract and retain the best drivers	Improving talent development program for key resources.
	Talent reviews and succession plans.
Management potential	Retention plans.
Labor unions	Training and development.

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:
Requirement to be compliant with changes in Formula 1 regulations and ability to adapt on a timely basis **HSE (Health, Safety and Environment)** **Tax** **Human Resources** **Legal** **Anti-Bribery & Corruption** **Code of Conduct**	Continuous monitoring of changes in the Formula 1 regulations and identification of early remediation plans.
	Participation in Formula 1 Strategic Group.
	Increasing knowledge and awareness of laws, regulations, standards and codes.
	Monitoring, reviewing, reporting and adapting to relevant changes in rules and regulations.
	Implement and update global HSE system.
	Risk-based reviews of operations by HSE professionals.
	Strengthening IT infrastructure for standard operational procedures.
	Increasing internal compliance awareness and effective communication between central compliance team and managers working in the subsidiaries.
	Communicating and implementing business conduct standards internally.
	Maintaining a global whistle blower procedure.

Exchange rate fluctuations, interest rate changes, 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 interest rates. 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.

/ Exchange rate fluctuations, interest rate changes, credit risk and other market risks (F)

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 2019, the value of commercial activity exposed to changes in the Euro/U.S. Dollar exchange rate accounted for about 53 percent of the total currency risk from commercial activity. Ferrari uses derivative financial instruments (primarily forward currency contracts, currency swaps and currency options) to hedge between 50 and 90 percent of certain exposures subject to foreign currency exchange risk for up to twelve months or longer to the extent justified by specific business considerations. 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 results of operations.

Ferrari 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. Those form of financing, that include bank facilities (committed and uncommitted), access to capital markets and private placements, are aimed at limit the Group exposure to interest rate fluctuation. Approximately 39 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 allocated on bank and deposit accounts with primary financial institutions and money market funds. It is a group policy to continuously monitor counterparty risk and limit concentration of financial asset 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 3,800 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 the write-down is based on an estimate of the recoverable cash flows, their timing, recovery costs and the fair value of any guarantees received.

Further information is included in Note 31 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.
Credit risk of default or insolvency	Credit approval policies applied to dealers and retail clients.
	Personal guarantees and security of the vehicle.

Internal Control over Financial Reporting

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 Italian Stock Exchange (Mercato Telematico Azionario - MTA).

Listing in regulated markets involves being compliant with the related local and specific regulations. 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 abovementioned 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, and members of the SMT. In addition, this section provides the remuneration paid to these individuals for the year ended December 31, 2019. The form and amount of compensation received by the directors of Ferrari for the year ended December 31, 2019 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 disclosure in order to strengthen the trust they and the market place in Ferrari, and provide them with the tools 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 2019, Ferrari revised some remuneration features in order to provide an enhanced alignment with shareholders' interests and long-term sustainability of our business. Our current remuneration strategy further strengthens such alignment and adopts some new features 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 2019 financial year and actual remuneration received by each executive and non-executive director. In 2019, there was no deviation from the Remuneration Policy.

1. Remuneration Strategy for the 2019 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, as outlined below.

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 publically disclosed objectives
2 PAY FOR PERFORMANCE	Compensation must reinforce our performance driven culture and meritocracy
3 COMPETITIVENESS	Compensation set in manner to attract, retain and motivate highly qualified executives and very effective leaders
4 LONG-TERM SHAREHOLDER VALUE CREATION	Targets triggering any variable compensation payment aligned to interests of shareholders and business sustainability
5 COMPLIANCE	Ferrari compensation policies and plans are designed to comply with applicable laws and corporate governance requirements

/ 1. Remuneration Strategy for the 2019 Financial Year

Overview of remuneration elements

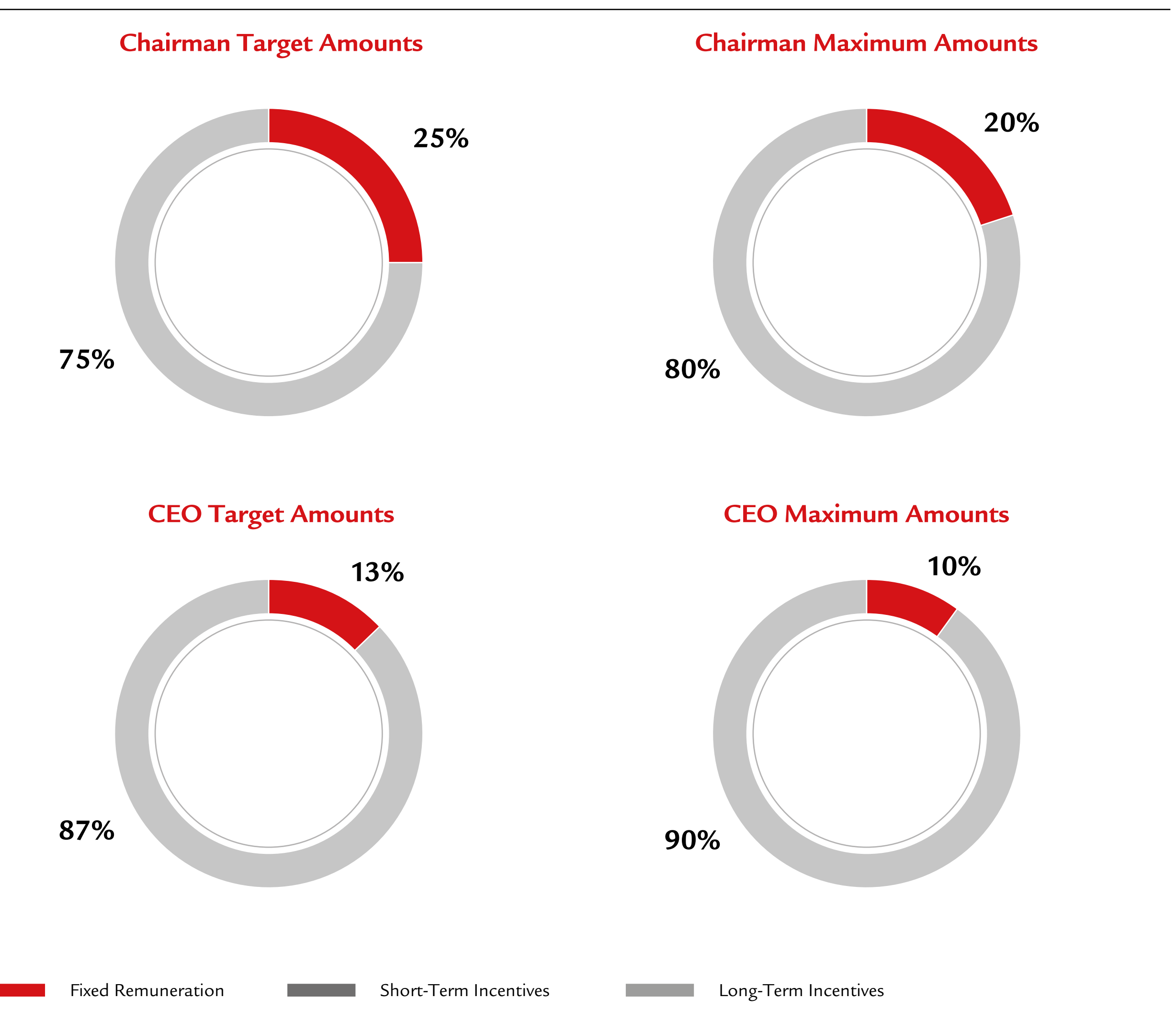
The structure of the remuneration applicable to our executive directors, non-executive directors and other key management under Ferrari's remuneration policy consists of some or all of the following elements: fixed remuneration, short-term incentives, long-term incentives and non-monetary benefits. The purpose and features of the different elements of our remuneration structure for 2019 are outlined in the table below:

Component	Purpose	Terms and Conditions	Amounts
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 Peer Group 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, including those represented by the Peer Group
Fixed Remuneration	• Reward skills, contribution and experience required for the position held	- Executive Chairman: 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 - SMT Members: annual remuneration is based on the role assigned, in line with reference market offering for roles of similar responsibility and complexity	- Executive Chairman: €250,000 annually - CEO: €700,000 annually - Non-Executive Directors: $75,000 annually - SMT 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
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	2019 Short-term incentives targets: - Based on achievement of annually predetermined performance objectives - Annual financial, operational and other identified objectives	- Executive Chairman: The Chairman compensation package for 2019 did not include short-term incentives - CEO: The CEO compensation package for 2019 did not include short-term incentives - SMT Members: variable incentive percentage of fixed remuneration based on the position held
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 installments - 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	- Executive Chairman: 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: Target pay-opportunity is 643% and maximum pay-opportunity is 857% of base salary - SMT Members: variable incentive percentage of fixed remuneration based on the position held

Component	Purpose	Terms and Conditions	Amounts
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 fringe benefits such as company cars and drivers, personal/home security, medical insurance, accident insurance, tax preparation and financial counseling
Share Ownership Guidelines	• Ensures alignment with shareholders' interests	- Executive Directors, other SMT 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 - SMT Members: 3 times net base salary

Executive directors' pay-mix

In light of the foregoing considerations, our Executive Chairman's and CEO's compensation packages are structured as follows:



/ 1. Remuneration Strategy for the 2019 Financial Year

As shown in the charts above, the Chairman and CEO compensation packages for 2019 do not include short-term incentives.

Our remuneration policy is aligned with Dutch law and the Dutch Corporate Governance Code. In particular, the Dutch Corporate Governance 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.

2019 remuneration of executive directors and SMT 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 SMT members includes a fixed component and a variable component based on short and long-term performance. 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 SMT 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 better 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. In addition, we periodically benchmark our executive compensation program against other companies in similar industries with whom we are most likely to compete for the executive talent.

On the basis of the remuneration policy objectives, compensation of executive directors and SMT members consists, inter alia, of the following elements discussed below. Only the long-term incentives element of variable compensation was applicable to executive directors in 2019.

Fixed component

The primary objective of the base salary (the fixed part of the annual cash compensation) for executive directors and SMT 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.

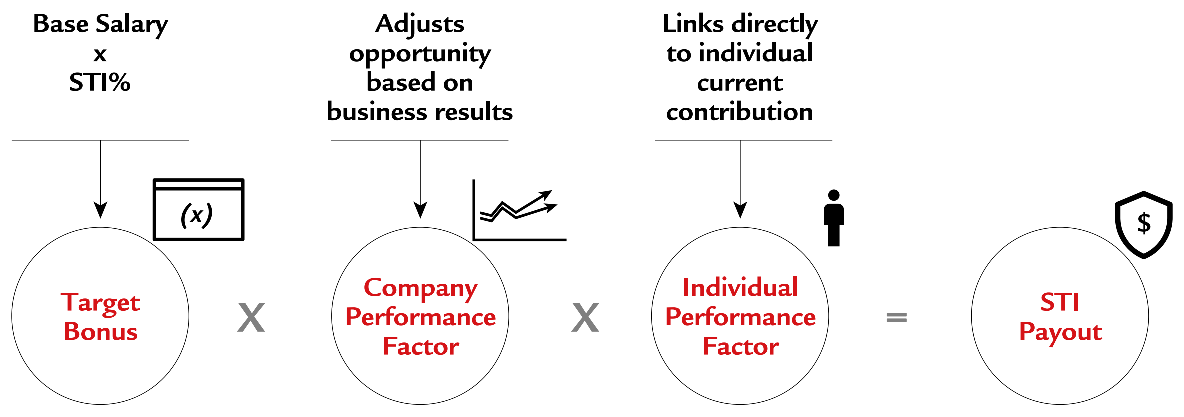
Variable components

Executive directors and SMT 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 SMT members' variable remuneration are linked to predetermined, assessable targets in order to create long-term value for the shareholders.

Short-term incentives

The primary objective of our performance-based short-term variable cash-based incentives is to incentivize the executive directors and SMT members 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:



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 2019, the Compensation Committee defined the Company Performance Factor including four metrics:

- Net Revenues (20%);
- Consolidated Adjusted EBIT (20%);
- Consolidated EBITDA (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. 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.

As described above, our executive directors (Executive Chairman and CEO) were not included in the Short-Term Incentive Plan in 2019, as the focus of their role is primarily on the long-term view.

Long-term incentives

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 CEO, the Executive Chairman and SMT members of the Group to increasing shareholder value.

/ 1. Remuneration Strategy for the 2019 Financial Year

Equity Incentive Plan 2019-2021

On February 26, 2019, the Board of Directors approved a new equity incentive plan covering a performance period from 2019 to 2021. The Equity Incentive Plan 2019-2021 is consistent with the Company's business plan presented at the Capital Markets Day in September 2018. Under the Equity Incentive Plan 2019-2021, a combination of performance share units ("PSUs") and retention restricted share units ("RSUs"), each representing the right to receive one Ferrari common share, have been awarded to the Executive Chairman and the CEO of the Company (as approved by Annual General Meeting on April 12, 2019), as well as to members of the SMT and other key employees of the Group.

The Equity Incentive Plan 2019-2021 has the features described below.

The PSU awards are based on the achievement of defined key performance indicators relating to: i) a relative total shareholder return ("TSR") target (which is relative to the TSR of a 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 will vest conditional on the Chairman's and CEO's continued employment with the Company at the time of vesting.

	Type of Equity Long-Term Incentive Vehicle	Proportion of Equity Long-Term Grant	Vesting Cycle	Performance Metrics (Weighting)
Executive Chairman	Performance Share Units (PSUs)	67%	3-years cliff vesting	1) TSR (50%) 2) EBITDA (30%) 3) Innovation Performance Goal (20%)
	Retention Restricted Share Units (RSUs)	33%	3-years cliff vesting	N/A
CEO	Performance Share Units (PSUs)	67%	3-years installment vesting: - 12% after 1 year - 12% after 2 years - 76% after 3 years	1) TSR (50%) 2) EBITDA (30%) 3) Innovation Performance Goal (20%)
	Retention Restricted Share Units (RSUs)	33%	3-years installment vesting: - 33% after 1 year - 33% after 2 years - 34% after 3 years	N/A

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 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.

<table>
<tr><th>Metrics (weight)</th><th>Metrics (type)</th><th>Benchmark</th><th>Rationale</th><th>Link between pay and performance</th></tr>
<tr><td>TSR (50%)</td><td>Financial criteria</td><td>New Peer Group* (8 companies: Ferrari, Aston Martin, Burberry, Hermes, Kering, LVMH, Moncler, Richemont)</td><td>TSR is tracked for both Ferrari and the companies in the defined New Peer Group calculating starting and ending prices as an average of the 30 calendar days prior to grant and award date.</td><td><table><tr><th>Ranking</th><th>% of Target Awards</th></tr><tr><td>1°</td><td>150%</td></tr><tr><td>2°</td><td>120%</td></tr><tr><td>3°</td><td>100%</td></tr><tr><td>4°</td><td>75%</td></tr><tr><td>5°</td><td>50%</td></tr><tr><td>6° - 7° - 8°</td><td>0%</td></tr></table></td></tr>
<tr><td>EBITDA (30%)</td><td>Financial criteria</td><td>5-year Business Plan</td><td>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.</td><td><table><tr><th>Performance</th><th>Payout</th></tr><tr><td>+10%</td><td>140%</td></tr><tr><td>+5%</td><td>120%</td></tr><tr><td>5 Years Plan</td><td>100%</td></tr><tr><td>-5%</td><td>80%</td></tr><tr><td><-5%</td><td>0%</td></tr></table></td></tr>
<tr><td>Innovation Performance Factor (20%)</td><td>Non-financial criteria</td><td>Critical project milestones</td><td colspan="2">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.</td></tr>
</table>

*Tiffany was removed from the New Peer Group as a consequence of its recently announced acquisition by LVMH in November 2019.

Our non-financial criterion, the Innovation Performance Factor. was added in the Equity Incentive Plan 2019-2021 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.

In relation to the vesting of the PSUs awarded to the CEO, for the interim performance periods ending on December 31, 2019 and December 31, 2020, a maximum of 100% of the units subject to the TSR and EBITDA payout factors may be earned and vest even in case of over-performance. Only at the end of the last interim performance period, ending on December 31, 2021, the plan recognizes a possible over-achievement through the recognition of a payout higher than the target award.

In relation to the vesting of the awards to the Chairman, the vesting of all units will occur after the end of the performance period (December 31, 2021), assuming the conditions for vesting are satisfied.

The performance period for the PSUs commenced on January 1, 2019. 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 and the fair value of the PSUs that were granted to Mr. Camilleri in 2019 is €111.25 per share.

/ 1. Remuneration Strategy for the 2019 Financial Year

The key assumptions utilized to calculate the grant-date fair values for these awards are summarized below:

Key Assumptions	PSU Awards Granted to the Chairman and the CEO in 2019
Grant date share price	€122.90
Expected volatility	26.5%
Dividend yield	0.9%
Risk-free rate	0%

The expected volatility was based on the observed volatility of the Peer Group. The risk-free rate was based on the iBoxx sovereign Eurozone yield.

While the RSUs granted to Mr. Camilleri will vest in 2020, 2021 and 2022 subject to continued employment with the Company, the RSUs granted to Mr Elkann have a three-years cliff vesting period and will vest in 2022 subject to continued employment with the Company. The fair value of the RSUs that were granted to Mr. Elkann in 2019 is €119.54 and the fair value of the RSUs that were granted to Mr. Camilleri in 2019 is €120.56.

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 counseling. The Compensation Committee may grant other benefits to the executive directors in particular circumstances.

Severance

We offer customary perquisites to our CEO. If the Company terminates his services for reasons other than for cause (as defined) or if he terminates his services for good reason (as defined), the Company will pay the CEO an amount equal to his annual base salary, in the amount received for the last fiscal year prior to termination of his services (the "Severance"). If within twenty-four months following a change of control (as defined), the CEO's services are terminated by the Company (other than for cause), or are terminated by the CEO for good reason, the CEO is entitled to receive the Severance and accelerated vesting of awards under his long-term incentive plan.

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 the absence of prescribed methodologies within the Dutch Corporate Governance Code, for the financial year 2019 we chose to show two different internal pay ratios:

1. Fixed Pay Ratio: considers the annual fixed salary of our executive directors versus the median employee's base salary.

Using the CEO's fixed remuneration of €700,000 in 2019, the resulting CEO pay ratio versus the median employee base salary was 22 (in 2018: 16). The change in the CEO pay ratio is primarily caused by the increase of the CEO's fixed salary from €500,000 in 2018 to €700,000 in 2019. Similarly, the resulting Chairman pay ratio using the Chairman's fixed remuneration versus the median employee base salary was 7.9 for 2019 (not applicable in 2018 as the Chairman did not hold an executive role).

2. Total Pay Ratio: considers the annual target compensation of our executives directors versus the median employee's compensation, consisting of actual fixed and variable compensation, excluding fringe benefits and social contributions.

Using the CEO's target annual compensation of €5.2 million, the resulting CEO pay ratio versus the median employee was 138 (in 2018: 148). The change in the CEO pay ratio is primarily caused by the increase of the median employee's compensation from €35,100 in 2018 to €37,694 in 2019, in line with our compensation strategy linked to the Group's performance. Similarly, the resulting Chairman pay ratio using the Chairman's targeted annual compensation of €1.0 million versus the median employee was 26.5 (not applicable in 2018 as the Chairman did not hold an executive role).

The methodology used to calculate the "Fixed Pay Ratio", which takes only the fixed remuneration component and excludes the variable components of compensation, was originally chosen for the following two reasons. First, the overall compensation package (including fixed and variable components) depends on the results achieved by Group. Therefore, poor performance would imply low or null variable remuneration, thereby reducing the pay ratio, with less efficient performance resulting in a lower ratio, which may wrongly signal a virtuous development. Secondly, we exclude variable compensation to ensure comparability of the ratio over time, and to avoid the ratio being skewed in different periods by the vesting features of the plan. We added the "Total Pay Ratio" disclosure in 2019 in order to provide a more complete internal pay ratio disclosure and offer additional insight into the pay ratio when the target annual compensation of our executive directors is considered.

The development of these ratios and any prescribed methodologies within the Dutch Corporate Governance Code will be monitored and disclosed going forward.

Recoupment of incentive compensation (claw back policy)

The long-term incentive plans (the Equity Incentive Plan 2016-2020 and the Equity Incentive Plan 2019-2021) 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 2 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.

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, SMT members and senior leaders and key employees with those of the shareholders. As of the end of the 2019 financial year, covered employees should own Ferrari common shares in the following minimum amounts (as multiple of net base salary):

Incumbent	Share Ownership Guideline
Executive Chairman and Chief Executive Officer	6 times net base salary
Other SMT members	3 times net base salary
Other senior leaders	1.5 times net base salary
Other key employees	1 times net base salary

The Chairman and the Chief Executive Officer are each required to retain one hundred percent (100%) of net, after-tax shares of common stock issued 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 death, termination of service due to total disability, approved leave of absence or retirement.

The above listed covered employees are required to achieve the applicable ownership threshold within

/ 1. Remuneration Strategy for the 2019 Financial Year

5 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.

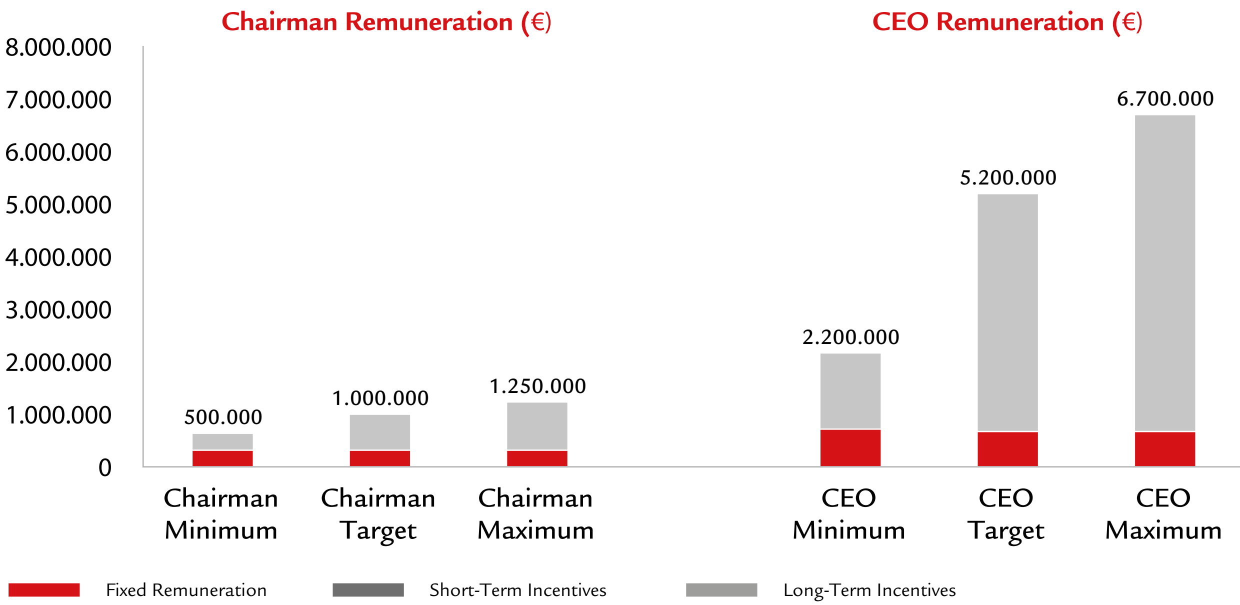
Scenario analysis

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 Executive Chairman and our CEO (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 Chairman's and our CEO's long-term incentive plan (i.e. the TSR, EBITDA and Innovation Performance Factor), which represents a significant part of the Executive Chairman's and the CEO's compensation package, supports both Ferrari's business strategy and value creation for our shareholders.

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 current Executive Directors could receive under different scenarios in a calendar year, assuming a constant share price (i.e. no appreciation):

Element of remuneration	Details of assumption
Fixed remuneration	This comprises base salary with effect from January 1, 2020. The Executive Chairman salary will be €250,000 and the CEO salary will be €700,000.
Short-term Incentive Plan	The Chairman and the CEO compensation packages do not include short-term incentives.
Long-term Incentive Plan	Executive Chairman: – in case of failure to achieve any of the performance criteria the scenario assumes no award of PSUs and solely the payment of RSUs; – in case of achievement of the targets for each of the performance criteria, the scenario assumes an award equal to target pay opportunity (300% 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 (400% of base salary). CEO: – in case of failure to achieve any of the performance criteria the scenario assumes no award of PSUs and solely the payment of RSUs; – in case of achievement of the targets for each of the performance criteria the scenario assumes the award equal to target pay opportunity (643% of base salary); – in case of achievement of the maximum for each of the performance criteria the scenario assumes the award equal to maximum pay opportunity (857% of base salary).



N.B. Details about the actual CEO remuneration in the section 2. Implementation of Remuneration Policy in 2019.

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 Annual General Meeting of Shareholders' of the Company, held on April 13, 2018) is:

- $75,000 for each non-executive director.
- An additional $10,000 for each member of the Audit Committee and $20,000 for the Audit Committee Chairman.
- An additional $5,000 for each member of the Compensation Committee and the Governance and Sustainability Committee, and $15,000 for the Compensation Committee Chairman and the Governance and Sustainability Committee Chairman.
- An additional $25,000 for the senior non-executive director.

All remuneration of the non-executive directors is paid in cash.

2. Implementation of Remuneration Strategy in 2019

Introduction

This section sets out the implementation of Ferrari's remuneration strategy for the year ended December 31, 2019. The remuneration granted in the year ended December 31, 2019 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, 2019 from Ferrari and its subsidiaries:

Name	Office held	Fixed remuneration		Variable remuneration[3] (€)	Extraordinary items (€)	Pension expense (€)	Total remuneration in 2019[4] (€)
		Annual fee (€)	Fringe benefits (€)				
John Elkann[1]	Chairman and Executive Director	211,666	11,920[2]	-		-	223,586
Louis C. Camilleri	Chief Executive Officer and Executive Director	700,000	3,668[2]	-	183,587[5]	-	887,255
Total	**Executive Directors**	**911,666**	**15,588**	**-**	**183,587**	**-**	**1,110,841**
Piero Ferrari	Vice Chairman and Non-Executive Director	71,552	11,920[2]	-	-	-	83,472
Sergio Duca	Senior Non-Executive Director	109,810	-	-	-	-	109,810
Delphine Arnault	Non-Executive Director	67,080	-	-	-	-	67,080
Giuseppina Capaldo	Non-Executive Director	86,465	-	-	-	-	86,465
Eddy Cue	Non-Executive Director	73,542	-	-	-	-	73,542
Lapo Elkann[6]	Non-Executive Director	18,627	-	-	-	-	18,627
Amedeo Felisa[6]	Non-Executive Director	18,627	-	-	-	-	18,627
Maria Patrizia Grieco	Non-Executive Director	76,024	-	-	-	-	76,024
Adam Keswick	Non-Executive Director	67,080	-	-	-	-	67,080
Elena Zambon	Non-Executive Director	74,535	-	-	-	-	74,535
Total	**Non-Executive Directors**	**663,342**	**11,920**	**-**	**-**	**-**	**675,262**

[1] 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.
[2] Relate to car benefits provided to Mr, Camilleri, Mr. Elkann and Mr. Ferrari in accordance with the remuneration policy.
[3] For information regarding Equity Based Variable Compensation see Share-Based Compensation of Executive Directors below.
[4] Certain amounts have been translated from U.S. Dollars to Euro.
[5] The amount includes an extraordinary lump sum to compensate the Italian taxation impact on the CEO's relocation to Italy.
[6] Mr. Lapo Elkann and Mr. Amedeo Felisa were Non-Executive Directors from 01/01/2019 to 04/12/2019.

The following table summarizes the remuneration received by the members of the Board of Directors for the year ended December 31, 2018 from Ferrari and its subsidiaries:

Name	Office held	Fixed remuneration		Variable remuneration (€)	Extraordinary items (€)	Pension expense (€)	Total remuneration in 2018[5] (€)
		Annual fee (€)	Fringe benefits[2] (€)				
John Elkann[1]	Chairman and Executive Director	79,554	13,025	-	-	-	92,579
Louis C. Camilleri[3]	Chief Executive Officer and Executive Director	270,412	-	-	-	-	270,412
Total	**Executive Directors**	**349,966**	**13,025**	**-**	**-**	**-**	**362,991**
Piero Ferrari	Vice Chairman and Non-Executive Director	68,149	12,397	-	-	-	80,546
Sergio Duca[4]	Senior Non-Executive Director	94,890	-	-	-	-	94,890
Delphine Arnault	Non-Executive Director	63,889	-	-	-	-	63,889
Giuseppina Capaldo	Non-Executive Director	73,781	-	-	-	-	73,781
Eddy Cue	Non-Executive Director	68,149	-	-	-	-	68,149
Lapo Elkann[6]	Non-Executive Director	63,889	-	-	-	-	63,889
Amedeo Felisa[6]	Non-Executive Director	63,889	-	-	-	-	63,889
Maria Patrizia Grieco	Non-Executive Director	72,408	-	-	-	-	72,408
Adam Keswick	Non-Executive Director	63,889	-	-	-	-	63,889
Elena Zambon	Non-Executive Director	72,030	-	-	-	-	72,030
Total	**Non-Executive Directors**	**704,963**	**12,397**	**-**	**-**	**-**	**717,360**

[1] 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.

[2] Fringe benefits relate to car benefits provided to Mr. Elkann and Mr. Ferrari in accordance with the remuneration policy.

[3] 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.

[4] From 07/21/2018 to 12/31/2018: Senior Non-Executive Director.

[5] Certain amounts have been translated from U.S. Dollars to Euro.

/ 2. Implementation of Remuneration Strategy in 2019

The following table shows a comparison of the total remuneration of directors over the last four years, based on Ferrari directors who served as directors in 2019. Compensation data for 2015 is not included as the Company was not a Dutch-listed company at December 31, 2015.

DIRECTORS' TOTAL REMUNERATION (€)

		2019	2018	2017	2016
John Elkann	Chairman and Executive Director	223,586[1]	92,579[2]	115,317	142,864
Louis C. Camilleri	Chief Executive Officer and Executive Director	887,255	270,412[3]	133,021	214,987
Piero Ferrari	Vice Chairman and Non-Executive Director	83,472	80,546	111,919	193,610
Sergio Duca	Senior Non-Executive Director	109,810	94,890[4]	119,743	212,506
Delphine Arnault	Non-Executive Director	67,080	63,889	97,614	130,637
Giuseppina Capaldo	Non-Executive Director	86,465	73,781	106,465	195,162
Eddy Cue	Non-Executive Director	73,542	68,149	102,039	186,170
Lapo Elkann	Non-Executive Director	18,627[7]	63,889	97,614	133,665
Amedeo Felisa	Non-Executive Director	18,627[7]	63,889	87,655[5]	6,750,315[6]
Maria Patrizia Grieco	Non-Executive Director	76,024	72,408	106,465	136,750
Adam Keswick	Non-Executive Director	67,080	63,889	97,614	130,637
Elena Zambon	Non-Executive Director	74,535	72,030	102,039	189,138

COMPANY PERFORMANCE (€ MILLION)

	2019	2018	2017	2016
Adjusted EBITDA	1,269	1,114	1,036	880

MEDIAN OF FIXED REMUNERATION ON A FULL-TIME EQUIVALENT BASIS OF EMPLOYEES[*] (€)

	2019	2018	2017	2016
Median fixed remuneration of employees	31,782	30,600	30,385	29,938

[*] This information does not include the "Premio di Competitività", which is on top of the fixed remuneration.

[1] 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.

[2] 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.

[3] 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.

[4] From 07/21/2018 to 12/31/2018: Senior Non-Executive Director

[5] Mr. Felisa served on the Board of Directors as Executive Director with a specific consultancy contract until the Annual General Meeting of Shareholders held on 04/14/17, following which Mr. Felisa served as Non-Executive Director.

[6] On May 2, 2016 Mr. Amedeo Felisa retired as Chief Executive Officer. His role was taken by Mr. Sergio Marchionne who assumed the Chief Executive Officer's responsibilities while also retaining his role as Chairman of the Company. Mr. Felisa continued to serve on the Board of Directors of Ferrari as Executive Director with a specific consultancy contract until the Annual General Meeting of Shareholders held in April 2017 following which Mr. Felisa served as non-executive director. Base premium salary includes €814 thousand for his role as Chief Executive Officer from 01/01/2016 to 05/01 2016 and €167 thousand pursuant to the abovementioned consultancy contract from 05/02/2016 to 12/31/2016. Other includes €5,500 thousand for retirement package.

[7] Mr. Lapo Elkan and Mr. Amedeo Felisa were Non-Executive Directors from 01/01/2019 to 04/12/2019

Share-Based Compensation of Executive Directors

The following table gives an overview of the outstanding equity incentive plans provided to Ferrari Executive Directors in 2019:

Name, position	Main conditions of share award plans				Movements in share awards during 2019				
	Plan	Performance period	Grant date	Vesting date	Number of unvested shares at January 1, 2019	Shares awarded	Shares vested	Number of unvested shares at December 31, 2019	*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*
Louis C. Camilleri, CEO	Equity Incentive Plan 2016-2020	2016 - 2020	September 2018	March 2019	17,108	-	17,108	-	*11,405*
	Equity Incentive Plan 2019-2021	2019 - 2021	April 2019	March 2020 March 2021 March 2022	-	124,218	-	124,218	*82,812*

In 2017, the Board of Directors and the Shareholders approved an incentive plan covering the performance period from 2016-2020 (the "Equity Incentive Plan 2016-2020"). The Equity Incentive Plan 2016-2020 is comprised of a performance-based component represented by PSUs, equal to two thirds of the total share units granted, and a service-based component represented by RSUs covering the remaining one third of share units granted, each of which units represents the right to receive one common share of the Company. Under the terms of the Equity Incentive Plan 2016-2020, the PSUs vest subject to the achievement of a market performance condition related to the Company's TSR compared to a peer group which was comprised of Ferrari and other seven companies (i.e., Brunello Cucinelli, Burberry, Ferragamo, Hermes, LVMH, Moncler and Richemont); the RSUs vest subject to the beneficiary's continued employment with the Company.

The following table summarizes, from a pay-for-performance perspective, the performance of our CEO in 2019 with specific reference to Ferrari's TSR performance against its industry-specific defined peer group, since it was the only performance indicator relating to PSU awards granted to our CEO in 2019. It should be noted that our CEO compensation package for 2019 did not include any short-term incentives:

Name	Position held	a) Description of the performance criteria b) Applicable performance	Relative weighting of the performance criteria	Information on performance targets			a) Actual performance b) Actual payout
				a) Threshold performance b) Corresponding award	a) Target performance b) Corresponding award	a) Maximum performance b) Corresponding award	
Louis C. Camilleri	Chief Executive Officer	a) 3-year TSR (from January 4, 2016 to December 31, 2018)	100.00%	a) 5th out of 8 Companies	a) 3rd out of 8 Companies	a) 1st out of 8 Companies	a) 3rd out of 8 Companies
		b) Equity Incentive Plan 2016-2020		b) 50% of Target Award	b) 100% of Target Award	b) 150% of Target Award	b) 100% of Target Award

/ 2. Implementation of Remuneration Strategy in 2019

The former Chairman and Chief Executive Officer of the Company, Mr. Sergio Marchionne, was the beneficiary of PSU awards under the Equity Incentive Plan 2016-2020. Under the terms and conditions of the applicable award agreement, the PSUs awarded to Mr. Marchionne under the plan remain outstanding following Mr. Marchionne's death in July 2018 for the benefit of his heirs, and are eligible to be earned based on the actual performance of the Company and in accordance with the other terms and conditions of the award agreement. For the first tranche of the PSU awards under the Equity Incentive Plan 2016-2020, which cover the performance period from 2016 to 2018, Ferrari ranked third in TSR within the defined industry-specific peer group applicable to the plan, corresponding to the vesting of 100 percent of the target PSUs awarded for the related period. As a result, in 2019 150,000 PSU awards previously granted to Mr. Marchionne under the Equity Incentive Plan 2016-2020 vested. A further 300,000 PSU awards previously awarded under the plan remain outstanding at December 31, 2019 and are subject to vesting based on the actual performance of the Company compared to the peer group over the related performance periods from 2016 to 2019 and 2016 to 2020.

Compensation of the members of the SMT

The compensation paid to or accrued during the year ended December 31, 2019 by Ferrari and its subsidiaries to the members of the SMT (excluding the CEO) amounted to €19.9 million in aggregate, including €14.5 million for short-term incentives, €0.2 million for the Group's contributions to pension funds and €5.2 million for share-based compensation in relation to PSUs and RSUs granted under the Group's equity incentive plans. The PSU and RSU awards vest in three equal tranches in 2019, 2020 and 2021, subject to continued employment and, for the PSU awards, the achievement of a market performance condition related to TSR, as described above. Given Ferrari's third place positioning in the TSR ranking against the Peer Group for the first tranche of the Equity Incentive Plan 2016-2020, which covers the performance period from 2016 to 2018, at December 31, 2019 29,444 PSUs and 14,722 RSUs had vested for SMT members (excluding the CEO).

Director and Officer Overlaps

There are overlaps among the directors and officers of 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 FCA and the Chairman and Chief Executive Officer of Exor. At February 7, 2020, Exor held approximately 24.0 percent of our outstanding common shares and approximately 35.8 percent of the voting power in the Company, while it holds approximately 29.0 percent of the outstanding common shares and 42.1 percent of the voting power in FCA, 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 FCA and Exor and its related companies*".

Financial Statements

Consolidated Financial Statements
and Notes at December 31, 2019

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Consolidated Income Statement

for the years ended December 31, 2019, 2018 and 2017

(€ thousand)		For the years ended December 31,		
	Note	2019	2018	2017
Net revenues	4	3,766,615	3,420,321	3,416,890
Cost of sales	5	1,805,310	1,622,905	1,650,860
Selling, general and administrative costs	6	343,179	327,341	329,065
Research and development costs	7	699,211	643,038	657,119
Other expenses, net		4,991	3,195	6,867
Result from investments	8	3,522	2,665	2,437
EBIT		**917,446**	**826,507**	**775,416**
Net financial expenses	9	42,082	23,563	29,260
Profit before taxes		**875,364**	**802,944**	**746,156**
Income tax expense	10	176,656	16,317	208,760
Net profit		**698,708**	**786,627**	**537,396**
Net profit attributable to:				
Owners of the parent		*695,818*	*784,678*	*535,393*
Non-controlling interests	3	*2,890*	*1,949*	*2,003*
Basic earnings per common share (in €)	12	3.73	4.16	2.83
Diluted earnings per common share (in €)	12	3.71	4.14	2.82

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income
for the years ended December 31, 2019, 2018 and 2017

(€ thousand)		For the years ended December 31,		
	Note	2019	2018	2017
Net profit		**698,708**	**786,627**	**537,396**
Items that will not be reclassified to the consolidated income statement in subsequent periods:				
(Losses)/Gains on remeasurement of defined benefit plans	20	(2,078)	385	(730)
Related tax impact	20	456	(88)	203
Total items that will not be reclassified to the consolidated income statement in subsequent periods		**(1,622)**	**297**	**(527)**
Items that may be reclassified to the consolidated income statement in subsequent periods:				
(Losses)/Gains on cash flow hedging instruments	20	(2,272)	(13,034)	34,971
Exchange differences on translating foreign operations	20	2,652	5,986	(15,346)
Related tax impact	20	610	3,608	(9,757)
Total items that may be reclassified to the consolidated income statement in subsequent periods		**990**	**(3,440)**	**9,868**
Total other comprehensive (loss)/income, net of tax		**(632)**	**(3,143)**	**9,341**
Total comprehensive income		**698,076**	**783,484**	**546,737**
Total comprehensive income attributable to:				
Owners of the parent		*695,075*	*781,585*	*545,071*
Non-controlling interests		*3,001*	*1,899*	*1,666*

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Financial Position
at December 31, 2019 and 2018

(€ thousand)		At December 31,	
	Note	2019	2018
Assets			
Goodwill	13	785,182	785,182
Intangible assets	14	837,938	645,797
Property, plant and equipment	15	1,069,652	850,550
Investments and other financial assets	16	38,716	32,134
Deferred tax assets	10	73,683	60,744
Total non-current assets		**2,805,171**	**2,374,407**
Inventories	17	420,051	391,064
Trade receivables	18	231,439	211,399
Receivables from financing activities	18	966,448	878,496
Current tax receivables	18	21,078	128,234
Other current assets	18	92,830	64,295
Current financial assets	19	11,409	10,174
Cash and cash equivalents		897,946	793,664
Total current assets		**2,641,201**	**2,477,326**
Total assets		**5,446,372**	**4,851,733**
Equity and liabilities			
Equity attributable to owners of the parent		1,481,290	1,348,722
Non-controlling interests	3	5,998	5,117
Total equity	20	**1,487,288**	**1,353,839**
Employee benefits	22	88,116	86,575
Provisions	23	165,572	182,539
Deferred tax liabilities	10	82,208	39,142
Debt	24	2,089,737	1,927,167
Other liabilities	25	800,015	589,743
Other financial liabilities	19	14,791	11,342
Trade payables	26	711,539	653,751
Current tax payables		7,106	7,635
Total equity and liabilities		**5,446,372**	**4,851,733**

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Cash Flows

for the years ended December 31, 2019, 2018 and 2017

(€ thousand)	For the years ended December 31,		
	2019	2018	2017
Cash and cash equivalents at beginning of the year	**793,664**	**647,706**	**457,784**
Cash flows from operating activities:			
Profit before taxes	875,364	802,944	746,156
Amortization and depreciation	351,946	288,748	260,606
Provision accruals	14,253	15,573	13,473
Result from investments	(3,522)	(2,665)	(2,437)
Net finance costs	42,082	23,563	29,260
Other non-cash expenses, net	38,563	33,012	43,453
Net gains on disposal of property, plant and equipment and intangible assets	424	(283)	(2,585)
Change in inventories	(40,627)	(4,638)	(88,483)
Change in trade receivables	(22,377)	26,890	(1,745)
Change in trade payables	53,940	40,317	29,333
Change in receivables from financing activities	(76,694)	(107,353)	(44,123)
Change in other operating assets and liabilities	145,547	(83,013)	(72,803)
Finance income received	3,274	2,657	4,402
Finance costs paid	(42,600)	(13,966)	(36,222)
Income tax paid	(33,480)	(87,745)	(215,486)
Total	**1,306,093**	**934,041**	**662,799**
Cash flows used in investing activities:			
Investments in property, plant and equipment	(352,154)	(300,794)	(188,904)
Investments in intangible assets	(353,458)	(337,542)	(202,506)
Proceeds from the sale of property, plant and equipment and intangible assets	4,539	1,392	3,663
Proceeds from exercising the Delta Topco option	—	—	8,307
Total	**(701,073)**	**(636,944)**	**(379,440)**
Cash flows used in financing activities:			
Proceeds from the issuance of bonds and notes	298,316	—	694,172
Repayment of bonds and notes	(315,395)	—	—
Net change in bank borrowings	(3,516)	(3,584)	(790,869)
Proceeds from securitizations, net of repayments	92,173	94,709	141,115
Net change in lease liabilities	(3,896)	—	—
Net change in other debt	12,322	(7,988)	(8,280)
Dividends paid to owners of the parent	(192,664)	(133,095)	—
Cash distribution of reserves	—	—	(119,985)
Share repurchases	(386,749)	(100,093)	—
Dividends paid to non-controlling interest	(2,120	(2,040)	(1,218)
Total	**(501,529)**	**(152,091)**	**(85,065)**
Translation exchange differences	791	952	(8,372)
Total change in cash and cash equivalents	**104,282**	**145,958**	**189,922**
Cash and cash equivalents at end of the year	**897,946**	**793,664**	**647,706**

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

for the years ended December 31, 2019, 2018 and 2017

(€ 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, 2017	**2,504**	**302,336**	**(18,780)**	**46,823**	**(7,888)**	**324,995**	**4,810**	**329,805**
Net profit	—	535,393	—	—	—	**535,393**	2,003	**537,396**
Other comprehensive income/(loss)	—	—	25,214	(15,009)	(527)	**9,678**	(337)	**9,341**
Cash distribution of reserves	—	(119,985)	—	—	—	**(119,985)**	—	**(119,985)**
Dividends to non-controlling interests	—	—	—	—	—	**—**	(1,218)	**(1,218)**
Share-based compensation	—	28,597	—	—	—	**28,597**	—	**28,597**
At December 31, 2017	**2,504**	**746,341**	**6,434**	**31,814**	**(8,415)**	**778,678**	**5,258**	**783,936**
Net profit	—	784,678	—	—	—	**784,678**	1,949	**786,627**
Other comprehensive (loss)/income	—	—	(9,426)	6,036	297	**(3,093)**	(50)	**(3,143)**
Dividends to owners of the parent	—	(133,939)	—	—	—	**(133,939)**	—	**(133,939)**
Dividends to non-controlling interests	—	—	—	—	—	**—**	(2,040)	**(2,040)**
Share repurchases	—	(100,093)	—	—	—	**(100,093)**	—	**(100,093)**
Share-based compensation	—	22,491	—	—	—	**22,491**	—	**22,491**
At December 31, 2018	**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 (loss)/income	—	—	(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**

[1] See Note 20 “Equity” for additional details.

The accompanying notes are an integral part of the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements
at December 31, 2018 and 2017

1. Background and basis of presentation

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 166 authorized dealers operating 187 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 20 Ferrari-owned stores and 24 franchised stores (including 15 Ferrari Store Junior), as well as on the Group'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. Ferrari also participates in the Formula 1 World Championship through Scuderia Ferrari. The activities of Scuderia Ferrari are the 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 on February 18, 2020.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"), 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 are prepared under a going concern basis and applying the historical cost method, modified as required for the measurement of certain financial instruments.

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 (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 also 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 Group's Chief Operating Decision Maker ("CODM") to assess performance.

For 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, 2019

The following new standards and amendments that are applicable from January 1, 2019 were adopted by the Group for the preparation of these Consolidated Financial Statements.

IFRS 16 - Leases

Transition impact

The Group applied the simplified transition approach and has therefore recognized the impacts of adoption at January 1, 2019 without restating comparative figures for the period prior to adoption. The Group elected to use the exemptions permitted on transition for short term leases (contracts in which the lease terms ends within 12 months of the date of initial application) and lease contracts for which the underlying asset is of low value.

/ 2. Significant accounting policies

Upon adoption, the Group recognized right-of-use assets and corresponding lease liabilities in relation to leases which had previously been classified as operating lease under IAS 17, measured at the present value of the remaining lease payments over the lease term that have not been paid at the date of adoption, discounted using the Group's incremental borrowing rate as of January 1, 2019, 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. At January 1, 2019 this rate ranged from 1 percent to 5 percent based primarily on the country of the lessee and the remaining lease term of the underlying leased assets. The lease term includes both the non-cancellable periods for which the Group has the right to use the underlying assets and also any renewal periods if the Group is reasonably certain to exercise the related renewal option.

As of January 1, 2019, after considering the exemptions mentioned above, the Group had non-cancellable operating lease commitments of approximately €74,930 thousand. Of these commitments, the Group recognized right-of-use assets and related lease liabilities of €63,535 thousand.

The main contracts within the scope of IFRS 16 for which the Group is lessee primarily relate to Ferrari stores (included within other assets) and industrial buildings.

(€ thousand)	At December 31, 2019	At January 1, 2019
Industrial buildings	15,834	17,226
Plant, machinery and equipment	7,612	10,011
Other assets	34,319	36,298
Right-of-use assets	**57,765**	**63,535**

(€ thousand)	At January 1, 2019
Non-cancellable operating lease commitments	74,930
Lease contracts for which the underlying asset is of low value	(1,008)
Lease contracts for which the lease terms ends within 12 months	(2,420)
Discount of remaining lease payments	(7,967)
Lease liabilities	**63,535**

Upon adoption the Group did not recognize any deferred tax assets or liabilities in respect of temporary differences arising on initial recognition of right-of-use assets and lease liabilities as the initial recognition does not affect accounting profit or taxable profit.

For the year ended December 31, 2019 the impact of adopting the new standard resulted in the recognition of €17,067 thousand of depreciation of right-of-use assets and €1,172 thousand of financial expenses. Lease expenses that would have been recognized in the income statement under the previous lease standard, IAS 17, would have been €17,380 thousand.

There were no impacts arising on the application of IFRS 16 from the Group's activities as lessor.

See *"Leases"* below for a description of the Group's accounting policy with respect to leases.

IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments

The Group adopted *IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments*. The interpretation provides provides specific guidance to recognise and measure the accounting impact of tax uncertainties which IAS 12 did not address. Particularly, IFRIC 23 specifies how to determine the unit of account and the recognition and measurement guidance to be applied to that unit, as well as when to reconsider the accounting for a tax uncertainty. The interpretation is effective on or after January 1, 2019. The Group has reviewed its previously designed model to account for tax uncertainties and assessed that it is consistent with the more specific IFRIC 23 requirements.

Amendments to IFRS 9 - Financial Instruments

The Group adopted *Amendments to IFRS 9 - Financial Instruments*. These amendments allow, under certain conditions, for a prepayable financial asset with negative compensation payments to be measured at amortized cost or at fair value through other comprehensive income. The amendments also contain a clarification relating to the accounting for a modification or exchange of a financial liability measured at amortized cost that does not result in the derecognition of the financial liability. The amendments are effective on or after January 1, 2019. There was no effect from the adoption of these amendments.

Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures

The Group adopted *Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures*. These amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The amendments are effective on or after January 1, 2019. There was no effect from the adoption of these amendments.

Amendments to IAS 19 - Employee Benefits

The Group adopted *Amendments to IAS 19 - Employee Benefits*. These amendments require that when there is a change to a defined benefit plan (an amendment, curtailment or settlement) the company use the adopted assumptions from the remeasurement of a net defined benefit liability or asset to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. The amendments are effective on or after January 1, 2019. There was no effect from the adoption of these amendments.

Annual Improvements to IFRSs 2015-2017 Cycle

The Group adopted *Annual Improvements to IFRSs 2015-2017 Cycle*. The improvements have amended four standards with effective date of January 1, 2019: *i) IFRS 3 - Business Combinations*, in relation to obtaining control of a business which was previously accounted for as an interest in a joint operation; *ii) IFRS 11 - Joint Arrangements*, in relation to obtaining joint control of a business which was previously accounted for as a joint operation; *iii) IAS 12 - Income Taxes*, clarifying the treatment of taxes in relation to dividend payments; and *iv) IAS 23 - Borrowing Costs*, clarifying the treatment of borrowings which were previously capitalized when the related asset is ready for its intended use or sale. There was no effect from the adoption of these amendments.

/ 2. Significant accounting policies

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 2020 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. IFRS 17 is effective on or after January 1, 2021 with early adoption allowed if IFRS 15 - Revenue from Contracts with Customers and IFRS 9 - Financial Instruments are also applied. The Group does not expect any impact from the adoption of this standard.

In October 2018 the IASB issued narrow scope amendments to *IFRS 3 - Business Combinations* to improve the definition of a business. The amendments aim to help companies determine whether an acquisition made is of a business or a group of assets. The amended definition emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. In addition to amending the definition of a business, supplementary guidance is provided. These amendments are effective on or after January 1, 2020. The Group does not expect any material impact from the adoption of these amendments.

In October 2018 the IASB issued amendments to *IAS 1 - Presentation of Financial Statements* and *IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors* to clarify the definition of 'material', as well as how materiality should be applied by including in the definition guidance that is included elsewhere in IFRS standards. In addition, the explanations accompanying the definition have been improved and the amendments ensure that the definition of material is consistent across all IFRS standards. These amendments are effective on or after January 1, 2020. The Group does not expect any material impact from the adoption of these amendments.

In September 2019 the IASB issued amendments to *IFRS 9 - Financial Instruments, IAS 39 - Financial Instruments: Recognition and Measurement* and *IFRS 7 - Financial Instruments: Disclosures*, collectively the "Interest Rate Benchmark Reform". These amendments modify certain hedge accounting requirements in order to provide relief from potential effects of the uncertainty caused by the interbank offered rates (IBOR) reform and require companies to provide additional information to investors about their hedging relationships that are directly affected by these uncertainties. These amendments are effective on or after January 1, 2020. 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, 2022. The Group does not expect any material impact from the adoption of these amendments.

Review of the Conceptual Framework for Financial Reporting

In March 2018 the IASB revised the *Conceptual Framework for Financial Reporting*, effective immediately for the IASB and the IFRS Interpretations Committee when setting future standards, and effective for annual reporting periods on or after January 1, 2020 for companies that use the *Conceptual Framework* to develop

accounting policies when no IFRS Standard applies to a particular transaction, with early application permitted. Key changes include (i) increasing the prominence of stewardship in the objective of financial reporting; (ii) reinstating prudence as a component of neutrality, defined as the exercise of caution when making judgements under conditions of uncertainty; (iii) defining a reporting entity; (iv) revising the definitions of an asset and a liability; (v) removing the probability threshold for recognition, and adding guidance on derecognition; (vi) adding guidance on the information provided by different measurement bases, and explaining factors to consider when selecting a measurement basis; and (vii) stating that profit or loss is the primary performance indicator and income and expenses in other comprehensive income should be recycled where the relevance or faithful representation of the financial statements would be enhanced. The Group does not expect a material impact from the adoption of the revised *Conceptual Framework*.

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

/ 2. Significant accounting policies

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:

	2019		2018		2017	
	Average	**At December 31,**	**Average**	**At December 31,**	**Average**	**At December 31,**
U.S. Dollar	1.1195	1.1234	1.1810	1.1450	1.1297	1.1993
Pound Sterling	0.8778	0.8508	0.8847	0.8945	0.8767	0.8872
Swiss Franc	1.1124	1.0854	1.1550	1.1269	1.1117	1.1702
Japanese Yen	122.0058	121.9400	130.3959	125.8500	126.7112	135.0100
Chinese Yuan	7.7355	7.8205	7.8081	7.8751	7.6290	7.8044
Australian Dollar	1.6109	1.5995	1.5797	1.6220	1.4732	1.5346
Canadian Dollar	1.4855	1.4598	1.5294	1.5605	1.4647	1.5039
Singapore Dollar	1.5273	1.5111	1.5926	1.5591	1.5588	1.6024
Hong Kong Dollar	8.7715	8.7473	9.2559	8.9675	8.8045	9.3720

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.

/ 2. Significant accounting policies

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 components (generally between four and eight years). All other research and development costs are expensed as incurred.

In particular the Group incurs significant research and development costs through the Formula 1 racing activities. These costs are considered fundamental to the development of the sports and street car models and prototypes. The model for the Formula 1 racing activities continually evolves and as such these costs are expensed as incurred.

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 those 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.

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. 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. If any such evidence exists, an impairment loss is recognized within financial expenses.

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 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.

/ 2. Significant accounting policies

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 still consolidated until collection from the customer.

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 Senior Management Team ("SMT") and other key employees of the Group. The equity incentive plans 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 the 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.

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 and one-off (*fuori serie)* 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

/ 2. Significant accounting policies

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 or extended warranty are recognized over time as the maintenance program or extended warranty is provided. 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.

/ 2. Significant accounting policies

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 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, 2019, 2018 and 2017.

Other taxes not based on income, such as property taxes and capital taxes, are included in other expenses, net.

With the adoption of IFRIC 23 on January 1, 2019, the Group reviewed its previously designed model to account for tax uncertainties and assessed that it is consistent with the more specific IFRIC 23 requirements.

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.

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, 2019 and 2018 was as follows:

Name	Country	Nature of business	At December 31, 2019		At December 31, 2018	
			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 (HK) Limited	Hong Kong	Importer and distributor	100%	—%	100%	—%
Ferrari International Cars Trading (Shanghai) Co. L.t.d.	China	Importer and distributor	80%	20%	80%	20%
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 (1)	Germany	Service company	100%	—%	100%	—%
G.S.A. S.A.	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 (2)	USA	Financial services	100%	—%	100%	—%
Ferrari Auto Securitization Transaction - Lease, LLC (2)	USA	Financial services	100%	—%	100%	—%
Ferrari Auto Securitization Transaction - Select, LLC (2)	USA	Financial services	100%	—%	100%	—%
Ferrari Financial Services Titling Trust (2)	USA	Financial services	100%	—%	100%	—%
410, Park Display Inc. (3)	USA	Retail	100%	—%	100%	—%

(1) Changed its name from Ferrari Central East Europe GmbH to Ferrari Central Europe GmbH, effective December 2, 2019.
(2) Shareholding held by Ferrari Financial Services Inc.
(3) Shareholding held by Ferrari North America Inc.

/ 3. Scope of consolidation

Non-controlling interests

The non-controlling interests at December 31, 2019 and 2018 and the net profit attributable to non-controlling interests for the years ended December 31, 2019, 2018 and 2017 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,	
	2019	**2018**
Equity attributable to non-controlling interests	5,998	5,117

(€ thousand)	For the years ended December 31,		
	2019	**2018**	**2017**
Net profit attributable to non-controlling interests	2,890	1,949	2,003

The non-controlling interests in FICTS are not considered to be significant to the Group for the relevant periods.

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 dividends. 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, 2019 amounted to €115,182 thousand (€77,790 thousand at December 31, 2018).

Cash collected from the settlement of receivables or lines of credit pledged as collateral 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 €27,524 thousand at December 31, 2019 (€26,497 thousand at December 31, 2018).

Segment reporting

The Group has determined that it has one operating and one reportable segment based on the information reviewed by its CODM 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

/ 3. Scope of consolidation

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. 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 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 its equity incentive plan 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 the 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 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.

4. Net revenues

Net revenues are as follows:

(€ thousand)	For the years ended December 31,		
	2019	**2018**	**2017**
Cars and spare parts	2,925,721	2,535,245	2,455,955
Engines	198,308	284,546	373,313
Sponsorship, commercial and brand	538,238	505,701	494,082
Other	104,348	94,829	93,540
Total net revenues	**3,766,615**	**3,420,321**	**3,416,890**

Other net revenues primarily relate to financial services activities and management of the Mugello racetrack.

5. Cost of sales

Cost of sales in 2019, 2018 and 2017 amounted to €1,805,310 thousand, €1,622,905 thousand and €1,650,860 thousand, respectively, consisting mainly of the cost of materials, components and labor expenses related to the manufacturing and distribution of cars and spare parts, engines sold to Maserati and engines rented to other Formula 1 racing teams. The remaining costs principally includes depreciation, insurance and transportation costs. Cost of sales also includes warranty and product-related costs, which are estimated and recorded at the time of shipment.

Interest and other financial expenses from financial services companies included within cost of sales in 2019, 2018 and 2017 amounted to €45,083 thousand, €33,828 thousand and €30,945 thousand, respectively.

Cost of sales in 2018 included €1,451 thousand related to a partial release of the provision for charges to Takata airbag inflator recalls. See Note 23 *"Provisions"* for additional details.

6. Selling, general and administrative costs

Selling costs in 2019, 2018 and 2017 amounted to €173,512 thousand, €167,819 thousand and €173,484 thousand, respectively, consisting mainly of costs for sales personnel, marketing and events, and retail stores. Marketing and events expenses consist primarily of costs in connection with trade and auto shows, media and client events for the launch of new models, as well as sponsorship and indirect marketing costs incurred through the Formula 1 racing team, Scuderia Ferrari.

General and administrative costs in 2019, 2018 and 2017 amounted to €169,667 thousand, €159,522 thousand and €155,581 thousand, respectively, consisting mainly of administration and other general expenses 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,		
	2019	**2018**	**2017**
Research and development costs expensed during the year	559,582	527,847	556,617
Amortization of capitalized development costs	139,629	115,191	100,502
Total research and development costs	**699,211**	**643,038**	**657,119**

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, and in particular, in relation to hybrid and electric technology. Research and development costs also include amortization of capitalized development costs.

8. Result from investments

Result from investments of €3,522 thousand, €2,665 thousand and €2,437 thousand in 2019, 2018 and 2017, respectively, related to the Group's proportionate share of the net profit of Ferrari Financial Services GmbH ("FFS GmbH") for the relevant year.

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,		
	2019	2018	2017
Financial income:			
Interest income from bank deposits	*1,690*	*1,445*	*1,153*
Other interest income and financial income	*4,116*	*677*	*5,284*
Interest income and other financial income	5,806	2,122	6,437
Finance income from financial services activities	66,386	52,702	50,254
Total financial income	**72,192**	**54,824**	**56,691**
Total financial income relating to:			
Industrial activities (A)	5,806	2,122	6,437
Financial services activities (reported in net revenues)	66,386	52,702	50,254
Financial expenses:			
Capitalized borrowing costs	*2,671*	*2,884*	*1,578*
Other interest cost and financial expenses	*(2,427)*	*(1,046)*	*(3,775)*
Interest expenses and other financial expenses	244	1,838	(2,197)
Interest expenses from banks	(27,432)	(21,486)	(23,057)
Interest and other finance costs on bonds and notes	(20,703)	(12,386)	(9,231)
Write-downs of financial receivables	(4,739)	(3,326)	(3,530)
Other financial expenses	(13,949)	(8,494)	(12,008)
Total financial expenses	**(66,579)**	**(43,854)**	**(50,023)**
Net expenses from derivative financial instruments and foreign currency exchange rate differences	(26,392)	(15,659)	(16,619)
Total financial expenses and net expenses from derivative financial instruments and foreign currency exchange rate differences	**(92,971)**	**(59,513)**	**(66,642)**
Total financial expenses and net expenses from derivative financial instruments and foreign currency exchange rate differences relating to:			
Industrial activities (B)	(47,888)	(25,685)	(35,697)
Financial services activities (reported in cost of sales)	(45,083)	(33,828)	(30,945)
Net financial expenses relating to industrial activities (A+B)	**(42,082)**	**(23,563)**	**(29,260)**

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 (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,		
	2019	2018	2017
Current tax expense	137,303	95,076	201,274
Deferred tax expense	32,145	66,325	8,718
Taxes relating to prior periods	7,208	(145,084)	(1,232)
Total income tax expense	**176,656**	**16,317**	**208,760**

The Group's entities participate in a group Italian tax consolidation under Ferrari N.V..

In September 2018, the Group signed an agreement with the Italian Revenue Agency in relation to the Patent Box tax regime, which provides tax benefits for companies that generate income through the use, both direct and indirect, of copyrights, patents, trademarks, designs and know-how. The agreement relates to the five-year period from 2015 to 2019. The Group applied the Patent Box tax regime for the calculation of income taxes starting in the third quarter of 2018. The Patent Box tax benefit relating to the years 2015 to 2017 was recorded within taxes relating to prior periods in 2018 and amounted to €141 million.

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, 2019, 2018 and 2017:

(€ thousand)	For the years ended December 31,		
	2019	2018	2017
Theoretical income tax expense, net of IRAP	210,088	192,706	179,077
Tax effect on:			
Permanent and other differences	(76,187)	(58,877)	(7,061)
Effect of changes in tax rate and tax regulations	733	—	4,862
Differences between foreign tax rates and the theoretical Italian tax rate and tax holidays	3,457	1,216	2,344
Taxes relating to prior years	7,208	(145,084)	(1,232)
Withholding tax on earnings	3,360	1,514	2,420
Total income tax expense/(benefit), net of IRAP	**148,659**	**(8,525)**	**180,410**
Effective tax rate, net of IRAP	*17.0%*	*(1.1)%*	*24.2%*
IRAP (current and deferred)	27,997	24,842	28,350
Total income tax expense	**176,656**	**16,317**	**208,760**

In order to facilitate the understanding of the tax rate reconciliation presented above, income tax expense has been presented net of Italian Regional Income Tax ("IRAP"). 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, the cost of fixed-term employees, credit losses and any interest included in lease payments. The applicable IRAP rate was 3.9 percent for each of the years ended December 31, 2019, 2018 and 2017.

/ 10. Income taxes

The increase in the effective tax rate net of IRAP from (1.1) percent in 2018 to 17.0 percent in 2019 was primarily attributable to the Group's application of the Patent Box tax regime starting in the third quarter of 2018, which resulted in the recognition in 2018 of the positive impact of the Patent Box relating to the years 2015 to 2017. The Patent Box benefit relating to the years 2015 to 2017 is included within "taxes relating to prior years" in 2018 and the Patent Box benefit relating to 2019 and 2018 is included within "permanent and other differences" for the respective years in the tax rate reconciliation above.

Taxes relating to prior years recognized in 2019 are primarily attributable to agreements reached with the Italian Revenue Agency for the settlement of previous years' claims.

The analysis of deferred tax assets and deferred tax liabilities at December 31, 2019 and 2018, is as follows:

(€ thousand)	At December 31,	
	2019	**2018**
Deferred tax assets:		
To be recovered after 12 months	16,445	27,297
To be recovered within 12 months	57,238	33,447
	73,683	**60,744**
Deferred tax liabilities:		
To be realized after 12 months	(77,334)	(14,497)
To be realized within 12 months	(4,874)	(24,645)
	(82,208)	**(39,142)**
Net deferred tax (liabilities)/assets	**(8,525)**	**21,602**

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, 2018	Recognized in consolidated income statement	Charged to equity	Translation differences and other changes	At December 31, 2019
Deferred tax assets arising on:					
Provisions	108,147	(8,181)	—	332	100,298
Deferred income	51,578	2,265	—	—	53,843
Employee benefits	2,474	—	456	—	2,930
Cash flow hedge reserve	1,176	—	610	—	1,786
Foreign currency exchange rate differences	859	578	—	—	1,437
Inventory obsolescence	38,275	13,626	—	71	51,972
Allowances for doubtful accounts	4,301	1,104	—	2	5,407
Depreciation	17,241	321	—	2	17,564
Other	11,147	5,858		690	17,695
Total deferred tax assets	**235,198**	**15,571**	**1,066**	**1,097**	**252,932**
Deferred tax liabilities arising on:					
Depreciation	(9,303)	572	—	(150)	(8,881)
Capitalization of development costs	(171,707)	(53,144)	—	—	(224,851)
Employee benefits	(670)	(80)	—	—	(750)
Exchange rate differences	(149)	(251)	—	1	(399)
Cash flow hedge reserve	(1)	1	—	—	—
Tax on undistributed earnings	(16,371)	2,388	—	—	(13,983)
Other	(15,395)	2,798	—	4	(12,593)
Total deferred tax liabilities	**(213,596)**	**(47,716)**	**—**	**(145)**	**(261,457)**
Total net deferred tax assets/ (liabilities)	**21,602**	**(32,145)**	**1,066**	**952**	**(8,525)**

/ 10. Income taxes

(€ thousand)	At December 31, 2017	Recognized in consolidated income statement	Charged to equity	Translation differences and other changes	At December 31, 2018
Deferred tax assets arising on:					
Provisions	102,243	5,249	—	655	108,147
Deferred income	46,198	3,131	—	2,249	51,578
Employee benefits	2,562	—	(88)	—	2,474
Cash flow hedge reserve	(2,432)	—	3,608	—	1,176
Foreign currency exchange rate differences	740	119	—	—	859
Inventory obsolescence	37,615	521	—	139	38,275
Allowances for doubtful accounts	3,999	303	—	(1)	4,301
Depreciation	16,570	399	—	272	17,241
Other	12,383	1,876	—	(3,112)	11,147
Total deferred tax assets	**219,878**	**11,598**	**3,520**	**202**	**235,198**
Deferred tax liabilities arising on:					
Depreciation	(8,930)	(24)	—	(349)	(9,303)
Capitalization of development costs	(114,775)	(56,932)	—	—	(171,707)
Employee benefits	(1,868)	(161)	—	1,359	(670)
Exchange rate differences	(647)	501	—	(3)	(149)
Cash flow hedge reserve	(1)	—	—	—	(1)
Tax on undistributed earnings	—	(16,371)	—	—	(16,371)
Other	(10,652)	(4,936)	—	193	(15,395)
Total deferred tax liabilities	**(136,873)**	**(77,923)**	**—**	**1,200**	**(213,596)**
Deferred tax assets arising on tax loss carry-forward	109	—	—	(109)	—
Total net deferred tax assets	**83,114**	**(66,325)**	**3,520**	**1,293**	**21,602**

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. For additional information, at December 31, 2019, 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 €151,990 thousand.

11. Other information by nature

Personnel costs in 2019, 2018 and 2017 amounted to €385,182 thousand, €323,936 thousand and €313,471 thousand, respectively. These amounts include costs that were capitalized mainly in connection with product development activities.

In 2019, 2018 and 2017 the Group had an average number of employees of 4,164, 3,651 and 3,336, respectively.

Depreciation amounted to €191,482 thousand, €156,384 thousand and €143,484 thousand for the years ended December 31, 2019, 2018 and 2017, respectively.

Amortization amounted to €160,464 thousand, €132,364 thousand and €117,122 thousand for the years ended December 31, 2019, 2018 and 2017, respectively.

12. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of common shares in issue. The following table provides the amounts used in the calculation of basic earnings per share for the years ended December 31, 2019, 2018 and 2017:

		For the years ended December 31,		
		2019	**2018**	**2017**
Profit attributable to owners of the Company	€ thousand	695,818	784,678	535,393
Weighted average number of common shares for basic earnings per common share	thousand	186,767	188,606	188,951
Basic earnings per common share	€	**3.73**	**4.16**	**2.83**

Diluted earnings per share

The weighted average number of common shares for diluted earnings per share was increased to take into consideration the theoretical effect of (i) the potential common shares that would have been issued under the equity incentive plans for the years ended December 31, 2019, 2018 and 2017 (assuming 100 percent of the related awards vested), and (ii) the potential common shares that would have been issued under the Non-Executive Directors' compensation agreement for the year ended December 31, 2017. See Note 21 for additional details relating to the equity incentive plan.

/ 12. Earnings per share

The following table provides the amounts used in the calculation of diluted earnings per share for the years ended December 31, 2019, 2018 and 2017:

(€ thousand)		For the years ended December 31,		
		2019	**2018**	**2017**
Profit attributable to owners of the Company	€ thousand	695,818	784,678	535,393
Weighted average number of common shares for diluted earnings per common share	thousand	187,535	189,394	189,759
Diluted earnings per common share	€	**3.71**	**4.14**	**2.82**

13. Goodwill

At December 31, 2019 and 2018 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 2020 through 2023 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 2019 (2.0 percent in 2018 and 2017).
- 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 6.8 percent in 2019 (7.0 percent in 2018 and 2017). 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, 2018	**1,081,287**	**516,961**	**167,886**	**45,085**	**1,811,219**
Additions	242,753	75,109	14,052	5,628	337,542
Reclassification	—	—	508	(508)	—
Translation differences and other movements	—	—	1,168	143	1,311
Balance at December 31, 2018	**1,324,040**	**592,070**	**183,614**	**50,348**	**2,150,072**
Additions	243,040	86,919	17,606	5,893	353,458
Reclassification	—	—	6,950	(6,950)	—
Translation differences and other movements	—	—	(679)	(688)	(1,367)
Balance at December 31, 2019	**1,567,080**	**678,989**	**207,491**	**48,603**	**2,502,163**
Accumulated amortization at January 1, 2018	**847,129**	**343,348**	**141,806**	**38,480**	**1,370,763**
Amortization	83,427	31,764	14,914	2,259	132,364
Translation differences and other movements	—	—	1,196	(48)	1,148
Balance at December 31, 2018	**930,556**	**375,112**	**157,916**	**40,691**	**1,504,275**
Amortization	103,812	35,817	18,677	2,158	160,464
Translation differences and other movements	—	—	(292)	(222)	(514)
Balance at December 31, 2019	**1,034,368**	**410,929**	**176,301**	**42,627**	**1,664,225**
Carrying amount at: January 1, 2018	**234,158**	**173,613**	**26,080**	**6,605**	**440,456**
December 31, 2018	**393,484**	**216,958**	**25,698**	**9,657**	**645,797**
December 31, 2019	**532,712**	**268,060**	**31,190**	**5,976**	**837,938**

Additions of €353,458 thousand in 2019 (€337,542 thousand in 2018) primarily relate to externally acquired and internally generated costs for the development of 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, 2018	**23,537**	**341,749**	**1,959,462**	**136,991**	**56,760**	**2,518,499**
Additions	25	14,710	81,936	9,679	194,444	300,794
Divestitures	—	(641)	(16,684)	(2,740)	(238)	(20,303)
Reclassification	—	17,225	16,853	1,137	(35,215)	—
Translation differences and other movements	12	330	(3,130)	(593)	(560)	(3,941)
Balance at December 31, 2018	**23,574**	**373,373**	**2,038,437**	**144,474**	**215,191**	**2,795,049**
Impact of IFRS adoption at January 1, 2019	—	17,226	10,011	36,298	—	63,535
Additions	30	15,560	176,235	18,102	142,227	352,154
Divestitures	—	(884)	(11,281)	(7,673)	(459)	(20,297)
Reclassification	—	5,937	148,102	1,524	(155,563)	—
Translation differences and other movements	5	(2,554)	16	(197)	—	(2,730)
Balance at December 31, 2019	**23,609**	**408,658**	**2,361,520**	**192,528**	**201,396**	**3,187,711**
Accumulated amortization at January 1, 2018	**—**	**142,260**	**1,555,769**	**110,210**	**—**	**1,808,239**
Depreciation	—	10,407	136,793	9,184	—	156,384
Divestitures	—	(627)	(15,976)	(2,621)	—	(19,224)
Translation differences and other movements	—	2,864	(1,050)	(2,714)	—	(900)
Balance at December 31, 2018	**—**	**154,904**	**1,675,536**	**114,059**	**—**	**1,944,499**
Depreciation	—	15,443	159,302	16,737	—	191,482
Divestitures	—	(417)	(11,001)	(3,917)	—	(15,335)
Translation differences and other movements	—	(2,798)	2	209	—	(2,587)
Balance at December 31, 2019	**—**	**167,132**	**1,823,839**	**127,088**	**—**	**2,118,059**
Carrying amount at:						
January 1, 2018	**23,537**	**199,489**	**403,693**	**26,781**	**56,760**	**710,260**
December 31, 2018	**23,574**	**218,469**	**362,901**	**30,415**	**215,191**	**850,550**
December 31, 2018	**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*

Additions for the periods presented mainly relate 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 our personalization programs.

As a result of adopting *IFRS 16 - Leases* on January 1, 2019, the Group recognized right-of-use assets of €63,535 thousand (and related lease liabilities) in relation to leases which had previously been classified as operating leases under IAS 17. For further details of the impact of adoption, see Note 2 "*Significant Accounting Policies - New standards and amendments effective from January 1, 2019 - IFRS 16-Leases*".

The following table summarizes the changes in the carrying amount of right-of-use assets for the year ended December 31, 2019:

(€ thousand)	Industrial buildings	Plant, machinery and equipment	Other assets	Total
Balance at December 31, 2018(*)	**9**	**—**	**765**	**774**
Impact of IFRS 16 adoption	17,226	10,011	36,298	63,535
Balance at January 1, 2019	**17,235**	**10,011**	**37,063**	**64,309**
Additions	3,532	2,800	6,428	12,760
Depreciation	(4,664)	(5,023)	(7,380)	(17,067)
Translation differences and other movements	(269)	(176)	(1,792)	(2,237)
Balance at December 31, 2019	**15,834**	**7,612**	**34,319**	**57,765**

(*) Relates to lease assets that were previously recognized as 'finance leases' under IAS 17 - Leases.

Amounts recognized in the income statement in relation to leases for the year ended December 31, 2019 were as follows:

(€ thousand)	For the year ended December 31, 2019
Depreciation of right-of-use assets	17,067
Interest expense on lease liabilities	1,172
Variable lease payments not included in the measurement of lease liabilities	1,143
Expenses relating to short-term leases and leases of low-value assets	4,635
Total expenses recognized	**24,017**

At December 31, 2019, the Group had contractual commitments for the purchase of property, plant and equipment amounting to €105,335 thousand (€146,281 thousand at December 31, 2018).

16. Investments and other financial assets

(€ thousand)	For the years ended December 31,	
	2019	2018
Investments accounted for using the equity method	30,012	25,972
Other securities and financial assets	8,704	6,162
Total investments and other financial assets	**38,716**	**32,134**

Investments accounted for using the equity method

Investments accounted for using the equity method relates to the Group's investment in FFS GmbH.

Changes in the investments accounted for using the equity method were as follows:

(€ thousand)	
Balance at January 1, 2018	**23,340**
Proportionate share of net profit for the year ended December 31, 2018	2,665
Proportionate share of remeasurement of defined benefit plans	(33)
Balance at December 31, 2018	**25,972**
Proportionate share of net profit for the year ended December 31, 2019	4,043
Proportionate share of remeasurement of defined benefit plans	(3)
Balance at December 31, 2019	**30,012**

Summarized financial information relating to FFS GmbH at and for the years ended December 31, 2019 and 2018 were as follows:

(€ thousand)	At December 31,	
	2019	2018
Assets		
Non-current assets	2,436	1,402
Receivables from financing activities	660,883	591,482
Other current assets	8,565	12,630
Cash and cash equivalents	6,471	5,957
Total assets	**678,355**	**611,471**
Equity and liabilities		
Equity	58,049	49,969
Debt	604,643	546,595
Other liabilities	15,663	14,907
Total equity and liabilities	**678,355**	**611,471**

(€ thousand)	For the year ended December 31,	
	2019	2018
Net revenues	34,680	29,446
Cost of sales	15,655	12,183
Selling, general and administrative costs	8,892	8,720
Other (income)/expenses, net	(963)	239
Profit before taxes	**11,096**	**8,304**
Income tax expense	3,010	2,974
Net profit	**8,086**	**5,330**

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 €7,674 thousand at December 31, 2019 (€5,142 thousand at December 31, 2018).

17. Inventories

(€ thousand)	At December 31,	
	2019	2018
Raw materials	85,155	74,053
Semi-finished goods	91,119	84,576
Finished goods	243,777	232,435
Total inventories	**420,051**	**391,064**

Finished goods primarily includes cars and spare parts.

The accrual to the provision for slow moving and obsolete inventories recognized within cost of sales during 2019 was €14,512 thousand (€11,062 thousand in 2018 and €10,140 thousand in 2017).

Changes in the provision for slow moving and obsolete inventories were as follows:

(€ thousand)	2019	2018
At January 1,	**73,426**	**66,989**
Provision	14,512	11,062
Use and other changes	(4,265)	(4,625)
At December 31,	**83,673**	**73,426**

18. Current receivables and other current assets

(€ thousand)	At December 31,	
	2019	2018
Trade receivables	231,439	211,399
Receivables from financing activities	966,448	878,496
Current tax receivables	21,078	128,234
Other current assets	92,830	64,295
Total	**1,311,795**	**1,282,424**

Trade receivables

The following table sets forth a breakdown of trade receivables by nature:

(€ thousand)	At December 31,	
	2019	2018
Trade receivables due from:		
Dealers	74,589	64,739
FCA Group companies	49,782	47,882
Sponsorship and commercial activities	46,375	43,500
Brand activities	24,937	26,247
Other	35,756	29,031
Total	**231,439**	**211,399**

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 FCA 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 FCA Group. For additional information, see Note 28, "*Related Party Transactions*".

Trade receivables due from sponsorship and commercial activities mainly relate to amounts receivable from sponsorship agreements and commercial activities relating 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, 2019	At December 31, 2018
Trade receivables denominated in:		
Euro	127,226	128,396
U.S. Dollar	75,138	68,410
Pound Sterling	7,238	3,440
Chinese Yuan	2,101	1,777
Japanese Yen	11,018	1,571
Other	8,718	7,805
Total	**231,439**	**211,399**

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 economic environment. Accruals to the allowance for doubtful accounts are recorded in 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)	2019	2018
At January 1,	**24,346**	**21,993**
Provision	2,976	2,737
Use and other changes	(151)	(384)
At December 31,	**27,171**	**24,346**

Receivables from financing activities

Receivables from financing activities relate entirely to the financial services portfolio in the United States and are detailed as follows:

(€ thousand)	At December 31, 2019	At December 31, 2018
Client financing	950,842	851,209
Dealer financing	15,606	27,287
Total receivables from financing activities	**966,448**	**878,496**

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 economic environment. Accruals to the allowance for doubtful accounts are recorded in cost of sales in the consolidated income statement.

Changes in the allowance for doubtful accounts of receivables from financing activities during the year are

/ 18. Current receivables and other current assets

as follows:

(€ thousand)	2019	2018
At January 1,	**6,457**	**6,948**
Provision	4,739	2,687
Use and other changes	(3,716)	(3,178)
At December 31,	**7,480**	**6,457**

Client financing

Client financing relates to financing provided by the Group to Ferrari clients to finance their car acquisitions. During 2019 the average contractual duration at inception of such contracts was approximately 67 months (in line with 2018) and the weighted average interest rate was approximately 6.0 percent (approximately 5.7 percent in 2018). 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

The Group provides dealer financing in the United States. Receivables for dealer financing are typically generated by sales of cars managed under dealer network financing programs as a component of the portfolio of financial services activities. In 2019 these receivables were interest bearing at a rate between 4.5 percent and 7.0 percent (between 4.1 percent and 7.0 percent in 2018), with the exception of an initial limited, non-interest bearing period. The contractual terms governing the relationships with the dealer network may vary, although payment terms generally range from 1 to 6 months. Receivables on dealer financing are generally secured by the titles of the related cars or other collateral. In November 2019 the Group exited one of the remaining dealer financing arrangements.

Current tax receivables

The decrease in current tax receivables primarily related to the Patent Box benefit recognized in 2018.

Other current assets

Other current assets are detailed as follows:

(€ thousand)	At December 31,	
	2019	2018
Italian and foreign VAT credits	48,719	20,466
Prepayments	39,856	35,758
Other	4,255	8,071
Total other current assets	**92,830**	**64,295**

Other includes security deposits, amounts due from personnel and other receivables.

At December 31, 2019, the Group had provided guarantees through third parties amounting to €95,304 thousand (€133,175 thousand at December 31, 2018), principally to banks and relevant tax authorities for (i) a U.S. Dollar denominated credit facility of FFS Inc, and (ii) the VAT related to the temporary import of classic cars for restoration activities which would become due if the car is not exported.

The analysis of receivables and other current assets by due date (excluding prepayments) is as follows:

(€ thousand)	At December 31, 2019				
	Due within one year	Due between one and five years	Due beyond five years	Overdue	Total
Trade receivables	184,613	48	—	46,778	231,439
Receivables from financing activities	165,164	683,096	58,740	59,448	966,448
Client financing	*161,753*	*670,901*	*58,740*	*59,448*	*950,842*
Dealer financing	*3,411*	*12,195*	—	—	*15,606*
Current tax receivables	20,397	681	—	—	21,078
Other current assets	52,449	346	179	—	52,974
Total	**422,623**	**684,171**	**58,919**	**106,226**	**1,271,939**

(€ thousand)	At December 31, 2018				
	Due within one year	Due between one and five years	Due beyond five years	Overdue	Total
Trade receivables	174,627	—	—	36,772	211,399
Receivables from financing activities	172,049	600,615	52,032	53,800	878,496
Client financing	*144,762*	*600,615*	*52,032*	*53,800*	*851,209*
Dealer financing	*27,287*	—	—	—	*27,287*
Current tax receivables	127,573	661	—	—	128,234
Other current receivables	28,036	494	7	—	28,537
Total	**502,285**	**601,770**	**52,039**	**90,572**	**1,246,666**

19. Current financial assets and other financial liabilities

(€ thousand)	At December 31,	
	2019	2018
Financial derivatives	9,423	6,788
Other financial assets	1,986	3,386
Current financial assets	**11,409**	**10,174**

Current financial assets and other financial liabilities mainly relates to foreign exchange derivatives. The following table sets further the analysis of derivative assets and liabilities at December 31, 2019 and 2018.

	At December 31,			
	2019		2018	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Cash flow hedge:				
Foreign currency derivatives	8,039	(14,547)	3,240	(10,853)
Interest rate caps	87	—	555	—
Total cash flow hedges	**8,126**	**(14,547)**	**3,795**	**(10,853)**
Other foreign currency derivatives	1,294	(244)	1,023	(489)
Interest rate caps	3	—	1,970	—
Total	**9,423**	**(14,791)**	**6,788**	**(11,342)**

Foreign currency derivatives which 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 of the funding from securitization programs.

The following tables provide an analysis by foreign currency of outstanding derivative financial instruments based on their fair value and notional amounts:

	At December 31, 2019		At December 31, 2018	
	Fair Value	Notional Amount	Fair Value	Notional Amount
Currencies:				
U.S. Dollar	2,826	1,338,800	(1,324)	487,336
Pound Sterling	(4,639)	175,247	613	138,609
Japanese Yen	923	272,183	(2,901)	113,596
Swiss Franc	(1,716)	87,632	(1,182)	64,229
Chinese Yuan	55	57,094	(82)	45,434
Other[(1)]	(2,817)	106,491	322	116,476
Total amount	**(5,368)**	**2,037,447**	**(4,554)**	**965,680**

[(*)] Other mainly includes the Australian Dollar, the Hong Kong Dollar and the Canadian Dollar.

At December 31, 2019 and 2018, 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 which will occur within the following 12 months. It is considered reasonable that the hedging effect arising from this and recorded in the cash flow hedge reserve will be recognized in the consolidated income statement, mainly during the following 12 months.

Derivatives relating to currency risk management are treated as cash flow hedges where the derivative qualifies for hedge accounting. The amount recorded in the cash flow hedge reserve will be recognized in the consolidated income statement according to the timing of the flows of the underlying transaction.

The Group reclassified gains and losses, net of the tax effect, from other comprehensive income/(loss) to the consolidated income statement as follows:

(€ thousand)	For the years ended December 31,		
	2019	**2018**	**2017**
Net (costs)/revenues	(22,055)	3,777	19,724
Income tax benefit/(expense)	6,153	(1,054)	(5,503)
Total recognized in the consolidated income statement	**(15,902)**	**2,723**	**14,221**

The ineffectiveness of cash flow hedges was not material for the years 2019, 2018 and 2017.

20. Equity

Share capital

At December 31, 2019 the fully paid up share capital of the Company was €2,573 thousand, consisting of 193,923,499 common shares and 63,349,111 special voting shares, all with a nominal value of €0.01 (€2,504 thousand at December 31, 2018 consisting of 193,923,499 common shares and 56,497,618 special voting shares, all with a nominal value of €0.01). At December 31, 2019, the Company had 8,640,176 common shares and 2,190 special voting shares held in treasury, while at December 31, 2018, the Company had 6,002,843 common shares and 4,744 special voting shares held in treasury. 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 equity incentive plans. As per the resolution of the Annual General Meeting of Shareholders on April 12, 2019 which approved to cancel all special voting shares in the share capital of the Company held in treasury as of that date, on August 29, 2019 the Company completed the cancellation process of 3,902 special voting shares.

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, 2019:

	Common Shares	Special Voting Shares	Total
Outstanding shares at December 31, 2018	**187,920,656**	**56,492,874**	**244,413,530**
Common shares repurchased under share repurchase program[1]	(2,907,702)	—	(2,907,702)
Common shares assigned under equity incentive plans[2]	270,369	—	270,369
Special voting shares allocation[3]	—	6,854,047	6,854,047
Outstanding shares at December 31, 2019	**185,283,323**	**63,346,921**	**248,630,244**

[1] Includes shares repurchased between January 1, 2019 and December 31, 2019 based on the transaction trade date, for a total consideration of 386,094 thousand, including transaction costs.

[2] During 2019, approximately 230 thousand performance share units and 40 thousand retention restricted share units vested under the Equity Incentive Plan 2016- 2020 as a result of certain performance or retention requirements being achieved. As a result, a corresponding number of common shares, which were previously held in treasury, were assigned to participants of the plan. See Note 21 “Share-Based Compensation” for additional details.

[3] Relates to the issuance, allocation and deregistration of certain special voting shares under the Company’s special voting shares terms 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, 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 shareholders meeting. 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, 2019 (€5,768,544 thousand at December 31, 2018), which primarily originated from the issuance of common shares pursuant to the restructuring activities undertaken as part of the Separation;
- a legal reserve of €65 thousand at December 31, 2019 and €29 thousand at December 31, 2018, determined in accordance with Dutch law;
- a treasury reserve of €486,892 thousand at December 31, 2019 and €100,143 thousand at December 31, 2018;
- a share-based compensation reserve of €46,539 thousand at December 31, 2019 and €52,198 thousand at December 31, 2018.

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.

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 common share was approved, corresponding to a total distribution of €133,939 thousand (of which €133,095 thousand was paid in 2018). 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 14, 2017, a cash distribution of €0.635 per common share was approved, corresponding to a total distribution of €119,985 thousand. The distribution was made from the share premium reserve which is a distributable reserve under Dutch law.

During the year ended December 31, 2019 the Company repurchased 2,907,702 common shares for a total consideration of €386,749 thousand under the multi-year Euro 1.5 billion total share repurchase program announced in December 2018 (1,033,218 common shares for a total consideration of €100,093 thousand were repurchased during the year ended December 31, 2018 under a previous share repurchase program). Shares repurchased may be used to meet the Company’s obligations arising from the equity incentive plans.

/ 20. Equity

Other comprehensive income

The following table presents other comprehensive income:

(€ thousand)	For the years ended December 31,		
	2019	2018	2017
Items that will not be reclassified to the consolidated income statement in subsequent periods:			
(Losses)/Gains on remeasurement of defined benefit plans[1]	(2,078)	385	(730)
Total items that will not be reclassified to the consolidated income statement in subsequent periods	**(2,078)**	**385**	**(730)**
Items that may be reclassified to the consolidated income statement in subsequent periods:			
(Losses)/Gains on cash flow hedging instruments arising during the period	(24,327)	(9,257)	54,695
Losses/(Gains) on cash flow hedging instruments reclassified to the consolidated income statement	22,055	(3,777)	(19,724)
(Losses)/Gains on cash flow hedging instruments	**(2,272)**	**(13,034)**	**34,971**
Exchange differences on translating foreign operations arising during the period	2,652	5,986	(15,346)
Total items that may be reclassified to the consolidated income statement in subsequent periods	**380**	**(7,048)**	**19,625**
Total other comprehensive income	**(1,698)**	**(6,663)**	**18,895**
Related tax impact	1,066	3,520	(9,554)
Total other comprehensive income, net of tax	**(632)**	**(3,143)**	**9,341**

[1] For the year ended December 31, 2019 includes €3 thousand (€33 thousand for the year ended December 31, 2018) related to the Group's proportionate share of the loss on 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,								
	2019			2018			2017		
	Pre-tax balance	Related tax impact	Net balance	Pre-tax balance	Related tax impact	Net balance	Pre-tax balance	Related tax impact	Net balance
(Losses)/ Gains on remeasurement of defined benefit plans	(2,078)	456	(1,622)	385	(88)	297	(730)	203	(527)
(Losses)/ Gains on cash flow hedging instruments	(2,272)	610	(1,662)	(13,034)	3,608	(9,426)	34,971	(9,757)	25,214
Exchange gains/ (losses) on translating foreign operations	2,652	—	2,652	5,986	—	5,986	(15,346)	—	(15,346)
Total other comprehensive (loss)/income	**(1,698)**	**1,066**	**(632)**	**(6,663)**	**3,520**	**(3,143)**	**18,895**	**(9,554)**	**9,341**

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, 2019, 2018 or 2017.

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 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

Equity Incentive Plan 2016 - 2020

Following the approval of the equity incentive plan by the Board of Directors in March 2017, the Shareholders approved in April 2017 an award to the former Chief Executive Officer under the Company's equity incentive plan, which is applicable to members of the Senior Management Team ("SMT") and key leaders of the Group ("Equity Incentive Plan 2016-2020"). The grants of the performance share units ("PSUs") and the retention restricted share unites ("RSUs"), each representing the right to receive one common share of the Company, cover a five-year performance period from 2016 to 2020, consistent with the Company's strategic horizon. In 2018, additional PSU and RSU awards were granted to the current Chief Executive Officer and certain key employees of the Group under this plan.

Performance Share Units 2016-2020

The Company awarded members of the SMT and key leaders a total target of approximately 237 thousand PSUs and 450 thousand PSUs to its former Chief Executive Officer in 2017, and an additional total of approximately 21 thousand PSUs were awarded to the current Chief Executive Officer in 2018. The PSUs vest in three equal tranches in 2019, 2020 and 2021, subject to the achievement of a market performance condition related to Total Shareholder Return ("TSR"). The interim partial vesting periods are independent of one another and any under-achievement in one period can be offset by over-achievement in subsequent periods. The total number of shares that will eventually be issued upon vesting of the PSUs may vary from the original award.

/ 21. Share-based compensation

The target amount of PSUs vests as follows based on the Company's TSR performance compared to an industry specific peer group of eight, including the Company, ("Peer Group"):

Ferrari TSR Ranking	% of Target Awards that Vest	
	CEO	SMT and Key Leaders
1	150%	150%
2	120%	120%
3	100%	100%
4	75%	—
5	50%	—
>5	0%	—

The defined Peer Group, which is applicable for the Performance Share Units 2016-2020, is as follows:

Ferrari	Brunello Cucinelli	Burberry	Ferragamo
Hermes	LVMH	Moncler	Richemont

The performance period for the PSUs commenced on January 1, 2016. The fair value of the awards used for accounting purposes was measured at the grant date using a Monte Carlo Simulation model. The range of the fair value of the PSUs that were awarded in 2017 is €59.36 to €72.06 per share and the range of the fair value of the PSUs that were awarded in 2018 is €61.30 and €111.92.

The key assumptions utilized to calculate the grant-date fair values for these awards are summarized below:

Key assumptions	PSU Awards Granted in 2017	PSU Awards Granted in 2018
Grant date share price	€66.85	€113.70
Expected volatility	17.4%	16.7%
Dividend yield	1.2%	0.9%
Risk-free rate	0%	0%

The expected volatility was based on the observed volatility of the Peer Group. The risk-free rate was based on the iBoxx sovereign Eurozone yield.

For the first tranche of the PSU awards under the Equity Incentive Plan 2016-2020, which cover the performance period from 2016 to 2018, Ferrari ranked third in TSR within the defined industry-specific peer group applicable to the plan, resulting in the vesting of 100 percent of the target PSUs awarded. As a result, 230,282 PSU awards vested in 2019.

Retention Restricted Share Units

The Company awarded members of the SMT and key leaders a total of approximately 119 thousand RSUs in 2017, and an additional 10 thousand RSUs were awarded in 2018, including to the new Chief Executive Officer. The RSU awards granted are conditional on a recipient's continued service to the Company,

as described below. The RSUs, each of which represents the right to receive one common share of the Company, will vest in three equal tranches in 2019, 2020 and 2021, subject to continued employment with the Company at the time of vesting. For the first tranche of the RSU awards under the Equity Incentive Plan 2016-2020, 40,087 RSU awards vested in 2019.

The performance period for the RSUs commenced on January 1, 2016. The fair value of the 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 range of the fair value of the RSUs awarded in 2017 is €63.00 to €64.64 per share and the range of the fair value of the RSUs awarded in 2018 is €110.76 to €112.99.

Equity Incentive Plan 2019-2021

Under a new equity incentive plan approved in 2019, approximately 174 thousand PSUs and 111 thousand RSUs, which each represent the right to receive one Ferrari common share, were awarded to the Executive Chairman, the Chief Executive Officer, all members of the SMT and other key employees of the Group ("Equity Incentive Plan 2019-2021"). These PSUs and RSUs cover a three-year performance period from 2019 to 2021.

Performance Share Units 2019-2021

The vesting of the PSUs is based on the achievement of defined key performance indicators relating to: i) TSR ranking, ii) an EBITDA target, and iii) innovation targets, which will each be settled independently of the others targets. The total number of shares that will be assigned upon vesting of the PSUs will depend on the level of achievement of the targets. The PSUs vest in 2022, except for the PSUs awarded to the Chief Executive Officer which will vest in three tranches of 12 percent, 12 percent and 76 percent in 2020, 2021 and 2022, respectively.

Of the total number of PSU awards, 50 percent vest based on the achievement of the TSR ranking of Ferrari compared to an industry specific peer group of eight, including the Company, ("New Peer Group"):

Ferrari TSR Rating	% of Target Awards that Vest
1	150%
2	120%
3	100%
4	75%
5	50%
>5	0%

The defined New Peer Group(*), which is applicable to the Performance Share Units 2019-2021, is as follows:

Ferrari	Aston Martin	Burberry	Hermes
Kering	LVMH	Moncler	Richemont

(*) Tiffany was removed from the New Peer Group as a consequence of its recently announced acquisition by LVMH in November 2019.

/ 21. Share-based compensation

Of the total number of PSU awards, 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:

Actual Adjusted EBITDA Compared to Business Plan	% of Awards that Vest
+10%	140%
+5%	120%
Business Plan Target	100%
-5%	80%
<-5%	0%

Of the total number of PSU awards, 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.

The performance period for the PSUs commenced on January 1, 2019. The fair value of the awards used for accounting purposes was measured at the grant date using a Monte Carlo Simulation model. The range of the fair value of the PSUs that were awarded is €110.57-€111.64 per share. The key assumptions utilized to calculate the grant-date fair values for these awards are summarized below:

Key Assumptions	
Grant date share price	122.60
Expected volatility	26.50%
Dividend yield	0.83%
Risk-free rate	0%

The expected volatility was based on the observed volatility of the New Peer Group. The risk-free rate was based on the iBoxx sovereign Eurozone yield.

Retention Restricted Share Units (RSUs)

The vesting of the RSUs is conditional on the recipients continued employment with the Company at the time of vesting. The RSUs vest in 2022, except for the RSUs awarded to the Chief Executive Officer which vest in three equal tranches in 2020, 2021 and 2022. The range of the fair value of the RSUs awarded is €119.54-€120.56 per share.

Outstanding share awards

Changes during 2019, 2018 and 2017 to the outstanding number of PSU and RSU share awards under both the Equity Incentive Plan 2016-2020 and Equity Incentive Plan 2019-2021 are as follows:

	Outstanding PSU Awards	Outstanding RSU Awards
Balance at January 1, 2017	—	—
Granted[(1)]	686,933	118,467
Forfeited	—	—
Vested	—	—
Balance at December 31, 2017	**686,933**	**118,467**
Granted[(1)]	20,793	10,397
Forfeited	(21,200)	(10,600)
Vested	—	—
Balance at December 31, 2018	**686,526**	**118,264**
Granted[(2)]	175,307	110,968
Forfeited	(32,832)	(18,000)
Vested	(230,282)	(40,087)
Balance at December 31, 2019	**598,719**	**171,145**

[(1)] Granted under the Equity Incentive Plan 2016-2020
[(2)] Granted under the Equity Incentive Plan 2019-2021

Share-based compensation expense

For the years ended December 31, 2019, 2018 and 2017, the Company recognized €17,480 thousand, €22,491 thousand and €28,179 thousand, respectively, as share-based compensation expense and an increase to other reserves in equity for the PSU awards and RSU awards. At December 31, 2019, unrecognized compensation expense amounted to €19,298 thousand and will be recognized over the remaining vesting periods through 2021.

22. Employee benefits

The Group's provisions for employee benefits are as follows:

(€ thousand)	At December 31,	
	2019	2018
Present value of defined benefit obligations:		
Italian employee severance indemnity (TFR)	21,795	21,195
Pension plans	134	485
Total present value of defined benefit obligations	**21,929**	**21,680**
Other provisions for employees	66,187	64,895
Total provisions for employee benefits	**88,116**	**86,575**

Defined contribution plan

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, 2019, 2018 and 2017 was €13,650 thousand, €11,930 thousand and €11,987 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

Group companies, primarily in Germany sponsor non-contributory defined benefit pension plans, for which the Group meets the benefit payment obligation when it falls due. Benefits provided depends on the employee's length of service and their salary in the final years leading up to retirement.

The expected benefit payments for the defined benefit obligations are as follows:

(€ thousand)	Expected benefit payments	
	TFR	**Pension plans**
2020	1,396	2
2021	1,677	2
2022	1,808	2
2023	1,531	2
2024	1,599	2
Beyond 2024	6,086	611
Total	**14,097**	**621**

The following table summarizes the changes in the defined benefit obligations:

(€ thousand)	**TFR liability**	**Pension plans**	**Total**
Amounts at December 31, 2017	**22,641**	**604**	**23,245**
Included in the consolidated income statement	–	55	55
Included in other comprehensive income/(loss)(*)	(390)	(28)	(418)
Other	(1,056)	(146)	(1,202)
Benefits paid	*(1,620)*	*(169)*	*(1,789)*
Other changes	*564*	*23*	*587*
Amounts at December 31, 2018	**21,195**	**485**	**21,680**
Included in the consolidated income statement	–	(492)	(492)
Included in other comprehensive income/(loss)(*)	1,899	176	2,075
Other	(1,299)	(35)	(1,334)
Benefits paid	*(1,490)*	*(24)*	*(1,514)*
Other changes	*191*	*(11)*	*180*
Amounts at December 31, 2019	**21,795**	**134**	**21,929**

(*) Relates to actuarial losses/(gains) from financial assumptions.

/ 22. Employee benefits

Amounts recognized in the consolidated income statement are as follows:

(€ thousand)	For the years ended December 31,								
	2019			2018			2017		
	TFR	Pension plans	Total	TFR	Pension plans	Total	TFR	Pension plans	Total
Current service cost	—	26	26	—	55	55	—	141	141
Interest expense	—	—	—	—	—	—	—	1	1
Past service adjustments	—	(518)	(518)	—	—	—	—	—	—
Total recognized in the consolidated income statement	**—**	**(492)**	**(492)**	**—**	**55**	**55**	**—**	**142**	**142**

Past service credit relates 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 2019 is equal to 0.7 percent (1.7 percent in 2018 and 1.5 percent in 2017). The average duration of the Italian TFR is approximately 9 years. Retirement or employee leaving rates are developed to reflect actual and projected Group experience and legal requirements for retirement in Italy.

The discount rates used for the measurement of the pension plan obligation (excluding TFR) and the interest expense/(income) of net period cost, are based on the rate of return on high-quality (AA rated) fixed income investments for which the timing and amounts of payments match the timing and amounts of the projected pension defined benefit plan which for 2019 was equal to approximately zero percent (0.8 percent 2018 and 0.7 percent in 2017). The average duration of the obligations is approximately 14 years.

Current service cost is recognized by function in cost of sales, selling, general and administrative costs or research and development costs.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

(€ thousand)	At December 31,			
	2019		2018	
	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	(1,695)	1,951	(1,647)	1,891

The above sensitivity analysis on TFR is based on a change in an assumption 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, 2019, other provisions for employees comprised long term bonus benefits amounting to €62,890 thousand (€61,940 thousand at December 31, 2018) and jubilee benefits granted to certain employees by the Group in the event of achieving 30 years of service amounting to €3,297 thousand (€2,955 thousand at December 31, 2018).

23. Provisions

Changes in provisions were as follows:

(€ thousand)	At December 31, 2018	Additional provisions	Utilization	Translation differences and other	At December 31, 2019
Warranty and recall campaigns provision	111,129	28,131	(32,584)	1,135	107,811
Legal proceedings and disputes	37,154	3,037	(14,280)	1,186	27,097
Other risks	34,256	12,393	(18,553)	2,568	30,664
Total provisions	**182,539**	**43,561**	**(65,417)**	**4,889**	**165,572**

Warranty and recall campaigns provision

The warranty and recall campaigns provision 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. Such provisions are recognized on shipment of the car to the dealer.

The warranty and recall campaigns provision is estimated on the basis of the Group's past experience and contractual terms. Related costs are recognized within cost of sales.

Due to an industry wide recall relating to Takata airbags manufactured using non-desiccated Phase Stabilized Ammonium Nitrate ("PSAN"), in 2016 the Group initiated a global recall campaign on cars mounted with such airbags. 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, 2019, the provision amounted to €15,519 thousand (€24,513 thousand at December 31, 2018), reflecting the current best estimate for future costs of the Group related to the recall campaign. The decrease in the provision relates to ongoing recall activities as well as a partial release in 2018.

/ 23. Provisions

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 relate 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 2020 or beyond, although any such judgment may remain subject to judicial review. While the outcome of such 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.

The utilization of the provision for legal proceedings and disputes includes a release for a change in the estimate of the risk and related provision associated with a legal dispute based on developments in the first quarter of 2019. Accruals to the provision for legal proceedings and disputes are recognized within other expenses, net.

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 utilization of the provision for other risks includes a release of provisions related to favorable developments in emissions regulations that occurred in the third quarter of 2019.

The following table sets forth additional provisions to other risks recognized for the years ended December 31, 2019, 2018 and 2017.

(€ thousand)	For the years ended December 31,		
	2019	**2018**	**2017**
Recorded in the consolidated income statement within:			
Cost of sales	9,563	11,420	8,065
Selling, general and administrative costs	2,830	—	274
Total	**12,393**	**11,420**	**8,339**

24. Debt

(€ thousand)	Balance at December 31, 2018	Impact of IFRS 16 adoption	Balance at January 1, 2019	Proceeds from borrowings	Repayments of borrowings	Interest accrued and other	Translation differences	Balance at December 31, 2019
Bonds and notes	1,198,109	—	1,198,109	298,316	(315,395)	4,440	—	1,185,470
Asset-backed financing (Securitizations)	682,581	—	682,581	282,113	(189,940)	(82)	13,597	788,269
Lease liabilities	673	63,535	64,208	14,788	(18,684)	—	184	60,496
Borrowings from banks	35,984	—	35,984	—	(3,516)	(71)	549	32,946
Other debt	9,820	—	9,820	33,801	(21,479)	—	414	22,556
Total debt	**1,927,167**	**63,535**	**1,990,702**	**629,018**	**(549,014)**	**4,287**	**14,744**	**2,089,737**

The breakdown of debt by nature and by maturity is as follows:

(€ thousand)	At December 31,							
	2019				2018			
	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	7,260	879,834	298,376	1,185,470	7,616	1,190,493	—	1,198,109
Asset-backed financing (Securitizations)	338,366	449,903	—	788,269	300,051	382,530	—	682,581
Lease liabilities	20,195	25,894	14,407	60,496	673	—	—	673
Borrowings from banks	32,946	—	—	32,946	34,249	1,735	—	35,984
Other debt	22,556	—	—	22,556	9,820	—	—	9,820
Total debt	**421,323**	**1,355,631**	**312,783**	**2,089,737**	**352,409**	**1,574,758**	**—**	**1,927,167**

Bonds and notes

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. 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 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, 2019 of €385,776 thousand includes accrued interest of €4,567 thousand (€500,197 thousand including accrued interest of €5,938 thousand at December 31, 2018).

2021 Bond

On November 16, 2017, the Company issued 0.25 percent coupon notes due January 2021, having a principal of €700 million. The bond was issued at a discount for an issue price of 99.557 percent, resulting in net proceeds of €694,172 thousand after the debt discount and issuance costs. The net proceeds were

primarily used to repay a bank loan. The bond is unrated and was admitted to trading on the regulated market of 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 €200,000 thousand. The amount outstanding at December 31, 2019 of €499,824 thousand includes accrued interest of €1,199 thousand (€697,912 thousand including accrued interest of €1,678 thousand at December 31, 2018).

The notes for both the 2023 Bond and the 2021 Bond 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. As of December 31, 2019 and 2018, Ferrari was in compliance with the covenants of the notes.

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 are to be primarily used towards general corporate purposes, including the funding of capital expenditures. The amounts outstanding of the 2029 Notes and 2031 Notes at December 31, 2019 were €149,891 thousand and €149,979 thousand, including accrued interest of €700 thousand and €794 thousand, respectively.

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 US through asset-backed financing or securitization programs (the terms asset-backed financing and securitization programs are used synonymously throughout this Annual Report), without transferring the risks typically associated with such receivables. As a result, the receivables sold through securitization programs are still consolidated until collection from the customer. As of December 31, 2019, the following revolving securitization programs were in place:

- revolving securitization program for funding of up to $600 million 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 LIBOR plus a margin of 65 basis points. As of December 31, 2019 total proceeds net of repayments from the sales of financial receivables under the program were $547 million ($424 million at December 31, 2018). The securitization agreement requires the maintenance of an interest rate cap.
- revolving securitization program for funding of up to $250 million 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. As of December 31, 2019 total proceeds net of repayments from the sales of financial receivables under the program were $238 million ($223 million at December 31, 2018). The securitization agreement requires the maintenance of an interest rate cap.

- revolving securitization program for funding of up to $135 million by pledging credit lines to Ferrari customers secured by personal vehicle collections and personal guarantees 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 115 basis points. As of December 31, 2019 total proceeds net of repayments from the sales of financial receivables under the program were $101 million ($134 million at December 31, 2018).

The funding limits of the revolving securitization programs have been progressively increased since inception as the related receivables portfolios have finished.

Cash collected from the settlement of receivables or credit lines pledged as collateral 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 €27,524 thousand at December 31, 2019 (€26,497 thousand at December 31, 2018).

Lease liabilities

As a result of adopting IFRS 16 - Leases on January 1, 2019, the Group recognized right-of-use assets and related lease liabilities of €63,535 thousand in relation to leases which had previously been classified as operating leases under IAS 17. For further details please refer to Note 2 "*Significant Accounting Policies - New standards and amendments effective from January 1, 2019 - IFRS 16 - Leases*".

As of December 31, 2019 lease liabilities amount to €60,496 thousand.

Borrowings from banks

Borrowings from banks at December 31, 2019 mainly relate to financial liabilities of FFS Inc to support the financial services operations, and in particular (i) €31,211 thousand (€30,694 thousand at December 31, 2018) relating to a U.S. Dollar denominated credit facility for up to $50 million (drawn down for $35 million at December 31, 2019) and bearing interest at LIBOR plus a range of between 65 and 75 basis points; (ii) other borrowings from banks of €1,735 thousand (€5,290 thousand at December 31, 2018) relating to various short and medium term credit facilities.

Revolving Credit Facility

At December 31, 2018 the Company had a revolving credit facility of €500 million which was undrawn and due to mature in November 2020. This revolving credit facility was cancelled in December 2019 and replaced with a new €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. At December 31, 2019 the RCF was undrawn.

Other debt

Other debt primarily relates to other funding for financing activities of the Group.

25. Other liabilities

An analysis of other liabilities is as follows:

(€ thousand)	At December 31,	
	2019	2018
Deferred income	275,439	271,817
Advances and security deposits	348,899	145,394
Accrued expenses	85,965	81,408
Payables to personnel	28,272	25,434
Social security payables	20,334	18,209
Other	41,106	47,481
Total other liabilities	**800,015**	**589,743**

Deferred income primarily includes amounts received under maintenance and power warranty programs of €219,209 thousand at December 31, 2019 and €204,987 thousand at December 31, 2018, which are deferred and recognized as revenues over the length of the related program term. Of the total liability related to maintenance and power warranty programs as of December 31, 2019, the Group expects to recognize in net revenues approximately €61 million in 2020, €44 million in 2021, €35 million in 2022 and €79 million afterwards. 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 at December 31, 2019 and at December 31, 2018 primarily include advances received from clients for the purchase of our hypercars and limited edition cars, and at December 31, 2019 also our Icona cars. Upon shipment of such cars, the advances are recognized as revenue. The increase primarily relates to advances received for the Ferrari Monza SP1 and SP2. Of the total contract liability related to advances as of December 31, 2019, the Group expects to recognize the entire amount within net revenues in 2020 and 2021.

Changes in the Group's contract liabilities for maintenance and power warranties, and advances from customers, were as follows:

(€ thousand)	At January 1, 2019	Additional amounts arising during the period	Amounts recognized within revenue	Other changes	At December 31, 2019
Maintenance and power warranty programs	204,987	90,998	(76,776)	—	219,209
Advances from customers	139,852	377,950	(176,623)	44	341,223

An analysis of other liabilities (excluding accrued expenses and deferred income) by due date is as follows:

(€ thousand)	At December 31,							
	2019				2018			
	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)	422,462	10,083	6,066	438,611	223,138	6,960	6,420	236,518

26. Trade payables

Trade payables of €711,539 thousand at December 31, 2019 (€653,751 thousand at December 31, 2018) 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 establishes a hierarchy that categorizes into three levels 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.

/ 27. Fair value measurement

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, 2019 and 2018:

(€ thousand)		At December 31, 2019			
	Note	Level 1	Level 2	Level 3	Total
Cash and cash equivalents		897,946	—	—	897,946
Investments and other financial assets - Liberty Media Shares	16	7,674	—	—	7,674
Current financial assets	19	—	9,423	—	9,423
Total assets		**905,620**	**9,423**	**—**	**915,043**
Other financial liabilities	19	—	14,791	—	14,791
Total liabilities		**—**	**14,791**	**—**	**14,791**

(€ thousand)		At December 31, 2018			
	Note	Level 1	Level 2	Level 3	Total
Cash and cash equivalents		793,664	—	—	793,664
Investments and other financial assets - Liberty Media Shares	16	5,142	—	—	5,142
Current financial assets	19	—	6,788	—	6,788
Total assets		**798,806**	**6,788**	**—**	**805,594**
Other financial liabilities	19	—	11,342	—	11,342
Total liabilities		**—**	**11,342**	**—**	**11,342**

There were no transfers between fair value hierarchy levels between 2018 and 2019.

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 valuation techniques widely accepted in the financial business environment. 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 rate 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 bank current 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 represents carrying amount and fair value for the most relevant categories of financial assets and liabilities not measured at fair value on a recurring basis:

(€ thousand)		At December 31,			
		2019		2018	
	Note	Carrying amount	Fair value	Carrying amount	Fair value
Receivables from financing activities		966,448	966,448	878,496	878,496
Client financing		*950,842*	*950,842*	*851,209*	*851,209*
Dealer financing	*18*	*15,606*	*15,606*	*27,287*	*27,287*
Total		**966,448**	**966,448**	**878,496**	**878,496**
Debt	**24**	**2,089,737**	**2,103,871**	**1,927,167**	**1,921,937**

28. Related party transactions

Pursuant to IAS 24, the related parties of the Group are entities and individuals capable of exercising control, joint control or significant influence over the Group and its subsidiaries, companies belonging to the FCA Group and other companies controlled by the Exor Group (including CNH Industrial N.V. and its subsidiaries), unconsolidated subsidiaries of the Group, associates and joint ventures. In addition, members of the Ferrari Board of Directors, Board of Statutory Auditors 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 FCA Group companies

- the sale of engines and car bodies to Maserati S.p.A. ("Maserati") which is controlled by the FCA Group;
- the purchase of engine components for the use in the production of Maserati engines from FCA US LLC, which is controlled by FCA Group;
- a technical cooperation, starting from November 2019, between the Group and FCA Group with the aim to enhance the quality and competitiveness of their respective products, while reducing costs and investments;
- the purchase of automotive lighting and automotive components from Magneti Marelli S.p.A., Automotive Lighting Italia S.p.A., Sistemi Sospensioni S.p.A. and Magneti Marelli Powertrain Slovakia s.r.o. (which form part of "Magneti Marelli"), which were controlled by the FCA Group until May 2, 2019 when FCA completed the sale of Magneti Marelli. Following the sale, Magneti Marelli (which subsequently operates under the name "Marelli") is no longer a related party;
- transactions with FCA Group companies, mainly relating to the services provided by FCA Group companies, including human resources, payroll, tax, customs and procurement of insurance coverage and sponsorship revenues.

/ 28. Related party transactions

Transactions with Exor Group companies (excluding FCA Group companies)

- the Group incurs rental costs from Iveco Group companies 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., controlled by Piero Ferrari;
- consultancy services provided by HPE S.r.l., controlled by Piero Ferrari;
- 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,								
	2019			2018			2017		
	Net revenues	Costs [1]	Net financial expenses	Net revenues	Costs [1]	Net financial expenses	Net revenues	Costs [1]	Net financial expenses
FCA Group companies									
Maserati	143,091	6,275	—	217,922	3,982	—	315,407	4,698	—
FCA US LLC	—	17,954	—	—	28,486	—	6	44,882	—
Magneti Marelli[2]	352	10,444	—	1,589	40,343	—	1,866	36,670	—
Other FCA Group companies	8,637	8,028	1,965	12,106	7,193	1,370	6,754	7,007	1,191
Total FCA Group companies	**152,080**	**42,701**	**1,965**	**231,617**	**80,004**	**1,370**	**324,033**	**93,257**	**1,191**
Exor Group companies (excluding the FCA Group)	**281**	**368**	**4**	**311**	**179**	**—**	**283**	**492**	**—**
Other related parties	610	13,906	31	1,707	12,651	—	2,159	13,666	—
Total transactions with related parties	**152,971**	**56,975**	**2,000**	**233,635**	**92,834**	**1,370**	**326,475**	**107,415**	**1,191**
Total for the Group	**3,766,615**	**2,153,480**	**42,082**	**3,420,321**	**1,953,441**	**23,563**	**3,416,890**	**1,986,792**	**29,260**

[1] Costs include cost of sales, selling, general and administrative costs and other expenses, net.

[2] FCA 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.

Assets and liabilities originating from related party transactions are summarized in the table below:

(€ thousand)	At December 31,							
	2019				2018			
	Trade receivables	Trade payables	Other current assets	Other liabilities	Trade receivables	Trade payables	Other current assets	Other liabilities
FCA Group companies								
Maserati	48,617	5,449	—	21,821	39,077	6,099	—	30,594
FCA US LLC	—	4,636	—	—	135	6,332	—	—
Magneti Marelli[(1)]	—	—	—	—	2,774	9,427	—	—
Other FCA Group companies	1,165	3,598	203	581	5,896	4,689	1,481	44
Total FCA Group companies	**49,782**	**13,683**	**203**	**22,402**	**47,882**	**26,547**	**1,481**	**30,638**
Exor Group companies (excluding the FCA Group)	350	9	237	207	377	13	—	4
Other related parties	147	2,565	1,295	1,835	208	1,999	5	—
Total transactions with related parties	**50,279**	**16,257**	**1,735**	**24,444**	**48,467**	**28,559**	**1,486**	**30,642**
Total for the Group	**231,439**	**711,539**	**92,830**	**800,015**	**211,399**	**653,751**	**64,295**	**589,743**

(1) FCA 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.

There were no financial assets or financial liabilities originating from related party transactions at December 31, 2019 or December 31, 2018.

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,		
	2019	2018	2017
Directors of Ferrari N.V.	10,260	17,043	17,767

The aggregate compensation to Directors of Ferrari N.V. for year ended December 31, 2019 was €10,260 thousand (€17,043 thousand in 2018 and €17,767 thousand in 2017), inclusive of the following:

- €1,786 thousand for salary and other short-term benefits (€1,080 thousand in 2018 and €1,277 thousand in 2017); and
- €8,474 thousand for share-based compensation awarded under the Company's equity incentive plans, (€15,963 thousand in 2018, including an acceleration of the costs relating to the equity incentive plan of the former Chairman and Chief Executive Officer (Mr. Sergio Marchionne) and €16,490 thousand in 2017). See Note 21 *"Share-based compensation"* for additional information related to the equity incentive plans. For the year ended December 31, 2017 only, Non-Executive Directors' compensation also included €418 thousand that was settled in common shares of the Company. There was no equity-settled compensation for Non-Executive Directors for the years ended December 31, 2019 and 2018.

/ 28. Related party transactions

The aggregate compensation for members of the Senior Management Team (excluding the CEO) in 2019 was €19,839 thousand (€16,674 thousand in 2018 and €16,015 thousand in 2017), inclusive of the following:

- €14,671 thousand for salary and short-term incentives (€13,915 thousand in 2018 and €10,964 thousand in 2017);
- €5,168 thousand for share-based compensation awarded under the Company's equity incentive plans (€2,759 thousand in 2018 and €4,737 thousand in 2017); and
- for the year ended December 31, 2017 only, €314 thousand of other long-term benefits.

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, 2019 were as follows:

(€ thousand)	At December 31, 2019				
	Due within one year	Due between one and three years	Due between three and five years	Due beyond five years	Total
Minimum purchase obligations	72,352	16,208	4,403	—	92,963

Non-cancellable lease agreements

The future aggregate minimum lease payments under non-cancellable leases, mainly relating to the lease of property and cars, are as follows:

(€ thousand)	At December 31, 2019				
	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	20,899	17,242	10,577	14,885	63,603

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), as the Group operates internationally in different currencies;
- liquidity risk, with particular reference to the availability of funds and access to the credit market, should the Group require, and to financial instruments in general;
- credit risk, arising both from its normal commercial relations with final clients and dealers, and its 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 its 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 finance 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.

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.

These risks could significantly affect the Group's financial position, results of operations and cash flows, and for this reason these risks are identified and monitored, in order to detect potential negative effects in advance and take the necessary actions to mitigate them, primarily through the Group's operating and financing activities, and if required, through the use of derivative financial instruments.

The Group has in place various risk management policies, which primarily relate to foreign exchange, interest rate and liquidity risks. The Group's risk management policies permit derivatives to be used for managing exposures to foreign exchange rates and interest rates. Counterparties to these agreements are major financial institutions. Derivative financial instruments can only be executed for hedging purposes.

/ 30. Qualitative and quantitative information on financial risks

In particular, the Group used derivative financial instruments as cash flow hedges for the purpose of limiting the negative impact of foreign currency exchange rate fluctuation 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 requested 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 risk 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 2019, the total trade flows exposed to foreign currency exchange rate risk amounted to the equivalent of 53 percent of the Group's net revenues (49 percent in 2018).
- 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 2019, the value of commercial activity exposed to fluctuations in the Euro/U.S. Dollar exchange rate accounted for approximately 53 percent (57 percent in 2018) of the total currency risk from commercial activity. In 2019, the commercial activities exposed to the Euro/Pound Sterling exchange rate and to the Euro/Japanese Yen exchange rate exceeded 10 percent (in 2018 only Euro/Pound Sterling exceeded 10 percent) of the total currency risk from commercial activity. Other significant exposures included the exchange rate between the Euro and the following currencies: Swiss Franc, Chinese Renminbi, 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 activity in 2019. It is the Group's policy to use derivative financial instruments (primarily forward currency contracts, currency swaps and currency options) to hedge up to 90 percent of certain exposures to foreign currency exchange risk for 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 restated in 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 there was no specific hedging in this respect at the reporting 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 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 certain of these exposures.

The impact of foreign currency exchange rate differences recorded within financial income/(expenses) for the year ended December 31, 2019, except for those arising on financial instruments measured at fair value, amounted to net losses of €24,237 thousand (net losses of €13,293 thousand and €18,059 thousand for the years ended December 31, 2018 and 2017, respectively).

All of the Group's financial services activities are conducted in the functional currency of the related financial services companies, therefore the impact of foreign currency exchange rate differences arising from financial services activities is nil in all periods presented.

Except as noted above, there have been no substantial changes in 2019 in the nature or structure of exposure to foreign currency exchange rate risk or in the Group's hedging policies.

The potential decrease in fair value of derivative financial instruments held by the Group at December 31, 2019 to hedge against foreign currency exchange rate risk, 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 €74,700 thousand (€106,400 thousand at December 31, 2018). 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, 2019 were cash and cash equivalents and certain receivables from financing activities (related to client and dealer financing), while 39 percent of the Group's gross debt bears floating rates of interest. At December 31, 2019, 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 €205 thousand on an annual basis (a decrease of €251 thousand at December 31, 2018). The analysis is based on the assumption that floating rate financial assets and debt which expires during the projected 12-month period will be renewed or reinvested in similar instruments, bearing the hypothetical short-term interest rates.

/ 30. Qualitative and quantitative information on financial risks

Liquidity risk

Liquidity risk arises if the Group is unable to obtain the funds needed to carry out its operations under economic conditions. 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 at its disposal. 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 series of 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 arrangement;
- 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 25. Details of the repayment of derivative financial instruments are provided in Note 19.

The Group has a revolving credit facility of €350 million at December 31, 2019 which was entirely undrawn (€500 million and entirely undrawn at December 31, 2018).

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 collect a receivable. 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, 2019 is represented by the carrying amounts of the financial assets stated 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 agreement.

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, timing of those cash flows, the cost of recovery and the fair value of any guarantees received.

Receivables from financing activities amounting to €966,448 thousand at December 31, 2019 (€878,496 thousand at December 31, 2018) are shown net of the allowance for doubtful accounts amounting to €7,480 thousand (€6,457 thousand at December 31, 2018). After considering the allowance for doubtful accounts, €59,448 thousand of receivables were overdue (€53,800 thousand at December 31, 2018). 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 €231,439 thousand at December 31, 2019 (€211,399 thousand at December 31, 2018) are shown net of the allowance for doubtful accounts amounting to €27,171 thousand (€24,346 thousand at December 31, 2018). After considering the allowance for doubtful accounts, €46,778 thousand of receivables were overdue (€36,772 thousand at December 31, 2018).

31. Entity-wide disclosures

The following table presents an analysis of net revenues by geographic location of the Group's clients:

(€ thousand)	For the years ended December 31,		
	2019	2018	2017
Italy	363,779	449,312	563,921
Rest of EMEA	1,636,831	1,400,443	1,308,261
Americas[(1)]	1,010,204	922,639	920,858
Mainland China, Hong Kong and Taiwan	350,330	274,268	282,550
Rest of APAC[(2)]	405,471	373,659	341,300
Total net revenues	**3,766,615**	**3,420,321**	**3,416,890**

[(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 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,					
	2019			2018		
	Property, plant and equipment	Goodwill	Intangible assets	Property, plant and equipment	Goodwill	Intangible assets
Italy	1,043,821	785,182	837,682	844,218	785,182	644,689
Rest of EMEA	6,309	—	—	2,251	—	—
Americas[(1)]	14,803	—	—	3,327	—	850
Mainland China, Hong Kong and Taiwan	1,574	—	—	351	—	—
Rest of APAC[(2)]	3,145	—	256	403	—	258
Total	**1,069,652**	**785,182**	**837,938**	**850,550**	**785,182**	**645,797**

[(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 and Malaysia.

32. Subsequent events

The Group has evaluated subsequent events through February 18, 2020, which is the date the Consolidated Financial Statements were authorized for issuance.

Under the common share repurchase program, from January 1, 2020 to February 14, 2020, the Company has repurchased an additional 209,326 common shares for a total consideration of €153.2 million. At February 14, 2020 the Company held in treasury an aggregate of 8,849,502 common shares.

On February 18, 2020, the Board of Directors of Ferrari N.V. recommended to the Company's shareholders that the Company declare a dividend of €1.13 per common share, totaling approximately €210 million. The proposal is subject to the approval of the Company's shareholders at the Annual General Meeting to be held on April 16, 2020.

Company Financial Statements
and Notes at December 31, 2019

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Income Statement / Statement of Comprehensive Income

for the years ended December 31, 2019, and 2018

(€ thousand)		For the years ended December 31,	
	Note	**2019**	**2018**
Net revenues	3	603	196
Other income	3	6,447	3,401
Dividend income	4	595,000	186,700
Cost of sales		1,451	930
Selling, general and administrative costs	5	28,207	29,493
Net financial expenses	6	30,287	25,003
Profit before taxes		**542,105**	**134,871**
Income tax benefit	7	5,337	12,498
Net and comprehensive income		**547,442**	**147,369**

The accompanying notes are an integral part of the Company Financial Statements.

Statement of Financial Position

at December 31, 2019 and 2018

(€ thousand)		At December 31,	
	Note	2019	2018
Assets			
Property, plant and equipment	8	2,617	106
Investments in subsidiaries	9	8,778,123	8,778,123
Financial assets - Non-current	11	22,587	22,871
Deferred tax assets	7	1,373	390
Total non-current assets		**8,804,700**	**8,801,490**
Inventories	10	—	149
Trade receivables	11	5,923	7,102
Tax receivables	7	17,413	111,590
Other current assets	11	44,186	12,384
Ferrari Group cash management pools	12	4,571	3,618
Cash and cash equivalents	13	56,542	75,615
Total current assets		**128,635**	**210,458**
Total assets		**8,933,335**	**9,011,948**
Equity and liabilities			
Share capital		2,573	2,504
Share premium		5,768,544	5,768,544
Other reserves		(438,277)	(67,835)
Retained earnings		529,074	174,870
Total equity	14	**5,861,914**	**5,878,083**
Debt - Non-current	16	1,180,438	1,190,493
Employee benefits		2,070	2,192
Total non-current liabilities		**1,182,508**	**1,192,685**
Debt - Current	16	1,866,100	1,818,337
Trade payables	17	9,419	15,885
Tax payables	7	2,549	100,640
Other current liabilities	18	10,845	6,318
Total current liabilities		**1,888,913**	**1,941,180**
Total liabilities		**3,071,421**	**3,133,865**
Total equity and liabilities		**8,933,335**	**9,011,948**

The accompanying notes are an integral part of the Company Financial Statements.

Statement of Cash Flows

for the years ended December 31, 2019 and 2018

(€ thousand)	For the years ended December 31,	
	2019	**2018**
Cash and cash equivalents at beginning of the period	**75,615**	**114,922**
Cash flows from operating activities		
Profit before taxes(*)	542,105	134,871
Net financial expenses	30,287	25,003
Depreciation	422	8
Other non-cash income and expenses	14,441	12,729
Change in trade payables	(6,652)	5,084
Change in trade receivables	1,317	2,891
Change in inventories	676	—
Change in other operating assets and liabilities	(28,011)	6,349
Cash received as part of dividend in kind from subsidiaries	—	940
Interest paid	(24,066)	(19,634)
Total	**530,519**	**168,241**
Cash flows (used in)/from investing activities		
Proceeds from loans to related parties	—	53,957
Investments in property, plant and equipment	(75)	—
Total	**(75)**	**53,957**
Cash flows used in financing activities		
Repayment of bonds	(315,395)	—
Proceeds from issuance of bonds	298,316	—
Net proceeds/(repayments) from financial liabilities with related parties	48,114	(22,000)
Change in Ferrari Group cash management pools	(953)	(6,317)
Change in lease liabilities	(186)	—
Dividends paid to owners	(192,664)	(133,095)
Share repurchases	(386,749)	(100,093)
Total	**(549,517)**	**(261,505)**
Total change in cash and cash equivalents	**(19,073)**	**(39,307)**
Cash and cash equivalents at the end of the period	**56,542**	**75,615**

(*) Dividends received for the years ended December 31, 2019 and 2018 of €595,000 thousand and €186,700 thousand, respectively, are included within profit before taxes.

The accompanying notes are an integral part of the Company Financial Statements.

Statement of Changes in Equity
for the years ended December 31, 2019 and 2018

(€ thousand)	Share capital	Share premium	Other reserves	Retained earnings	Total equity
At December 31, 2017	**2,504**	**5,768,544**	**13,119**	**160,178**	**5,944,345**
Comprehensive income	—	—	—	147,369	**147,369**
Dividends to owners	—	—	—	(133,939)	**(133,939)**
Share repurchases	—	—	(100,093)	—	**(100,093)**
Share-based compensation	—	—	22,491	—	**22,491**
Other changes	—	—	(3,352)	1,262	**(2,090)**
At December 31, 2018	**2,504**	**5,768,544**	**(67,835)**	**174,870**	**5,878,083**
Comprehensive income	—	—	—	547,442	**547,442**
Dividends to owners	—	—	—	(193,238)	**(193,238)**
Share repurchases	—	—	(386,749)	—	**(386,749)**
Share-based compensation	—	—	17,480	—	**17,480**
Other changes	69(1)	—	(1,173)	—	**(1,104)**
At December 31, 2019	**2,573**	**5,768,544**	**(438,277)**	**529,074**	**5,861,914**

(1) Relates to the issuance, allocation and deregistration of certain special voting shares under the Company's special voting shares terms and conditions.

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 Mercato Telematico Azionario, the stock exchange managed by Borsa Italiana.

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 year ended December 31, 2019 were authorized for issuance on February 18, 2020.

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.

/ 2. Basis of preparation and significant accounting policies

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, 2019 (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, 2019 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, 2019

The following new standards, interpretations and amendments were effective from January 1, 2019 and were adopted by the Company for the purpose of the preparation of the Company Financial Statements:

- *IFRS 16 - Leases (see below)*
- *IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments (see below)*
- *Amendments to IFRS 9 - Financial Instruments*
- *Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures*
- *Amendments to IAS 19 - Employee Benefits*
- *Annual Improvements to IFRS 2015-2017 Cycle*

Except for IFRS 16, as detailed below, there was no effect from the adoption of these standards, interpretations and amendments. Further information on these standards is provided in Note 2 of the Consolidated Financial Statements.

IFRS 16 - Leases

Transition impact

The Company applied the simplified transition approach and has therefore recognized the impacts of adoption at January 1, 2019 without restating comparative figures for the period prior to adoption. The Company elected to use the exemptions permitted on transition for short term leases (contracts in which the lease terms ends within 12 months of the date of initial application) and lease contracts for which the underlying asset is of low value.

Upon adoption, the Company recognized right-of-use assets and corresponding lease liabilities in relation to leases which had previously been classified as operating lease under IAS 17, measured at the present value of the remaining lease payments over the lease term that have not been paid at the date of adoption, discounted using the Company's incremental borrowing rate as of January 1, 2019, 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. At January 1, 2019 this rate was 4.5 percent based primarily on the country of the lessee and the remaining lease term of the underlying leased assets. The lease term includes both the non-cancellable periods for which the Company has the right to use the underlying assets and also any renewal periods if the Company is reasonably certain to exercise the related renewal option.

As of January 1, 2019, after considering the exemptions mentioned above, the Company had non-cancellable operating lease commitments of approximately €3,273 thousand. Of these commitments, the Company recognized right-of-use assets and related lease liabilities of €2,776 thousand. The main contracts within the scope of IFRS 16 for which the Company is lessee primarily relate to buildings.

(€ thousand)	At December 31, 2019	At January 1, 2019
Industrial buildings	2,387	2,601
Other assets	113	175
Right-of-use assets	**2,500**	**2,776**

(€ thousand)	At January 1, 2019
Non-cancellable operating lease commitments	3,273
Lease contracts for which the underlying asset is of low value	—
Lease contracts for which the lease term ends within 12 months	—
Discount of remaining lease payments	(497)
Lease liabilities	**2,776**

/ 2. Basis of preparation and significant accounting policies

Upon adoption the Company did not recognize any deferred tax assets or liabilities in respect of temporary differences arising on initial recognition of right-of-use assets and lease liabilities as the initial recognition does not affect accounting profit or taxable profit.

For the year ended December 31, 2019 the impact of adopting the new standard resulted in the recognition of €363 thousand of depreciation of right-of-use assets and €117 thousand of financial expenses. Lease expenses that would have been recognized in the income statement under the previous lease standard, IAS 17, would have been €431 thousand.

See "Leases" below for a description of the Group's accounting policy with respect to leases.

IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments

The Company adopted IFRIC Interpretation 23 - Uncertainty over Income Tax Treatments. The interpretation provides specific guidance to recognise and measure the accounting impact of tax uncertainties which IAS 12 did not address. Particularly, IFRIC 23 specifies how to determine the unit of account and the recognition and measurement guidance to be applied to that unit, as well as when to reconsider the accounting for a tax uncertainty. The interpretation is effective on or after January 1, 2019. The Company has reviewed its previously designed model to account for tax uncertainties and assessed that it is consistent with the more specific IFRIC 23 requirements.

New standards issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union ("EU") but not yet effective

The following standards issued by the IASB and endorsed by the EU are effective for annual periods beginning on or after January 1, 2020:

Amendments to IAS 1 - Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors which clarify the definition of 'material', as well as how materiality should be applied by including in the definition guidance that is included elsewhere in IFRS standards. In addition, the explanations accompanying the definition have been improved and the amendments ensure that the definition of material is consistent across all IFRS standards. These amendments are effective on or after January 1, 2020. The Company does not expect any material impact from the adoption of these amendments.

Amendments to IFRS 9 - Financial Instruments, IAS 39 - Financial Instruments: Recognition and Measurement and IFRS 7 - Financial Instruments: Disclosures, collectively the "Interest Rate Benchmark Reform", which modify certain hedge accounting requirements in order to provide relief from potential effects of the uncertainty caused by the interbank offered rates (IBOR) reform, and require companies to provide additional information to investors about their hedging relationships that are directly affected by these uncertainties. These amendments are effective on or after January 1, 2020. The Company does not expect any material impact from the adoption of these amendments.

Review of the Conceptual Framework for Financial Reporting which revised the *Conceptual Framework for Financial Reporting* effective for annual reporting periods on or after January 1, 2020 for companies that use the *Conceptual Framework* to develop accounting policies when no IFRS Standard applies to a particular

transaction, with early application permitted. The Company does not expect a material impact from the adoption of the revised *Conceptual Framework*.

Further information on these standards is provided in Note 2 of the Consolidated Financial Statements.

New standards, amendments, clarifications and interpretations issued by IASB but not yet endorsed by the EU

The following standards, amendments and interpretations have been issued by the IASB but not yet endorsed by the EU:

- *IFRS 17 - Insurance Contracts;*
- *Amendments to IFRS 3 - Business Combinations;*
- *Amendments to IAS 1 - Presentation of Financial Statements: Classification of Liabilities as Current or Non-current.*

The Company will introduce any new standards, amendments and interpretations once they are endorsed by the European Union and as of their effective dates. Further information on these standards is provided in Note 2 of the Consolidated Financial Statements.

Investments in subsidiaries

Investments in subsidiaries are stated at cost, less impairment. 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 to sell 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.

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.

/ 2. Basis of preparation and significant accounting policies

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, 2019 amounted to €39 thousand (€23 thousand at December 31, 2018).

The principal foreign currency exchange rates used to translate other currencies into Euro were as follows:

	2019		2018	
	Average	At December 31,	Average	At December 31,
U.S. Dollar	1.1195	1.1234	1.1810	1.1450
Pound Sterling	0.8778	0.8508	0.8847	0.8945

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:

	Depreciation rates
Buildings	10%
Office equipment	20% - 22%
Other assets	20% - 25%

Leases

With the adoption of IFRS 16, 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.

Inventories

Inventories of demo vehicles and spare parts are stated at the lower of cost and net realizable value. Cost is determined on a first-in first-out ("FIFO") basis. Provision is made for obsolete and slow-moving inventories 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 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.

/ 2. Basis of preparation and significant accounting policies

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 income 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 a 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.

Derivative financial instruments

Derivative financial instruments are used for economic hedging purposes in order to reduce currency risk, principally between the Euro and the U.S. Dollar. The Company does not apply hedge accounting. All derivative financial instruments are measured at fair value. Gains and losses from the fair value measurement of derivative financial instruments are recognized immediately in the income statement within net financial expenses.

Income taxes

Current and deferred taxes are recognized as income or 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.

With the adoption of IFRIC 23 on January 1, 2019, the Company reviewed its previously designed model to account for tax uncertainties and assessed that it is consistent with the more specific IFRIC 23 requirements.

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.

Dividends in kind transaction

At October 1, 2018, a dividend in kind was distributed from the subsidiary Ferrari S.p.A. to the Company. The dividend in kind relates to the transfer of finance, HR and other personnel, as well as certain liabilities associated with the personnel transferred, in exchange for cash. The distribution of the dividend in kind represents a transfer of a business from a subsidiary to the Company. The Company accounts for such transaction as an "under common control" transaction. EU IFRS currently provides no guidance for the accounting treatment of transactions among entities under common control. If there is no specifically applicable guidance, IAS 8 requires an entity to develop a policy that is relevant to the decision-making needs of users and that is reliable. The Company decided to apply the "Predecessor Accounting Method", according to which:

- Assets and liabilities of the acquired/transferred business are stated at predecessor carrying values. Fair value measurement is not required.
- No new goodwill arises in predecessor accounting.

According to the Predecessor Accounting Method, the dividend in kind amounted to €940 thousand and was recorded as an increase in other liabilities in connection with personnel transferred, with an equal amount of cash received.

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 Senior Management Team ("SMT") and other key employees of the Group. The equity incentive plan is accounted for in accordance with *IFRS 2 - Share-based Payments*, which requires the Company to recognize share-based

/ 2. Basis of preparation and significant accounting policies

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 the 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 entry recorded as an increase to equity, whilst share-based compensation recharged to the subsidiaries of the Group is recognized as a financial receivable with an offsetting entry recorded as an 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, 2019 amounted to €603 thousand (€196 thousand for the year ended December 31, 2018) and primarily related to sales of demo cars and spare parts to third parties as well as marketing-related events hosted on behalf of third party dealers and other customers.

Other income for the year ended December 31, 2019 amounted to €6,447 thousand (€3,401 thousand for the year ended December 31, 2018) and primarily related to costs recharged to Ferrari S.p.A.

4. Dividend income

Dividend income for the year ended December 31, 2019 amounted to €595,000 thousand and related entirely to a dividend from Ferrari S.p.A, approved on April 3, 2019 and received in three tranches between April and July 2019.

Dividend income for the year ended December 31, 2018 amounted to €186,700 thousand and related entirely to a dividend from Ferrari S.p.A, approved on April 5, 2018 and received on May 11, 2018.

5. Selling, general and administrative costs

Selling, general and administrative costs consisted of the following:

(€ thousand)	For the years ended December 31,	
	2019	**2018**
Personnel expenses	16,804	17,112
Shared services provided by Ferrari S.p.A.	2,834	5,272
Legal and professional services	4,532	3,566
Insurance	2,616	2,321
Other expenses	1,421	1,222
Total selling, general and administrative costs	**28,207**	**29,493**

Personnel expenses include costs related to the equity incentive plans (see Note 15), compensation for directors and employees. Detailed information on Board of Directors and key officer compensation is included in the "Corporate Governance" and "Remuneration of Directors" sections to the Annual Report.

At December 31, 2019 the Company had 23 full time equivalent employees, 13 of which relate to the UK Branch and 10 of which relate to the Italian Branch (at December 31, 2018 the Company had 22 full time equivalent employees, 12 of which relate to the UK Branch and 10 of which relate to the Italian Branch). All employees work outside of the Netherlands.

/ 5. Selling, general and administrative costs

Shared service costs mainly relate to services provided by Ferrari S.p.A. for human resources, payroll, tax, legal, accounting and treasury. The decrease is mainly due to the transfer of finance, human resources and other personnel through the dividend in kind transaction described in Note 2 - *Basis of preparation and significant accounting policies*.

Legal and professional services mainly relate to listing fees and expenses for legal, financial and other consulting services.

6. Net financial expenses

Net financial expenses consisted of the following:

(€ thousand)	For the years ended December 31,	
	2019	**2018**
Interest expenses	28,330	23,577
Of which:		
Interest and other finance costs on bonds and notes	*20,703*	*12,386*
Interest on intercompany borrowings	*7,510*	*11,191*
Interest on leases	*117*	*—*
Fair value changes on currency swap	—	1,296
Foreign exchange rate differences	376	(507)
Other financial expenses	1,614	1,259
Other financial income	(33)	(622)
Net financial expenses	**30,287**	**25,003**

The increase in interest and other finance costs on bonds and notes for the year ended December 31, 2019 primarily relates to costs of €8,142 thousand for the partial repurchase of bonds following a cash tender offer in July (in particular the repurchase price and premium incurred, as well as previously unamortized issuance costs).

Fair value changes on currency swap relates to the instruments entered into to hedge exposure to foreign currency exchange fluctuations of a U.S. Dollar denominated financial receivable with Ferrari Financial Services Inc. ("FFS Inc"), a subsidiary of Ferrari S.p.A, that was entered into in November 2017. The currency swap matured in November 2018, concurrently with the repayment of the financial receivable.

Other financial expenses for both 2019 and 2018 includes bank fees and charges.

Other financial income includes interest income on cash and cash equivalents held with banks and, for 2018 only, interest income on the financial receivable with FFS Inc that was repaid in November 2018.

7. Income taxes

Income tax benefit for the years ended December 31, 2019 and 2018 is as follows:

(€ thousand)	For the years ended December 31,	
	2019	2018
Current income tax benefit	4,356	10,902
Deferred income tax benefit/(expense)	981	1,596
Total income tax benefit	**5,337**	**12,498**

In September 2018, the Group signed an agreement with the Italian Revenue Agency in relation to the Patent Box tax regime, which provides tax benefits for companies that generate income through the use, both direct and indirect, of copyrights, patents, trademarks, designs and know-how. The agreement relates to the five-year period from 2015 to 2019. The Group applied the Patent Box tax regime for the calculation of income taxes starting in the third quarter of 2018.

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, 2019 and 2018:

(€ thousand)	For the years ended December 31,	
	2019	2018
Profit before tax	542,105	134,871
Theoretical income tax expense	(130,105)	(32,369)
Tax effect on:		
Non-taxable dividends	135,660	42,568
Non-deductible costs	(125)	(93)
Other permanent differences	(93)	2,392
Total income tax benefit	**5,337**	**12,498**

The following table provides a split of tax receivables and tax payables for the years ended December 31, 2019 and 2018:

(€ thousand)	At December 31,	
	2019	2018
Tax receivables	17,413	111,590
Tax payables	2,549	100,640
Net	**14,864**	**10,950**

Tax receivables of €17,413 thousand at December 31, 2019 (€111,590 thousand at December 31, 2018) primarily relate to amounts due from the tax authorities for the 2019 Group tax consolidation in Italy.

/ 7. Income taxes

Tax payables of €2,549 thousand at December 31, 2019 (€100,640 thousand at December 31, 2018) primarily relate to amounts due to related parties for the 2019 Group tax consolidation in Italy.

(€ thousand)	At December 31,	
	2019	2018
Deferred tax assets		
To be recovered after 12 months	820	312
To be recovered within 12 months	553	78
Net deferred tax assets	**1,373**	**390**

The increase in net deferred tax assets from €390 thousand at December 31, 2018 to €1,373 thousand at December 31, 2019 is primarily related the reversal of deferred tax liabilities on debt issuance costs as a result of the Company's partial repurchase of bonds during 2019.

8. Property, plant and equipment

(€ thousand)	At December 31,	
	2019	2018
Cost	3,115	166
Accumulated depreciation	(498)	(60)
Carrying amount	**2,617**	**106**

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 2019 of €2,776 thousand in accordance with the adoption of *IFRS 16 - Leases*. There are no liens, pledges, collateral or restrictions on use over property, plant and equipment. Depreciation charges of €422 thousand for the year ended December 31, 2019 (€8 thousand for the year ended December 31, 2018) were recorded within selling, general and administrative costs, of which €363 thousand related to right-of-use assets. See Note 16 *"Debt"* for information related to the related lease liabilities.

9. Investments in subsidiaries

Investment in subsidiaries amounted to €8,778,123 thousand at December 31, 2019 and 2018, and included investments in Ferrari S.p.A. amounting to €8,778,000 thousand and New Business 33 S.p.A. (formerly Fiat Investments S.p.A.) amounting to €123 thousand.

Impairment testing

At December 31, 2019, the market capitalization of Ferrari N.V. amounted to approximately €27.4 billion. Considering the share price of the Company at December 31, 2019 and at the date of authorization of the Company Financial Statements, no impairment indicators were identified. As disclosed in Note 13 to the Consolidated Financial Statements, no impairment indicators were identified in respect to the impairment test performed for the Consolidated Financial Statements.

10. Inventories

Inventories at December 31, 2018 of €149 thousand related to demo cars purchased from Ferrari S.p.A. for eventual sale to third parties, and were recorded net of a provision of €517 thousand. During 2019, the Company sold the remaining inventory and therefore had no inventory at December 31, 2019.

Changes in the provision for slow moving and obsolete inventories were as follows:

(€ thousand)	2019	2018
At January 1,	**517**	**353**
Provision	—	168
Use and other changes	(517)	(4)
At December 31,	**—**	**517**

11. Trade receivables, financial assets and other current assets

Trade receivables

(€ thousand)	At December 31,	
	2019	2018
Trade receivables	5,923	7,102
Financial assets	22,587	22,871
Other current assets	44,186	12,384
Total	**72,696**	**42,357**

Trade receivables at December 31, 2019 included €4,945 thousand due from Ferrari S.p.A. for corporate services rendered and fees charged and €978 thousand due from third parties for marketing-related events (€6,513 thousand and €589 thousand respectively at December 31, 2018).

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,	
	2019	2018
Trade receivables denominated in:		
Euro	2,782	5,938
Pound Sterling	3,141	1,164
Total	**5,923**	**7,102**

Non-current financial receivables

At December 31, 2019, non-current financial receivables of €22,587 thousand (€22,871 thousand at December 31, 2018) related to receivables from subsidiaries, mainly Ferrari S.p.A., for recharges of share-based compensation relating to equity instruments awarded to employees of the subsidiaries under the equity incentive plans, pursuant to an intercompany agreement.

Other current assets

Other current assets of €44,186 thousand at December 31, 2019 (€12,384 thousand at December 31, 2018) primarily include VAT credits and prepaid expenses. The increase in 2019 primarily related to an increase in VAT receivables.

12. 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.. At December 31, 2019, the Company had a net asset of €4,571 thousand (€3,618 thousand at December 31, 2018). Amounts in cash management pools at December 31, 2019 and 2018 were entirely denominated in Pound Sterling.

13. Cash and cash equivalents

Cash and cash equivalents amounted to €56,542 thousand at December 31, 2019 (€75,615 thousand at December 31, 2018) and were entirely 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, 2019 and 2018.

Credit risk associated with cash and cash equivalents is considered limited as the counterparties are leading national and international banks.

14. Equity

Share capital

At December 31, 2019 the fully paid up share capital of the Company was €2,573 thousand, consisting of 193,923,499 common shares and 63,349,111 special voting shares, all with a nominal value of €0.01 per share (€2,504 thousand at December 31, 2018 consisting of 193,923,499 common shares and 56,497,618 special voting shares, all with a nominal value of €0.01). As per the resolution of the Annual General Meeting of Shareholders on April 12, 2019 which approved to cancel all special voting shares in the share capital of the Company held in treasury as of that date, on August 29, 2019 the Company completed the cancellation process of 3,902 special voting shares.

/ 14. Equity

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, 2019:

(€ thousand)

	Common Shares	Special Voting Shares	Total
Outstanding shares at December 31, 2018	**187,920,656**	**56,492,874**	**244,413,530**
Common shares repurchased under share repurchase program[1]	(2,907,702)	—	(2,907,702)
Common shares assigned under equity incentive plans[2]	270,369	—	270,369
Special voting shares allocation[3]	—	6,854,047	6,854,047
Outstanding shares at December 31, 2019	**185,283,323**	**63,346,921**	**248,630,244**

[1] Includes shares repurchased between January 1, 2019 and December 31, 2019 based on the transaction trade date, for a total consideration of €386,094 thousand, including transaction costs.

[2] During 2019, approximately 230 thousand performance share units and 40 thousand retention restricted share units vested un the Equity Incentive Plan 2016-2020 as a result of certain performance or retention requirements being achieved. As a result, a corresponding number of common shares which were previously held in treasury, were assigned to participants of the plan. See Note 15 "Share-Based Compensation" for additional details.

[3] Relates to the issuance, allocation and deregistration of certain special voting shares under the Company's special voting shares terms and conditions.

The authorized share capital of the Company is €7,500,000, divided into 375,000,000 common shares with nominal value of €0.01 per share and an equal number of special voting shares with nominal value of €0.01 per share.

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. 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 effected 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 shareholders 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 Company.

Share premium

The share premium reserve amounted to €5,768,544 thousand at both December 31, 2019 and December 31, 2018, and primarily originated from the issuance of common shares pursuant to the restructuring activities undertaken as part of an intra-group restructuring (the Separation).

Retained earnings

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 €193,238 thousand (of which €192,664 thousand was paid in 2019). 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 13, 2018, a dividend distribution of €0.71 per common share was approved, corresponding to a total distribution of €133,939 thousand (of which €133,095 thousand was paid in 2018). The distribution was made from the retained earnings reserve.

Other reserves

Other reserves includes, among others:

- a treasury reserve of €486,839 thousand at December 31, 2019 and €100,143 thousand at December 31, 2018;
- a share-based compensation reserve of €46,539 thousand at December 31, 2019 and €52,198 thousand at December 31, 2018;
- a legal reserve of €65 thousand at December 31, 2019 and €29 thousand at December 31, 2018, 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, 2019, the legal and non-distributable reserves of the Company amounted to €65 thousand (€29 thousand at December 31, 2018) 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, 2019, the cumulative translation reserve amounted to €59 thousand (€23 thousand at December 31, 2018).
- The Company records a statutory non-distributable reserve equal to 1 percent of the nominal value of the special voting shares. At December 31, 2019 and 2018, this reserve amounted to €6 thousand.

During the year ended December 31, 2019 the Company repurchased 2,907,702 common shares for a total consideration of €386,749 thousand under the multi-year €1.5 billion total share repurchase program announced in December 2018 (1,033,218 common shares for a total consideration of €100,093 thousand were repurchased during the year ended December 31, 2018 under a previous share repurchase program). Shares repurchased may be used to meet the Company's obligations arising from the equity incentive plans.

/ 14. Equity

Reconciliation of Equity and Net Profit

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,	
	2019	2018
Equity attributable to owners of the parent in the Consolidated Financial Statements of Ferrari N.V.	**1,481,290**	**1,348,722**
Intra-group restructuring	5,969,427	5,969,427
OCI reserves in the Consolidated Financial Statements	(25,997)	(26,740)
Cumulative results of subsidiaries in the Consolidated Financial Statements in prior years	(1,832,936)	(1,008,927)
Results of subsidiaries in the Consolidated Financial Statements	(743,376)	(824,009)
Cumulative dividends in prior years	421,700	235,000
Other changes	(3,194)	(2,090)
Dividends	595,000	186,700
Equity in the Company Financial Statements of Ferrari N.V.	**5,861,914**	**5,878,083**

The reconciliation of net profit as per the Consolidated Financial Statements to net profit as per the Company Financial Statements is provided below:

(€ thousand)	For the years ended December 31,	
	2019	2018
Net profit attributable to owners of the parent in the Consolidated Financial Statements of Ferrari N.V.	**695,818**	**784,678**
Results of subsidiaries in the Consolidated Financial Statements	(743,376)	(824,009)
Dividends	595,000	186,700
Net profit in the Company Financial Statements of Ferrari N.V.	**547,442**	**147,369**

15. Share-Based Compensation

Equity Incentive Plan 2016 - 2020

Following the approval on March 1, 2017 of the equity incentive plan by the Board of Directors on April 14, 2017 the Shareholders approved an award to the Chief Executive Officer under the Group's equity incentive plan, which is applicable to members of the Senior Management Team ("SMT") and key leaders of the Group. The grants of the Performance Share Units ("PSUs") and the Retention Restricted Share Units ("RSUs"), each representing the right to receive one common share of the Company, cover a five-year performance period from 2016 to 2020, consistent with the Group's strategic horizon. During 2018 additional PSU and RSU awards were granted to the current Chief Executive Officer and certain key employees of the Group under the equity incentive plan.

Equity Incentive Plan 2019-2021

Under a new equity incentive plan approved in 2019, additional PSUs and RSUs, which each represent the right to receive one Ferrari common share, were awarded to the Executive Chairman, the Chief Executive Officer, all members of the SMT and other key employees of the Group ("Equity Incentive Plan 2019-2021"). These PSUs and RSUs cover a three-year performance period from 2019 to 2021.

Outstanding share awards

Changes during 2019, 2018 and 2017 to the outstanding number of PSU and RSU share awards under both the Equity Incentive Plan 2016-2020 and Equity Incentive Plan 2019-2021 are as follows:

	Outstanding PSU Awards	Outstanding RSU Awards
Balance at January 1, 2017	**—**	**—**
Granted[1]	686,933	118,467
Forfeited	—	—
Vested	—	—
Balance at December 31, 2017	**686,933**	**118,467**
Granted[1]	20,793	10,397
Forfeited	(21,200)	(10,600)
Vested	—	—
Balance at December 31, 2017	**686,526**	**118,264**
Granted[2]	175,307	110,968
Forfeited	(32,832)	(18,000)
Vested	(230,282)	(40,087)
Balance at December 31, 2019	**598,719**	**171,145**

(1) Granted under the Equity Incentive Plan 2016-2020
(2) Granted under the Equity Incentive Plan 2019-2021

/ 15. Share-based compensation

Share-based compensation

For the years ended December 31, 2019 and 2018, the Company recognized €17,480 thousand and €22,491 thousand, respectively, as an increase to other reserves in equity for the PSU awards and RSU awards.

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 2019, €7,807 thousand was recognized as an expense in cost of sales and selling, general and administrative costs, and €9,673 thousand was recorded as financial receivables in relation to share-based compensation recharged to subsidiaries (€15,037 thousand and €7,454 thousand respectively for the year ended December 31, 2018).

At December 31, 2019 the unrecognized share-based compensation amounted to approximately €19,298 thousand and will be recognized over the remaining vesting periods until 2021. A portion of the unrecognized share-based compensation will be recharged to subsidiaries of the Company.

See Note 21 *"Share-based Compensation"* to the Consolidated Financial Statements for additional details relating to the equity incentive plan.

16. Debt

(€ thousand)	Balance at December 31, 2018	Impact of IFRS 16 adoption	Balance at January 1, 2019	Proceeds from borrowings	Repayments of borrowings	Net interest accrued/(paid) and other	Balance at December 31, 2019
Bonds	1,198,109	—	1,198,109	298,316	(315,395)	4,440	1,185,470
Financial liabilities with related parties	1,810,721	—	1,810,721	1,576,114	(1,528,000)	(357)	1,858,478
Lease liabilities	—	2,776	2,776	—	(186)	—	2,590
Total debt	**3,008,830**	**2,776**	**3,011,606**	**1,874,430**	**(1,843,581)**	**4,083**	**3,046,538**

The breakdown of debt at December 31, 2019 and 2018 by nature and by maturity is as follows:

(€ thousand)	At December 31,							
	2019				2018			
	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	7,260	879,834	298,376	1,185,470	7,616	1,190,493	—	1,198,109
Financial liabilities with related parties	1,858,478	—	—	1,858,478	1,810,721	—	—	1,810,721
Lease liabilities	362	1,260	968	2,590	—	—	—	—
Total debt	**1,866,100**	**881,094**	**299,344**	**3,046,538**	**1,818,337**	**1,190,493**	**—**	**3,008,830**

Bonds and notes

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. 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 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 amounts outstanding at December 31, 2019 of €385,776 thousand includes accrued interest of €4,567 thousand (€500,197 thousand including accrued interest of €5,938 thousand at December 31, 2018).

2021 Bond

On November 16, 2017, the Company issued 0.25 percent coupon notes due January 2021, having a principal of €700 million. The bond was issued at a discount for an issue price of 99.557 percent, resulting in net proceeds of €694,172 thousand after the debt discount and issuance costs. The net proceeds were primarily used to repay a bank loan. The bond is unrated and was admitted to trading on the regulated market of 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 €200,000 thousand. The amount outstanding at December 31, 2019 of €499,824 thousand includes accrued interest of €1,199 thousand (€697,912 thousand including accrued interest of €1,678 thousand at December 31, 2018).

The notes for both the 2023 Bond and the 2021 Bond 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. As of December 31, 2019 and 2018, the Company was in compliance with the covenants of the notes.

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 are to be primarily used towards general corporate purposes, including the funding of capital expenditures. The amounts outstanding of the 2029 Notes and 2031 Notes at December 31, 2019 were €149,891 thousand and €149,979 thousand, including accrued interest of €700 thousand and €794 thousand, respectively.

/ 16. Debt

Financial liabilities with related parties

Financial liabilities with related parties at December 31, 2019 are broken down as follows:

(€ thousand)	Currency	Total amount outstanding at December 31, 2019	Due date	Interest Rate
Ferrari S.p.A.	Euro	500,095	May 2020	EURIBOR 3M + 60bps
Ferrari S.p.A.	Euro	500,095	November 2020	EURIBOR 3M + 60bps
Ferrari S.p.A.	Euro	148,052	April 2020	EURIBOR 3M + 60bps
Ferrari S.p.A.	Euro	710,236	October 2020	EURIBOR 6M + 60bps
Total		**1,858,478**		

Financial liabilities with related parties at December 31, 2018 are broken down as follows:

(€ thousand)	Currency	Total amount outstanding at December 31, 2018	Due date	Interest Rate
Ferrari S.p.A.	Euro	1,000,153	September 2019	EURIBOR 3M + 60bps
Ferrari S.p.A.	Euro	432,468	October 2019	EURIBOR 3M + 110bps
Ferrari S.p.A.	Euro	148,074	April 2019	EURIBOR 3M + 60bps
Ferrari S.p.A.	Euro	230,026	December 2019	EURIBOR 3M + 60bps
Total		**1,810,721**		

During 2019, certain debt agreements with Ferrari S.p.A. were renewed. Net proceeds from financial liabilities with related parties amounted to €48,114 thousand in 2019 (net repayments of €22,000 thousand in 2018).

At December 31, 2019 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 €1,858 thousand on an annualized basis (decrease of €1,734 thousand at December 31, 2018).

The carrying amount of the financial liabilities with related parties approximates fair value.

Information on fair value measurement and qualitative and quantitative information on financial risks are provided in 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

As a result of adopting IFRS 16 - Leases on January 1, 2019, the Company recognized right-of-use assets and related lease liabilities of €2,776 thousand in relation to leases which had previously been classified as operating leases under the previous lease standard, IAS 17. For further details please refer to Note 2 “Basis of preparation and Significant Accounting Policies - New standards and amendments effective from January 1, 2019 - IFRS 16 - Leases”.

As of December 31, 2019 lease liabilities amount to €2,590 thousand.

Revolving Credit Facility

At December 31, 2018 the Company had a revolving credit facility of €500 million which was undrawn. This revolving credit facility was cancelled in December 2019 and replaced with a new €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. At December 31, 2019 the RCF was undrawn.

17. Trade payables

(€ thousand)	At December 31,	
	2019	**2018**
Due to related parties	3,157	14,701
Due to third parties	6,262	1,184
Total trade payables	**9,419**	**15,885**

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)	At December 31,	
	2019	**2018**
Trade payables denominated in:		
Euro	4,809	13,535
Pound Sterling	4,610	2,350
Total	**9,419**	**15,885**

Trade payables are due within one year and their carrying amount at the reporting date is deemed to approximate their fair value.

18. Other current liabilities

Other current liabilities amounted to €10,845 thousand at December 31, 2019 (€6,318 thousand at December 31, 2018) and primarily relate to indirect tax payables, payables to personnel, deferred income and provisions.

Deferred income principally relates to advances received from dealers for marketing-related events, such as new car launches.

19. Earnings per share

Earnings per share information is provided in Note 12 to the Consolidated Financial Statements.

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)	For the years ended December 31,	
	2019	**2018**
Audit fees	1,150	1,340
Tax fees	—	12
Audit-related fees	139	5
Total	**1,289**	**1,357**

Audit fees of Ernst & Young Accountants LLP amounted to €80 thousand in 2019 and 2018 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, 2019 and 2018, the Company provided guarantees over certain debt of its subsidiary Ferrari Financial Services Inc. The book value of the related debt at December 31, 2019 and 2018 was €31,211 thousand and €30,694 thousand, respectively.

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:

- Purchase of demo vehicles and spare parts from Ferrari S.p.A. (Note 10)
- 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 12)
- Financial liabilities and receivables with Ferrari S.p.A. or other subsidiaries of the Group (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, 2019:

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[(1)]	Germany	Service company	100%
G.S.A. S.A.	Switzerland	Service company	100%
Mugello Circuit S.p.A.	Italy	Racetrack management	100%
Ferrari Financial Services USA	USA	Financial services	100%
Indirectly held through other Group entities			
Ferrari Auto Securitization Transaction, LLC[(2)]	USA	Financial services	100%
Ferrari Auto Securitization Transaction - Lease, LLC[(2)]	USA	Financial services	100%
Ferrari Auto Securitization Transaction - Select, LLC[(2)]	USA	Financial services	100%
Ferrari Financial Services Titling Trust[(2)]	USA	Financial services	100%
410, Park Display Inc.[(3)]	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)] Changes its name from Ferrari Central East Europe GmbH to Ferrari Central Europe GmbH, effective December 2, 2019.
[(2)] Shareholding held by Ferrari Financial Services Inc.
[(3)] Shareholding held by Ferrari North America Inc.

25. Subsequent events

The Company has evaluated subsequent events through February 18, 2020, which is the date the Company Financial Statements were authorized for issuance.

Under the common share repurchase program, from January 1, 2020 to February 14, 2020, the Company has repurchased an additional 209,326 common shares for a total consideration of €153.2 million. At February 14, 2020 the Company held in treasury an aggregate of 8,849,502 common shares.

On February 18, 2020, the Board of Directors of Ferrari N.V. recommended to the Company's shareholders that the Company declare a dividend of €1.13 per common share, totaling approximately €210 million. The proposal is subject to the approval of the Company's shareholders at the Annual General Meeting to be held on April 16, 2020.

February 18, 2020

Board of Directors
John Elkann
Louis C. Camilleri
Piero Ferrari
Delphine Arnault
Giuseppina Capaldo
Eddy Cue
Sergio Duca
Maria Patrizia Grieco
Adam Keswick
Elena Zambon

SMP RACING
ups
PRO
TOTAL
ADLER
51
HUBLOT

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 2019 included in the annual report

Our opinion

We have audited the financial statements for the year ended 2019 of Ferrari N.V. (herein referred to as the “company” and together with its subsidiaries the “group”), based in Amsterdam, the Netherlands.

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, 2019, and of its result and its cash flows for 2019, in accordance with International Financial Reporting Standards as adopted by the European Union (EUIFRS) 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, 2019;
- The following statements for 2019: the consolidated and company income statement, 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.

Our audit approach

Our understanding of the business

Ferrari N.V. is among the world's leading luxury brands. The activities of Ferrari N.V. are focused on the design, engineering, production and sale of luxury performance sports cars. The 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, non-compliance with laws and regulations 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	€40 million (2018: €40 million)
Benchmark applied	5% of profit before taxes
Explanation	We consider an earnings-based measure, particularly profit before taxes, as the appropriate basis for determining our materiality because the users of the financial statements of profit-oriented entities tend to focus on operational performance

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 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.

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 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 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.
Non-compliance with laws and regulations may result in fines, litigation or other consequences for the company that may have a material effect on the financial statements.

/ Report on the audit of the financial statements 2019 included in the annual report

Our audit response related to fraud risks

In order to identify and assess the risks of material misstatements of the financial statements due to fraud, we obtained an understanding of the entity and its environment, including the entity's internal control relevant to the audit and in order to design audit procedures that are appropriate in the circumstances. As in all of our audits, we addressed the risk of management override of internal control.

We considered available information and made enquiries of relevant executives, directors (including internal audit, legal, compliance, human resources and directors of group entities) and the audit committee. 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 our risk assessment we considered the potential impact of performance based bonus schemes which the company has in place at certain components. Furthermore, as Ferrari N.V. is a global company, operating in multiple jurisdictions, we considered the risk of bribery and corruption.

We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls that mitigate fraud risks. In addition, we performed procedures to evaluate key accounting estimates for management bias in particular relating to important judgment areas and significant accounting estimates as disclosed in Note 2 and Note 23 to the consolidated financial statements. We have also used data analysis to identify and address high-risk journal entries.

We incorporated elements of unpredictability in our audit. We considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance. If so, we reevaluate our assessment of fraud risk and its resulting impact on our audit procedures.

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 management board, 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.

Going concern

In order to identify and assess the risks of going concern and to conclude on the appropriateness of management's use of the going concern basis of accounting, we considered based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's 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.

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.

Scope of the group audit

Ferrari N.V. is the parent of a group of entities. The financial information of this group is included in the consolidated financial statements of Ferrari N.V.

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 specific items.

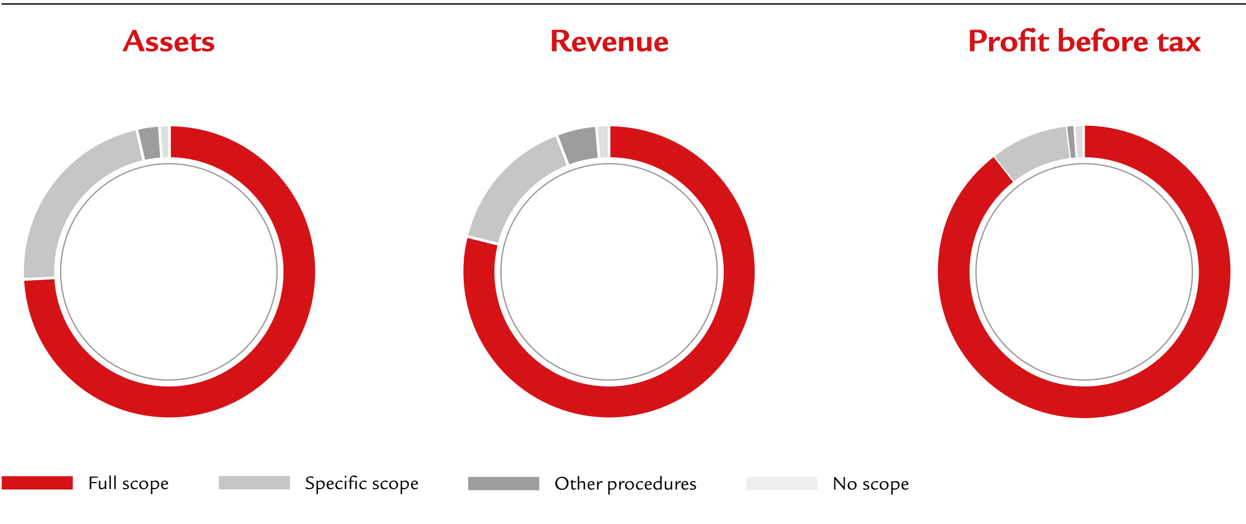
Our group audit mainly focused on significant group entities. Group entities are considered significant because of their individual financial significance or because they are more likely to include significant risks of material misstatement due to their specific nature or circumstances. All significant 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, either due to their overall size or their risk characteristics. Specific scope audit procedures on certain balances and transactions were performed on four entities. Other 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, or by component auditors from Ernst & Young Global member firms and operating under our coordination and supervision. We have performed the following procedures:

- We visited EY Italy and reviewed the audit work performed on the group consolidation, financial statements and related disclosures 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 reviewed the reporting deliverables for Ferrari North America Inc. and Ferrari Financial Services Inc.

/ Report on the audit of the financial statements 2019 included in the annual report

The entities included in the group audit scope represent 99% of the group's total assets, 99% of net revenues and 99% of profit before taxes. The scope of the procedures performed is detailed in the graphs reported below:



By performing the procedures mentioned above at group entities, 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 about the consolidated financial statements.

Teaming, use of specialists and internal audit

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, treasury, share based payments and income tax and have made use of our own experts in the areas of valuations and actuaries.

General audit procedures

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;
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- 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.

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 matters is not a comprehensive reflection of all matters discussed.

The key audit matter revenue recognition which was included in our last year's auditor's report, is not considered a key audit matter for this year as we considered it did not include a significant risk of a material misstatement due to error or fraud, there is no significant judgement or subjectivity involved, and there is a high degree of objectivity of audit evidence involved. We considered that the extent of efforts required was, by itself, not a key driving factor in the determination of a key audit matter.

The key audit matter mentioned below is addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Risk	As more fully described in the Notes to the consolidated financial statements, the group establishes a provision for product warranties at the time the 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 voluntary service actions to address various client satisfaction, safety and emissions issues related to cars sold. The provision includes management's estimate of the expected cost to fulfill the obligations over the contractual warranty period. Such estimate is developed on assumptions over expected costs to be incurred based on the group's historical claims or costs experience, including the cost of parts and services. As at December 31, 2019 the warranty and recall campaigns provision amounted to €108 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 or recall actions and the nature of the corrective action that may result in adjustments to 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 designed to address the matter in our audit included, among others, obtaining an understanding of the warranty and recall campaign provisioning process, evaluating the group's accounting policy, and assessing the design and operating effectiveness of internal controls relevant to this area, specifically related to management's assumptions developed to estimate future costs to be incurred. We assessed the methodology and assumptions used by 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. 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 management. Lastly, we assessed the adequacy of the warranty and recall campaign disclosures included in the notes to the consolidated financial statements.
Key observations	We concur with management's 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

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The Board Report, including the Remuneration of Directors
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code

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 and Section 2:135b of the Dutch Civil Code

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.

Management is responsible for the preparation of the other information, including the Board Report in accordance with Part 9 of Book 2 of the Dutch Civil Code, other information required by Part 9 of Book 2 of the Dutch Civil Code and the Remuneration of Directors in accordance with Section 2:135b of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by 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.

Description of responsibilities for the financial statements

Responsibilities of management and the audit committee for the financial statements

Management 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, management is responsible for such internal control as management 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, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management 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.

The audit committee is responsible for overseeing the company's financial reporting process.

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 "Our audit approach" section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

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.

/ Description of responsibilities for the financial statements

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.

Rotterdam, February 18, 2020

Ernst & Young Accountants LLP

/s/ P.W.J. Laan